



20  
23

Taking the next steps  
on our sustainability journey

Sustainability Report  
KBC Group



# ABOUT THIS REPORT

We report on our group's sustainability performance on an annual basis through our sustainability report. The purpose of this report is to explain how we address corporate sustainability and how we implement our sustainability strategy and Sustainable Finance Programme. It also describes the policies and guidelines we observe, the targets we have set ourselves and our main achievements.

## Content and materiality

To define the content of this report, we have considered:

- The material topics that may have a significant impact on our business.
- The topics with the most significant impact on the economy, environment and people.

To identify these topics and their potential impact, we regularly engage with all relevant stakeholders throughout the year. Together, these define the content of this report. For further information, see the '[Our sustainability strategy](#)' section of this report. For detailed results of the materiality assessment conducted in 2022, we refer to the '[Value creation: our material topics 2022](#)' appendix of the 2022 Sustainability Report.

## Reporting guidelines

We have prepared this Sustainability Report in observance of the 2021 Global Reporting Initiative Sustainability Reporting Standards (in this report referred to as GRI Standards). These standards set out universal guidelines for sustainability reporting. In line with the GRI standards, we have included the general disclosures and the disclosures for each high-priority topic identified. Since 2019, we have also been mapping our material topics to SASB (Sustainability Accounting Standards Board) standards. We include relevant disclosure topics in the [GRI/SASB Content Index](#). You can find the [GRI Content Index and SASB disclosure](#) at the end of this report.

## Scope

In general, this report covers the KBC Group organisation as a whole. It matches the scope of consolidation used for financial information as per end of September 2023, unless stated otherwise.

**The main differences in scope compared to the previous report are the following.**

- KBC Bank Ireland is still included in the financial consolidation scope. However, the sale of KBC Bank Ireland's performing loan assets and deposits was closed in February 2023. Hence, at the end of September 2023, its activities were limited to providing support in the process of completing the orderly exit from the Irish market. As a result, for Ireland, the reporting scope is limited to the relevant non-financial areas human capital and direct footprint.
- KBC Bank Bulgaria EAD (formerly Raiffeisenbank (Bulgaria) EAD, acquired in July 2022) is included in the reporting scope for all relevant non-financial domains in current reporting. This includes the climate-related target progress reporting for KBC's lending portfolio discussed in this report. This in contrast to the previous report, where KBC Bank Bulgaria EAD had been excluded from target setting reporting.

A full list of entities included in the financial consolidation scope is published on our [website](#). The aggregate balance sheets of entities excluded from the consolidation do not exceed 1% of the combined balance sheet total.

**When we use the terms 'green' and 'sustainable' in this report, this does not necessarily suggest that what we describe is already (fully) aligned with the EU Taxonomy.**

## Data gathering and reporting period

**We have collected our sustainability data through a group-wide process which involves strict hierarchical validation.** All KBC entities in our core countries report on the non-financial areas of human capital, direct footprint, clients and community involvement. Climate-related data on our portfolios are gathered as part of a separate '[data and metrics](#)' project within the KBC Sustainable Finance Programme.

**The reporting period is 1 October 2022 – 30 September 2023, unless stated otherwise in the report.**

Our group has published a sustainability report annually since 2005<sup>1</sup>. The last one was published in April 2023. You will find our previous reports on our [corporate website](#).

## Governance

We have prepared this sustainability report using input from business and sustainability experts in all our core countries. The report has been reviewed by senior managers and discussed and approved by the Internal Sustainability Board and the Executive Committee. The Board of Directors approved the report on 14 March 2024.



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<sup>1</sup> Separate sustainability reports were not published for 2014 and 2015. All non-financial information (as specified in the GRI Content Index for 2014 and 2015) is available on our corporate website and in our annual report.





## External assurance

The target progress report of KBC Group's lending portfolio, the calculations of KBC Group's direct footprint and our PRB (Principles for Responsible Banking) self-assessment have been assured by an external party. The remainder of the sustainability report has not been assured.

- Our **2023 target progress report** has been independently verified by PwC (limited assurance). The 2021 baseline data and underlying calculations of KBC Group's lending portfolio too, have been independently verified by PwC (limited assurance) as part of our September 2022 [Climate Report](#). This is also the case for our 2022 target progress report. Data independently verified by PwC (limited assurance) as part of this progress report are expressly earmarked with the adjoining symbol  throughout the report.
- The calculations of **KBC Group's direct footprint and the underlying activity data** have been verified by Vinçotte in accordance with ISO 14064-3 (reasonable assurance). Data independently verified by Vinçotte are highlighted with the adjoining symbol  throughout the report.
- Our **2023 PRB Reporting and Self-Assessment Template** has been independently verified by PwC (limited assurance) on the accuracy of the data and the traceability of the process. In the template, these items are expressly earmarked with the adjoining symbol .

The assurance statements are available in the '[Assurance statements](#)' section at the end of this report.

## Feedback

We welcome comments and questions from all our stakeholders. Please send us your feedback at [csr.feedback@kbc.be](mailto:csr.feedback@kbc.be).

Company name: 'KBC', 'we', 'the group' or 'the KBC Group' refer to the consolidated entity, i.e. KBC Group NV plus all the group companies included in the scope of consolidation. 'KBC Group NV' refers solely to the parent company. Likewise, 'KBC Bank' and 'KBC Insurance' refer to the consolidated entities and 'KBC Bank NV' and 'KBC Insurance NV' refer solely to the non-consolidated entities.

Statement regarding the use of 'Board of Directors' and 'Executive Committee': these refer to the Board of Directors and Executive Committee of KBC Group.

Glossary: a list of the most widely used terms and abbreviations, with accompanying definitions where necessary, can be found at the end of this report.



## OUR REPORTS



The **Sustainability Report** focuses on our sustainability strategy. It contains detailed sustainability and sustainable finance data and is aimed at sustainability experts, investors, employees, business partners, clients and non-profit organisations. The report has been prepared according to GRI Standards 2021 and SASB criteria.

The **Annual Report** provides information (including mandatory statements) on our business model, strategy, sustainability, governance, financial performance, risks and capital. It also discloses information on KBC's sustainable activities, following the disclosure requirements of Article 8 of the EU Taxonomy Regulation. The Annual Report is intended for investors, clients, employees and society in general. We apply the principles of integrated reporting wherever possible.

The **Risk Report** provides greater detail on the group's risk and capital management, including environmental, social and governance-related (ESG) risks. The Risk Report is intended for investors, (ESG) analysts, experts and the public at large.

Each of KBC's core countries also produces a **Report to Society** in which we look more closely at how our group assumes its role in society and local economies. These reports are primarily intended for clients, employees and society at large. You can find the latest report for each country on our [corporate website](#).

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**Our sustainable business solutions in the four focus areas**

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- Key executives and senior level responsibility
- Local accountability in our core countries
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- Stakeholder interactions

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**Creating an attractive, safe and healthy working environment**

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- Offering flexible working conditions
- Rewards and recognition

**Developing the talents of our employees**

- Performance and progression
- Continuous learning
- Offboarding and end-of-career schemes

**Improving the work experience of our people**

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- Social dialogue

**Diversity and inclusion**

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- Employing people with disabilities
- Unconscious bias
- Network organisations on diversity and inclusion
- Inclusive panels

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- Anti-money laundering
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**2023 in a nutshell** provides a broad overview of our business, our goals and our corporate strategy. We look at our sustainability journey and our main accomplishments in 2023. This includes an overview of our main ESG ratings and a progress report on our main sustainability-related targets.



**Our sustainability strategy** describes how we shape our role in society. It includes an overview of the group's sustainability governance. We also address the sustainability dashboard and how we use it to track the implementation of our sustainability strategy. Finally, we describe how the world that surrounds us continuously shapes our sustainability strategy.



**Our people** outlines how we create a working environment that attracts employees and motivates them to stay with us for the long term. We address how we ensure a safe, secure and healthy working environment. We also describe how we approach the development of our employees' skills, talents and creativity. We outline how we listen to and interact with our people and how we create a diverse and inclusive business culture.



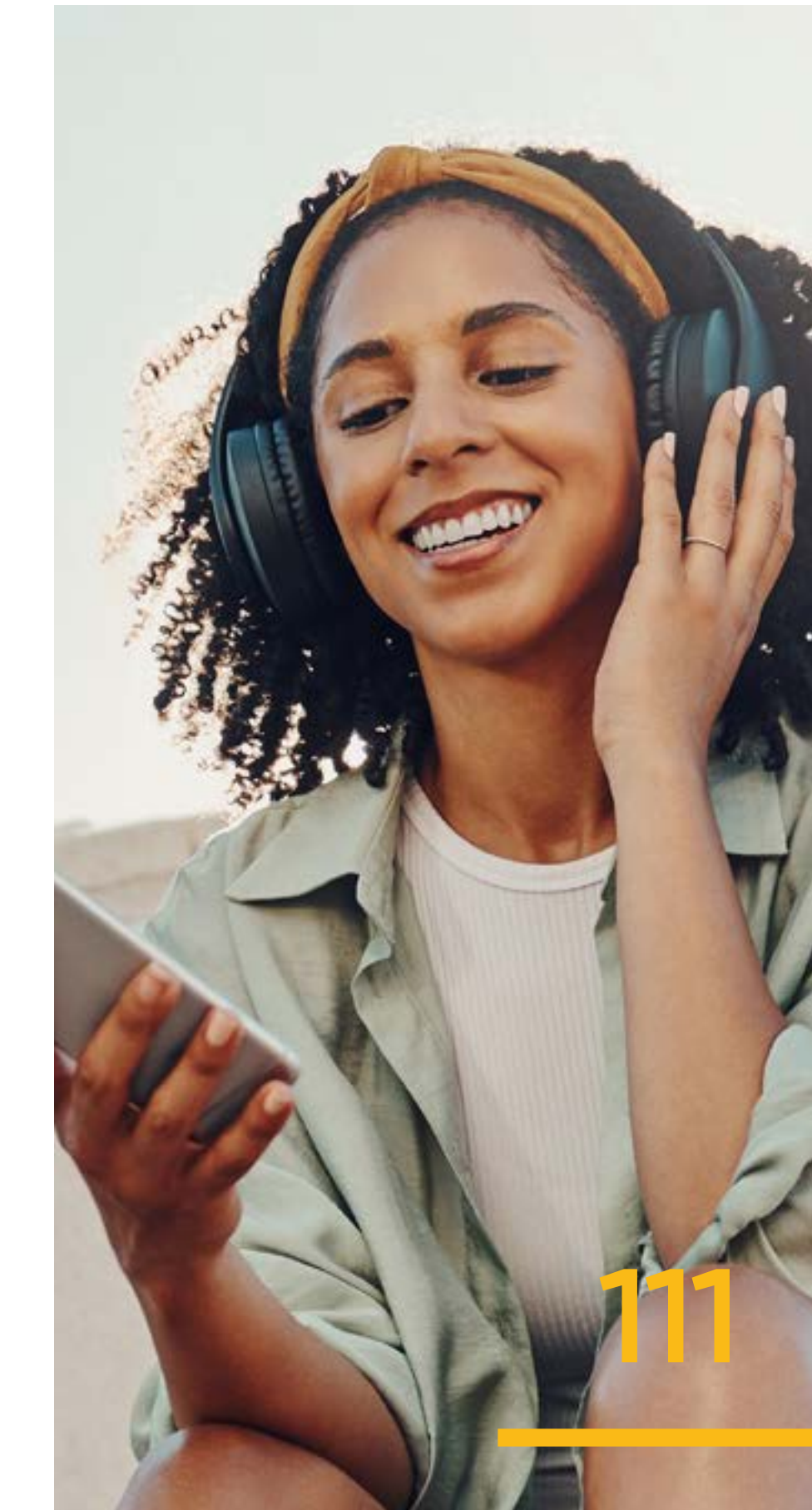
**Our responsibility** describes how we conduct our business activities in a responsible manner. We explain why responsible behaviour is the foundation of our sustainability strategy and how we make this tangible throughout our organisation. We describe how we tackle cyber risk and manage information risk, data protection and privacy. We also address our corporate policies and codes of conduct.



**Sustainable finance** describes how we address important sustainability topics in our core business. We discuss our Sustainability Policy Framework and new and update policies, our approach to sustainable investing and our commitment concerning our social impact. We also discuss our Sustainable Finance Programme, specifically focusing on our commitment to the environment. We report on this theme across the four pillars of the TCFD framework. Moreover, we also report on nature and other environment-related information in this report. By doing so, we are taking the first steps towards aligning our disclosures with the TNFD framework.



**Sustainability facts and figures** includes detailed non-financial and sustainability data. It includes data on our direct and indirect environmental impact, sustainable finance, employees, suppliers and community involvement. It also includes our sustainability targets, where relevant, and the progress we have made on these targets in 2023.



**Appendices** include a detailed account of the different methodologies we use to inform our climate strategy in all of our business lines. They also include our self-assessment on the implementation of the Principles for Responsible Banking and the Principles for Sustainable Insurance.



**GRI Content Index and SASB disclosure** includes an overview of all required and relevant disclosures.



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The world around us is changing at breakneck speed and society's capacity to adapt has been tested in these past years. In responding to these changes, KBC fields its high-quality services and solutions, using our sustainability strategy as a compass. In doing so, we aim to support all our clients in realising and protecting their dreams while providing a unique bank-insurance experience.

The road towards a sustainable future comes with changes in the way we live, travel, produce and consume. Through our next strategic step, 'S.T.E.M. the Ecosphere', we are harnessing our bank-insurance products to keep on top of this change. I believe we have a unique lever to facilitate a real change in the daily lives of all our clients by combining digital transformation with a customer solution-driven experience. I am also confident that this is the best possible way to contribute towards a sustainable and resilient future.

You will be familiar with the saying: 'when the going gets tough, the tough get going.' The transition journey towards a sustainable future is not a smoothly paved road. Luckily, however, we have seen some positive developments. Personally speaking, I embrace the fact that sustainable finance is now considered mainstream. This is of course good news. More than ever, private capital is starting to go towards sustainable activities.

Our past sustainability reports demonstrate that we are part of this sustainable finance universe. I am grateful for the commitment of our 'Team Blue' employees to a sustainable future, which has been effective and continues to bear fruit. In the same context, I am very proud that our concrete actions and our transparent sustainability reports are gaining momentum. Our excellent sustainability ratings and this year's inclusion of KBC in Euronext's BEL<sup>®</sup>ESG stock market index are tokens of recognition of our endeavours.

With this year's report we are keen to hold and extend this momentum. I sincerely hope you enjoy the read.



Johan Thijs  
Chief Executive Officer KBC Group



Koenraad Debackere  
Chairman of the Board of Directors KBC Group

Sustainable finance is now mainstream, which is a good thing. The recognition of our past actions illustrates that KBC is part of that good thing.

We reap the fruits of our sustainable bank-insurance model but are working just as hard to keep this model future-proof for a sustainable tomorrow.

Since the COVID pandemic, the world has been stumbling from one situation to the next. After the blows of the pandemic, energy and food markets were disrupted following armed conflicts which are still ongoing. After this, the cost-of-living crisis sprang up, fuelled by persistent inflationary pressures.

The EU economy has shown strong resilience despite these shocks. Yet, economic activity remains subdued as high consumer prices continue to take their toll.

In parallel, we need to deal with environmental crises and remove social frictions. KBC has shown strong resilience in these turbulent times. While we reap the fruits of our sustainable bank-insurance model, we continue to work hard to keep this model future-proof.

I agree with our CEO: despite all the challenges, we need to focus on positive developments. Earlier this year for instance, the IEA announced that for every dollar invested in fossil fuels, about 1.7 dollars go to clean energy. As a fossil-fuel dependent society, this major break in trend may mean we want to end this polluting dependence. KBC is proud that, through its energy lending targets and policies, it is co-catalysing this movement and continues to support the development of renewable energy.

I truly hope that some of these evolutions can energise and inspire our society to find non-disruptive solutions for the many remaining urgent challenges. Biodiversity and securing a just climate transition for all are only two of them.

I strongly believe that the success of the transition depends on the contribution of all of us. Which means that, to successfully contribute to solutions to tackle the challenges ahead, further innovation and cooperation are needed, from every member of society. In this context, KBC's financial evaluations of new and advanced technologies will be based on their demonstrated potential, as well as the added value they might bring to our clients in their sustainability challenges. This year's report details how KBC does its bit and will continue to do so. May it be an inspirational and informative read!



KBC received the Terra Carta Seal in 2022 in recognition of its commitment to creating a sustainable future.



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# 2023 in a nutshell

We have come a long way since we first started working on sustainability. In 2023, we again took important steps in our sustainability journey. Our excellent scores on prominent ESG ratings, the sustainability awards we received and our progress towards the targets we have set for ourselves are testimony to this.



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# 2023 IN A NUTSHELL

## KBC at a glance

### Our area of operation

KBC is an integrated bank-insurance group, catering mainly for retail, private banking, small and medium-sized enterprises and mid-cap clients. We operate in our core markets of Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia. We also operate to a limited extent in several other countries to support corporate clients from our core markets.

### Our goal and ambition

Through our activities, we seek to help our clients achieve and protect their dreams and projects. We aim to serve as the reference for bank-insurance in all our core markets.

### Our clients, staff and network

Belgium	Czech Republic	Hungary	Slovakia	Bulgaria
15 800 employees 3.9 million clients 434 bank branches	11 100 employees 4.3 million clients 198 bank branches	4 000 employees 1.6 million clients 195 bank branches	3 200 employees 0.8 million clients 99 bank branches	6 600 employees 2.2 million clients 228 bank branches

Total number of employees at year-end.

### Our corporate strategy



**We implement our strategy within a strict risk, capital and liquidity management framework.**

### S.T.E.M. the Ecosphere

Over the past three years, we have put a great deal of effort into the digital transformation of our core business model. We launched a number of concepts and building blocks such as Digital First, Bank-Insurance+, Kate and Kate coins, all of which create additional value when they interact. We are now bringing those elements together into 'ecosystems', offering our clients a new kind of service.

We aim to provide our clients with solutions to different issues throughout their entire customer journey, for example, in the areas of housing, mobility and energy. We do this through our own products, and through products and services of our partners and suppliers. This allows our clients to save time and earn money, both within and beyond the traditional KBC bank-insurance environment. We refer to this next step in our strategy as 'S.T.E.M. the Ecosphere', where S.T.E.M. stands for 'Save Time and Earn Money'.

#### READ MORE

[Our corporate strategy](#)

[KBC Group Annual Report 'Our strategy'](#)

[Our PEARL+ business culture and values](#)

[KBC Group Annual Report 'Our business model: What makes us who we are'](#)



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# Our sustainability journey: building on our fundamentals

Sustainability has been present in our organisation for a long time already. We have come a long way since we first started working on sustainability issues. Initially, sustainability tended to be seen as a separate policy domain, in which KBC engaged in a more passive way, and not very intertwined with the core business itself. Over time, however, we started to gradually incorporate sustainability into our business. Year after year, we have taken further important steps in our sustainability journey and our sustainability reporting. Sustainability is now an integral part of our business, embedded as one of the four pillars of our corporate strategy and day-to-day operations. We aim to continue on this path in the years to come and to build further on the foundations we have laid in the past decades.

## A few milestones on our sustainability journey



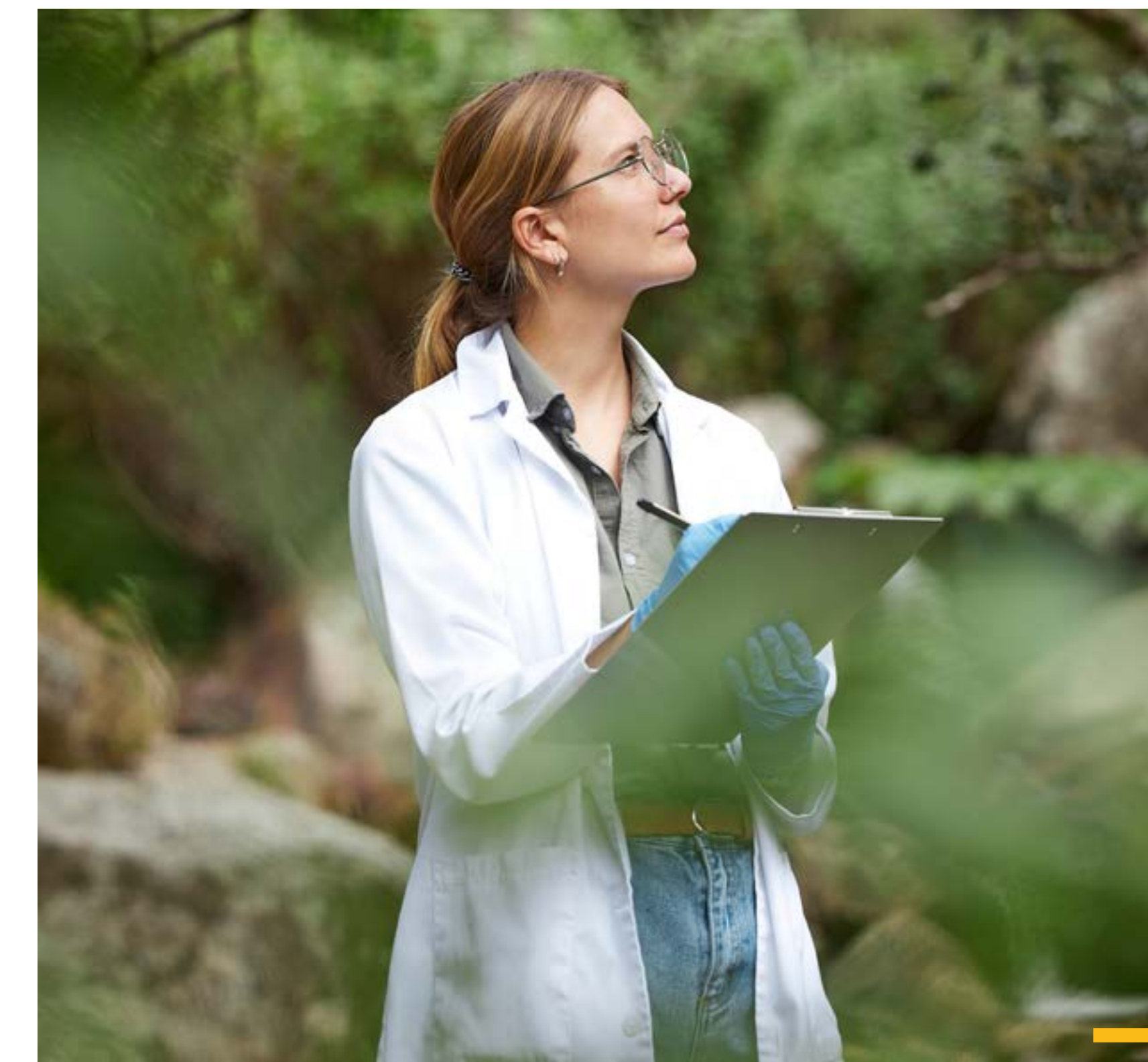
### Laying the foundation to tackle environmental issues

**1970.** *Stichting Leefmilieu* (renamed ARGUS) was launched, pioneering corporate social responsibility before the term was even coined. The aim was to provide the public with scientific and sound information on environmental issues. In **2016**, 45 years after its founding, we decided to integrate ARGUS into our core activities. From this point, KBC would take an active role, from within its core business, to support the shift to a more sustainable economy and society.



### Contributing to sustainable local development and financial inclusion

**1992.** Foundation of the Belgian Raiffeisen Foundation (BRS) vzw, a unique partnership in cooperation with CERA. BRS helps sustainably improve the quality of life of rural entrepreneurs and farmers in the Global South through microfinance and micro-insurance. Also, BRS uses its unique practical experience and knowledge in cooperative banking and insurance to advise, coach and train partner associations.



### Setting targets and measuring our progress

**2016.** First sustainability targets set. Along with our revamped sustainability strategy, KBC established clear sustainability targets to measure our progress in several areas related to that strategy. We have gone on to further tighten the existing targets and to formulate new targets to support our sustainability and climate-related ambitions. In **2022**, we committed to a first set of climate-related targets for our lending and asset management portfolio.



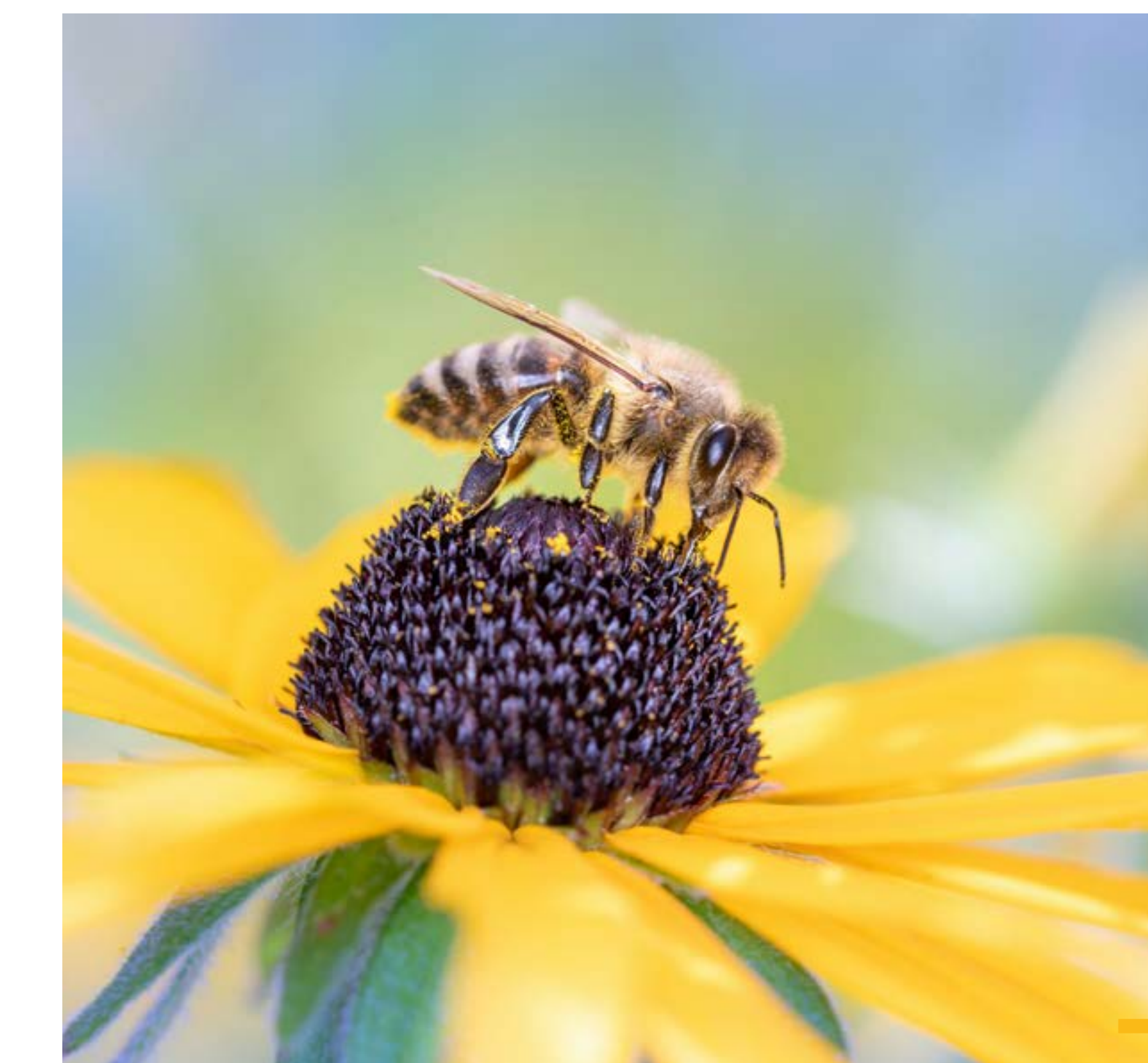
### Focusing on responsible investing

**1992.** Kredietbank launched the KB Eco Fund, which was the first responsible investing fund in Belgium. As such, KBC Asset Management has been Belgium's pioneer in Responsible Investing for over 30 years. Over this time, the range has been greatly expanded, and the way of working refined. Three decades later, these funds have grown from a niche instrument into a first offer and an important pillar of KBC's sustainability strategy.



### Reporting transparently on sustainability

**2005.** KBC issued its first group-wide Sustainability Report, which included policy themes and explained how we dealt with environmental issues. In 2011, we took the next step by publishing our first Report to Society, in which we transparently communicated about our actions and how we intend to keep society's trust. In **2022**, KBC marked another milestone with the publication of its first Climate Report, which outlines our vision and ambitions for climate policy in the coming years.



### Continuing our commitment to the environment

**2019.** KBC launched a separate programme to develop a structural approach to the management and reporting of climate-related risks and opportunities. As such, we increasingly focused on the climate-related impact of our business activities and portfolios. In the following years, the scope of the programme was extended to include other environmental themes such as biodiversity and nature, and circular economy.



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# Sustainability highlights 2023

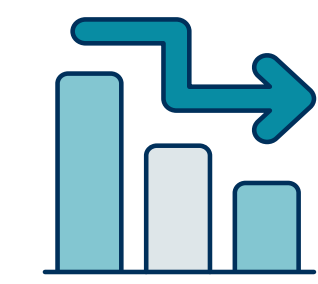
## Strong performance in environment, social and governance (ESG) in 2023

### Commitment to the environment



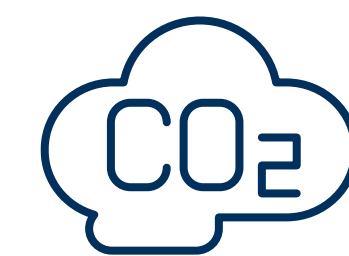
#### Second progress report on the climate targets for our lending portfolio

Shows that, overall, we are well on track in meeting our portfolio climate targets, with eight out of twelve of our targets being in line with our climate alignment benchmarks.



#### Climate targets for our own investments

Set a climate-related target for the portfolio of own corporate investments of KBC Insurance for the first time.



#### Climate impact of our insurance portfolio

Calculated for the first time the GHG emissions of part of KBC's insurance underwriting portfolio.



#### Other environmental objectives

Continued to expand our focus to include the themes of biodiversity, circularity, pollution and water, and report on them. By extension, we also became an adopter of the TNFD recommendations.

### Sustainable business



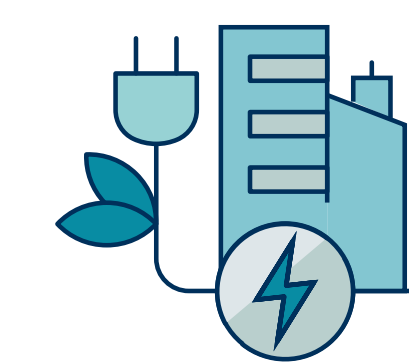
#### 40.7 billion euros Responsible Investing funds

41% of total assets under distribution (direct client money)



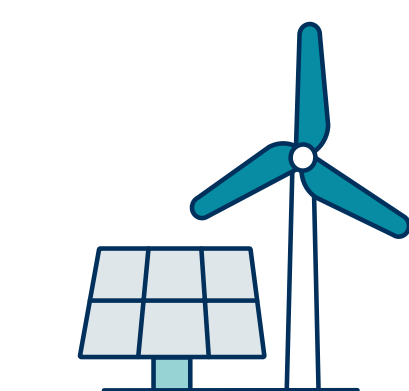
#### 7.4 billion euros

Business contributing to social objectives



#### 19.3 billion euros

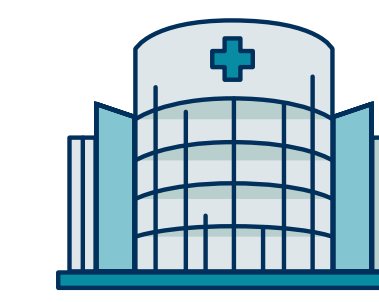
Business contributing to environmental objectives



#### EU Taxonomy reporting

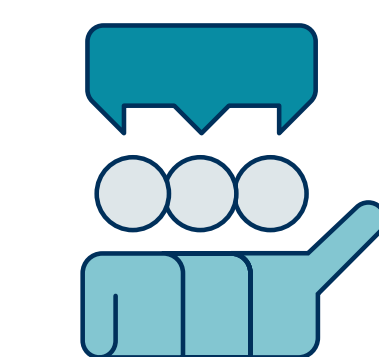
We are reporting our contribution to environmental objectives according to the EU Taxonomy for the first time, including but not limited to voluntary EU taxonomy reporting and our mandatory reporting.

### Social responsibility



#### Social bond

Issued a second 750-million-euro social bond for investments in schools and hospitals.



#### 75%

Of employees who took part in the new webinar on responsible behaviour between September and December 2023.



#### Gender diversity in senior management

Focus on improving the gender balance within our leadership



#### Housing

Set an ambition to develop the skill sets and attitudes of young adults in Belgium with regard to mortgage loans and are continuing to act as a responsible lender.

### Our ESG ratings<sup>1</sup>



**A**

Leader in addressing climate change



**Negligible risk rating (9.8)**

3<sup>rd</sup> of 342 diversified banks (2<sup>nd</sup> percentile)



**64**

Top 7% of 722 banks assessed (93<sup>rd</sup> percentile) Included in the Sustainability Yearbook for the 5<sup>th</sup> consecutive year



**AAA**

Leader among 488 banks assessed



**C+ prime**

1<sup>st</sup> decile rank of 300 commercial banks and capital markets assessed



**4.7**

Top 3% of banks assessed (97<sup>th</sup> percentile)

<sup>1</sup>End-of-year data



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# Sustainability-related awards

In 2023, KBC again received broad external recognition for its efforts on ESG themes in the shape of several sustainability-related awards. We list some of them on this page.



Kurt De Baenst, Filip Ferrante and Johan Thijs

## Euronext included KBC in its new BEL ESG stock market index

This new index identifies and tracks BEL20 and BELMid companies whose concrete operations and policies earned them an excellent ESG score through a respected external assessment. With this new index, Euronext aims to respond to the growing demand for sustainable investment instruments.



## Top Employer - Top Employers Institute

KBC received certification for KBC Belgium, CBC, K&H in Hungary and our Shared Services Centers in Czech Republic and Bulgaria. The Top Employers Institute runs a certification programme that enables organisations to assess and improve the workplace environment.



Blanka Beranova, Sustainability Manager Czech Republic (fourth from the left).

## TOP Responsible Large Company 2023 – Business for Society

ČSOB was awarded as winner (first place) and 'TOP Responsible Large Company'. ČSOB was rated at 96.5% in its overall approach to responsible and sustainable business. It also received the awards of 'Sustainable Business Leader' and 'TOP Responsible company in reporting.' TOP Responsible Company evaluates corporate sustainability strategies, activities and projects.



## Awards for 'Educational Programme' and 'Leader in sustainable development' – PwC ESG Awards

KBC Group Bulgaria received two PwC ESG Awards. Peter Roebben, Country Manager in Bulgaria, was awarded 'Leader in sustainable development.' KBC ESG Academy received recognition in the category 'Educational Programme'. The Academy is a partnership between KBC Bulgaria and Sofia University and educates our employees, partners and students on sustainability.



Levente Suba, Sustainability Manager Hungary

## Hungary's Best Bank for ESG – Euromoney Awards for Excellence 2023

For more than 30 years, the British financial magazine Euromoney has been recognising financial institutions that have demonstrated excellence in a particular field. In the Sustainable Finance category, the 2023 Best Bank in Hungary award went to K&H.



## Belgium's Best Bank for ESG and CSR – Euromoney Awards for Excellence

KBC Bank was awarded the best bank for ESG and the best bank for CSR in Belgium by Euromoney. We are, amongst others, recognised for the launch of our first social bond, our contribution to financing environmental objectives and various philanthropic activities in Belgium. Euromoney has been recognising financial institutions that have demonstrated excellence in a particular field for more than 30 years now.



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## Sustainability targets: our progress in brief

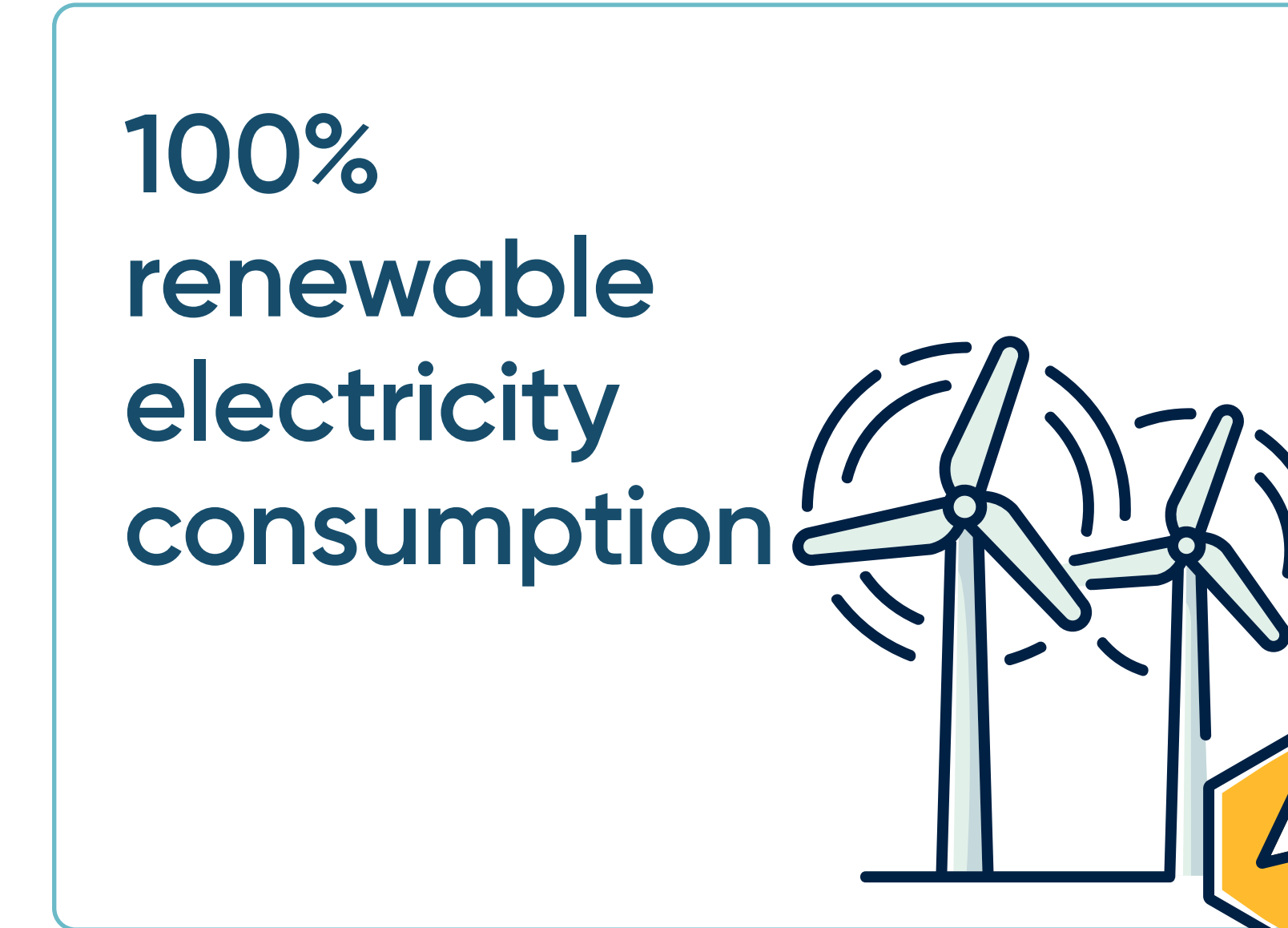
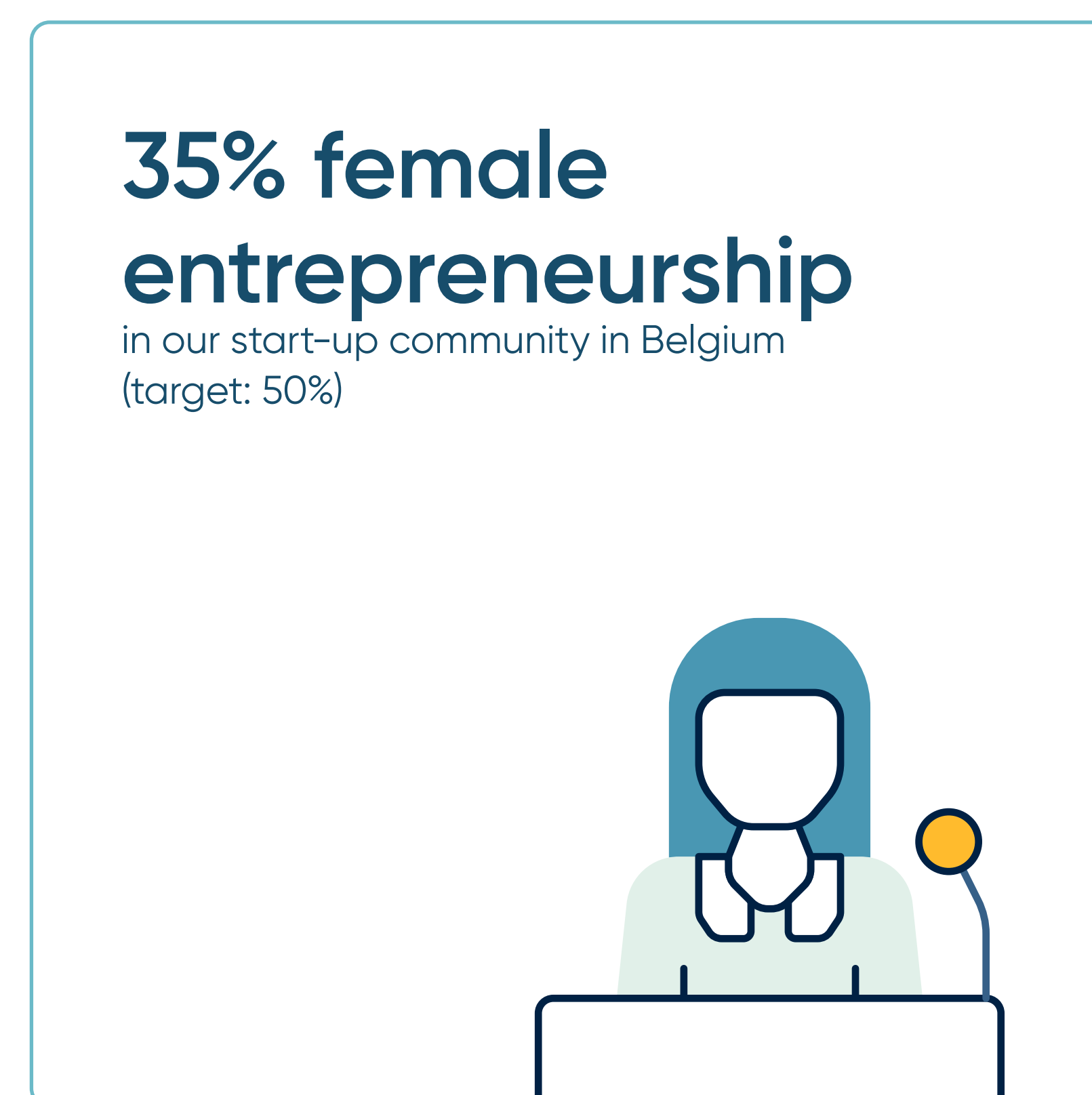
This overview provides a general picture of our main targets and our progress. As such, the overview is not exhaustive and readers are referred to the respective sections in this report for a complete overview and all (methodological) details of our targets.

### Climate-related targets for our lending portfolio

Please note that our climate targets are directed towards convergence with 2030 and 2050 goals. Given the long lead time until these target dates, and the many uncertainties that surround climate transition, intermediate and short-term fluctuations in our progress measurements cannot be excluded. Furthermore, a perfect linear reduction between now and 2030 or 2050 would not be commensurate with the underlying economic and financial realities. The below overview lists the climate-related targets for our lending portfolio. The colour codes show how well-aligned our targets are with the climate transition pathways that we use as a benchmark (more information in 'KBC's climate progress dashboard').

- Energy
- Electricity
- Commercial real estate and mortgages
- Mortgages and commercial residential real estate
- Vehicle loans and financial lease passenger cars
- Vehicle loans and financial lease light commercial vehicles
- Operational lease passenger cars
- Operational lease light commercial vehicles
- Agriculture
- Cement producers
- Steel producers
- Aluminium producers

- KBC portfolio value is currently at or below the scenario-based benchmark
- KBC portfolio value is currently maximum 5% higher than the scenario-based benchmark
- KBC portfolio value is currently more than 5% above the scenario-based benchmark



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# Our sustainability strategy

Our sustainability strategy can only be integrated throughout our group through a firm sustainability governance. Sustainability at KBC is a top-level responsibility and partly determines the collective variable remuneration of our top-level management. We use our Sustainability Dashboard to measure progress.



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Creating  
**long-term value**  
for society is at the core of  
our sustainability strategy

## OUR SUSTAINABILITY STRATEGY

We want to meet the needs of society and create long-term value for society, local economies and all our stakeholders. Supporting the transition to a more sustainable and resilient society is therefore a crucial part of our overall corporate strategy and our day-to-day business. In this way, we can play our role in society, now and in the future. We want to collaborate with our clients and other stakeholders to achieve this goal.

### **As a financial institution, we can create value in many ways.**

Through the financial services we provide, we support economic growth, well-being, and job creation, just to name a few. For our employees, we offer a fair reward, training, career development opportunities and a safe, healthy and inclusive working environment. We also create financial value for several of our stakeholders. Making a sustainable profit enables us to preserve our solid capital base and reinvest in our business activities.

**Our value-creation model shows how we create value for our stakeholders and society at large.** It sets out how we use the resources at our disposal to meet the expectations of our stakeholders through our operations. And how we create value throughout that process. For further reading about our value creation model, we refer to our [Annual Report](#).

At the same time, we acknowledge that our activities may have a negative impact, both directly and indirectly. **We want to limit this impact and increase our positive impact by providing more sustainable finance and supporting our clients in their sustainable transition. To do so, we have established a dedicated sustainability strategy.**

Our sustainability strategy outlines the role we want to play in society, our focus points and our goals. We have strict sustainability governance in place to support the implementation of the strategy throughout the group. The KBC Sustainability Dashboard further ensures that we can track the implementation using different indicators and targets. Finally, we keep a close eye on the world around us so that we focus on the right issues in shaping our sustainability strategy and policies. All these elements are discussed in this chapter.

### READ MORE

[Our value creation model](#)  
[KBC Group Annual Report 'How do we create sustainable value'](#)



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## The cornerstones of our sustainability strategy

We have a dedicated sustainability strategy in place to properly take up our role in society and create value for our stakeholders.

**At the heart of this sustainability strategy lies the responsibility to ensure financial resilience and run a strict risk management system.** In doing so, we ensure that we can do business sustainably into the future. Provided this criterion is met, our sustainability strategy consists of three main cornerstones:

- **Maximise the positive impact** of our products and services on society and the environment;
- **Minimise or completely avoid any potential negative impacts;**
- **Ensure all our employees behave responsibly.**

These three cornerstones are embedded within **two additional and crucially important elements.**

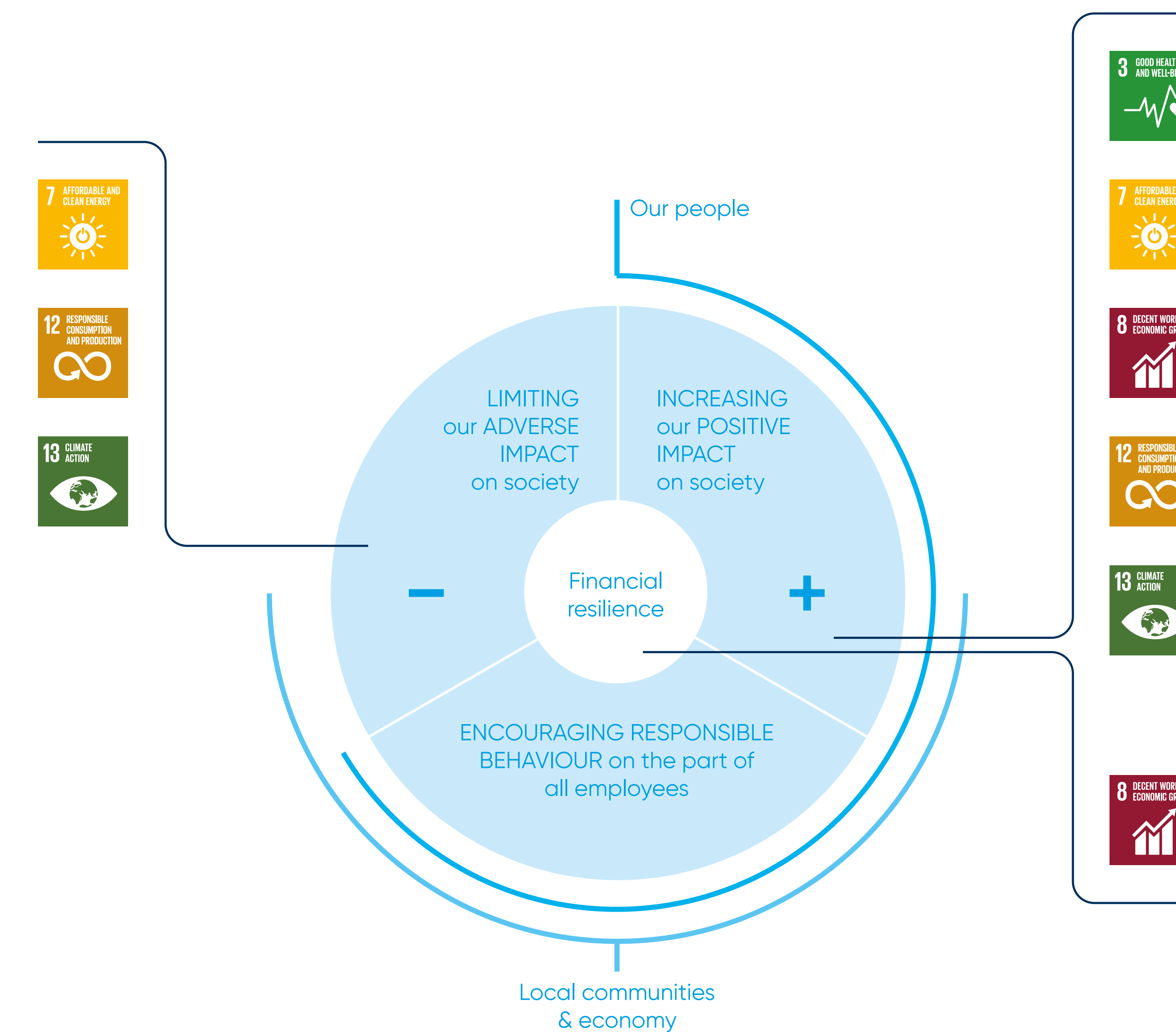
- **Local communities and economy:** We respect the different contexts in each of our core markets. We also aim to support local communities and the economy in each of these markets.
- **Our people:** Our sustainability strategy is brought to life by our people. We therefore invest heavily in building sustainable skills and a sustainable vision carried by all employees. We encourage all our employees to conduct themselves in a way that is responsive, respectful and results-driven.

## United Nations Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals<sup>1</sup> (SDGs) have played an important role in informing our sustainability strategy. We believe we can create a bigger impact by focusing on selected SDG topics that are directly linked to our activities as a bank-insurer. We have therefore chosen five high-impact areas for KBC.

- **SDG 3 Good health and well-being:** We promote a good work-life balance among our employees. Also, in our banking and insurance products, we focus on improving healthcare, quality of life and road safety.
- **SDG 7 Affordable and clean energy:** We contribute to increasing the share of local renewable energy production and its efficient use through our banking and insurance activities. KBC also adopts a stepwise approach to exit from the financing and insurance of and investing in non-sustainable energy solutions, such as thermal coal, oil and gas.
- **SDG 8 Decent work and economic growth:** We support entrepreneurs and invest in innovative businesses. We especially stimulate female entrepreneurship through our accelerators for start-ups in Belgium, Czech Republic and Hungary. Through our microfinance and microinsurance activities, we give rural entrepreneurs and farmers in the Global South access to financial services. This facilitates sustainable local development and contributes to financial inclusion.
- **SDG 12 Responsible consumption and production:** We develop banking and insurance products that support low-carbon or circular businesses. Furthermore, we promote Responsible Investing (RI) among our clients as our first offer and preferred investment solutions.

Figure 2.1: The cornerstones of our sustainability strategy



- **SDG 13 Climate action:** We have strict sustainability policies in place for the environmental impact of our loan, investment and insurance portfolios. We have also set climate targets for the most material carbon-intensive industrial sectors and product lines in our lending business. The goal of these targets is to bring our portfolios in line with the Paris Agreement. We want to work together with our clients to achieve this goal. We also engage directly with our investees to reduce the climate-related impact of our investment portfolios. Finally, we have ambitious targets in place for, and work hard on, reducing our direct climate impact.

Our strategy and the selected SDGs have informed the focus of our target setting. A snapshot of our main targets can be found in the section on ['Sustainability targets: progress in brief'](#). We refer to the respective sections in this report for a complete overview of our targets.

<sup>1</sup> The [UN Sustainable Development Goals](#) set the global agenda for governments, businesses and civil society on the best ways to address the major sustainable development challenges, such as how to end poverty, protect the planet and ensure prosperity for all. As a financial institution, we have a critical role to play in accomplishing these goals.



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“I personally believe that we must, and can, make the transition to a sustainable economy and society. And I am proud that KBC Group carries that same conviction. It is thus only logical that I make sure this is translated into our business here in Bulgaria. We are here to make a positive difference. We should talk the talk... and walk the walk.”

Peter Roebben, Country Manager of KBC Group in Bulgaria

UN Global Compact each year nominates several SDG Pioneers as a part of its ‘Making Global Goals Local Business’ campaign. SDG pioneers are business leaders who use business as a force for good to advance the SDGs. Through their own company or by mobilising other businesses, they are helping to reach one or more SDGs while also contributing to business success.

Peter Roebben, Country Manager of KBC Group in Bulgaria, received this award in 2023. The award is a recognition of the stable and growing strategy on sustainable development of KBC Group in Bulgaria. We asked Peter Roebben some questions about this achievement and his experiences.

**How is the group’s sustainability strategy translated in local action in Bulgaria?**

“Our strategy is founded on the principle that we put our clients at the heart of everything we do, and we strive to be the long term leader in bank-insurance in our market. Achieving and maintaining such leadership is only possible if we also take seriously our responsibilities towards the wider society and economy in which we are active. Therefore, we have set sustainability explicitly as one of the pillars of our business strategy. Just like the other strategic pillars, we develop specific sustainability action plans towards clients, suppliers, employees and other external stakeholders.”

**How are the SDGs contributing to your company’s success?**

“In line with our Group’s strategy, we are locally focusing most on SDGs where we can have a material impact. Among these, climate action and the transition to a climate-resilient economy currently have the highest priority. Creating sustainable financial solutions for our clients and the larger goal of actively supporting them in their transitions are fundamentally changing the way we do business.

Showing a genuine commitment to the SDG is also an ever more important reason for our employees to prefer KBC as an employer in Bulgaria.”

**Can you give some concrete examples?**

“A very successful one is Responsible Investing (RI). KBC Asset Management already has more than 30 years of experience in this fast-evolving domain. Since 2022, KBC Group Bulgaria also offers RI funds to its clients. Another example is our ambition to triple our renewable energy portfolio and as such contribute to the Group’s renewable energy financing target. For this purpose, we develop structured finance solutions, such as the special credit programmes for the financing of photovoltaic power plants with a capacity of up to 2 MWp.”

**How do you engage and mobilise your internal and external stakeholders on the sustainable development agenda?**

“We can only pursue our sustainability agenda if everybody is on board. Our ESG Academy allows our employees to acquire the skills needed to help make the change happen in their own job. In bilateral engagements and sector specific workshops, we explore the opportunities and challenges of the SDGs with our business clients. Through that process, we can better understand their needs and prepare financial solutions to support them in their journey. We will further expand this to our retail clients. We also seek to identify opportunities hand-in-hand with our suppliers. For example, one of our advertisement partners developed a fully circular solution for the plastics used in billboards upon our request. The list of actions is growing all the time. I truly believe we can make the transition to a sustainable society, but only if we all join forces.”



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## Our sustainable business solutions in the four focus areas

Four areas are of specific importance to our sustainability strategy: environmental responsibility, financial literacy, entrepreneurship, and health and longevity. We believe that these four areas are within our realm of influence. At the same time, they address the compelling current needs of our society. Also, these areas have a clear connection with the SDGs that are our core focus. We aim to provide sustainable business solutions in each of these domains.



### Environmental responsibility

Environmental responsibility is our first focus area. Climate change and other environmental challenges relating to biodiversity, pollution, water and circular economy are global challenges that require immediate action. We already offer a range of solutions to tackle these issues and plan to continue to do so.

#### Relevant SDG goals (high-impact areas)

There is a clear link between KBC's business solutions for our 'environmental responsibility' focus area and SDG 13 Climate action, SDG 7 Affordable and clean energy and SDG 12 Responsible consumption and production.



### Financial literacy

We believe it is our responsibility to contribute to improving the general public's understanding of financial concepts and products. Financial literacy is therefore our second focus area. We focus on:

- **Financial advice and clear communication:** We aim to offer clear and transparent advice on our products and services, so that our clients can make responsible decisions.
- **Financial behaviour:** We clearly inform our clients about how we use the data that we collect through our online services. In this way, they can decide which information they are willing to share. For more information on our privacy and data management, please see the '[Our responsibility](#)' section in this report.
- **Financial education:** We aim to combat financial illiteracy from an early age onwards. We offer different educational activities to support people to develop good money habits. In this way, we want to prevent behaviour that may lead to financial difficulties.

#### Relevant SDG goals (high-impact areas)

We support SDG 12 Responsible consumption and production through the development of business solutions for our 'financial literacy' focus area.



### Entrepreneurship

We want to support entrepreneurship, stimulate job creation and contribute to sustainable economic growth through our banking and insurance activities. We also aim to invest in innovation and technology through partnerships with start-ups and financial technology companies.

#### Relevant SDG goals (high-impact areas)

Our focus on 'entrepreneurship' as one of the focus areas links to SDG 8 Decent work and economic growth and SDG 12 Responsible consumption and production.



### Longevity and health

Finally, we want to meet the needs of an increasingly ageing population. We are developing specific solutions through our core businesses to this end. In Belgium and the Czech Republic, our focus is on longevity. In our other core markets, the focus is on the development of products and services to improve quality of life, healthcare and health in general.

#### Relevant SDG goals (high-impact areas)

We contribute to SDG 3 Good health and well-being and to SDG 12 Responsible consumption and production by developing banking and insurance products that focus on health, healthcare and improving quality of life.



A customer survey has revealed that young adults experience financial products, such as investments and mortgage loans, as complex and difficult to understand. We therefore decided to focus on developing the skills and attitudes of young adults towards mortgage loans. By doing so, we are contributing to their financial literacy. This is also part of our commitment to act as a responsible lender, as we want to prevent them from ending up in overindebted situations. We have also translated this into clear ambitions for our Belgian mortgage portfolio.

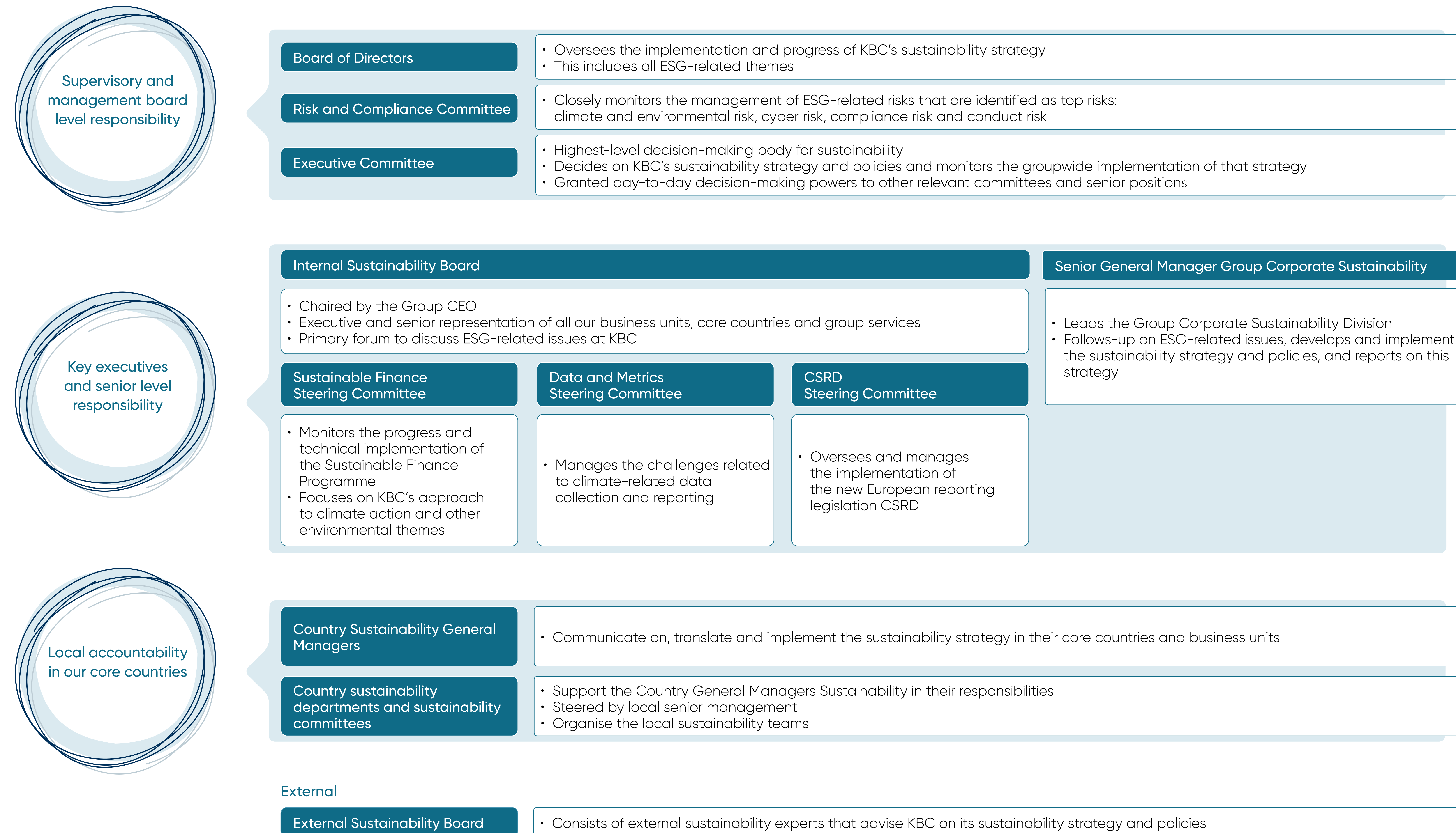
Stefan Szemiot, General Manager Retail Lending and Deposits, BU Belgium



# Sustainability governance

We have firm sustainability governance in place to ensure that our sustainability strategy is integrated throughout our group and in all our core activities. This includes top-level responsibility for our sustainability strategy, covering all environment, social and governance-related (ESG) themes. We decide on our sustainability strategy at the central level. Local teams in each of the core countries then implement it. Local accountability is placed at senior management level to ensure proper implementation.

Figure 2.2: KBC sustainability organisation chart



## READ MORE

Follow-up on the progress on sustainability  
['KBC Sustainability Dashboard'](#)

More detail on the remuneration policy  
[KBC Group Annual Report 'Corporate governance statement'](#)

[KBC Group Remuneration Policy](#)



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## Supervisory and management board level responsibility

The **Board of Directors** oversees KBC's sustainability strategy. This covers ESG-related themes in the broad sense, including climate and other environmental topics, but also topics such as gender diversity and human rights. Twice a year, the Board of Directors evaluates and discusses the implementation and progress of the sustainability strategy. It does so with the use of the [KBC Sustainability Dashboard](#). Furthermore, important changes to sustainability policies and sustainability-related reporting are also discussed at board level, when required.

The **Risk and Compliance Committee** closely monitors ESG-related risks. In particular, the committee covers climate and environmental risk, cyber risk, compliance risk and conduct risk, as the board has defined these risks as top risks for KBC Group. For more information, see the [KBC Group Risk Report](#).

The **Executive Committee** is the highest-level decision-making body for sustainability within KBC. This includes the Group's ESG-related strategies and policies. It also monitors the implementation of that strategy throughout the Group.

### Sustainability integrated into our remuneration policy

We believe our top management has an important role in the implementation of our sustainability strategy. Elements such as sustainability are becoming increasingly important and today determine at least 30% of the collective, variable, results-related remuneration component that is awarded to the members of the Executive Committee. Progress on these criteria is evaluated every six months using the KBC Sustainability Dashboard. The ultimate assessment of the criteria used to evaluate the members of the Executive Committee lies with the Board of Directors via the Remuneration Committee.

Also, the **variable remuneration of senior management is partly linked to sustainability performance**. In concrete terms, at least 10% of the variable remuneration of senior management members is tied to the achievement of individual targets related to the implementation of the group's sustainability strategy.

## Key executives and senior level responsibility

**Our top management has an important role to play in putting our sustainability strategy into action. We translate this top-level responsibility by incorporating sustainability performance metrics into their variable remuneration.**

The Executive Committee has granted day-to-day decision-making powers to other relevant committees and senior positions that are each responsible for a certain domain. However, the ultimate decision-making power remains with the Executive Committee, which is required to ratify all decisions.

- The **Internal Sustainability Board (ISB)** serves as the principal forum at KBC for discussing overall ESG-related issues. The board is chaired by the Group CEO and includes the Group CFO as the vice-chairman. It is furthermore composed of executive- and senior representatives of all our business units, core countries and group services. The ISB operates in close partnership with the Group Corporate Sustainability division and the Senior General Manager Group Sustainability, which is also a member of the ISB.
- The **Sustainable Finance Steering Committee**, chaired by the Group CFO, monitors the overall progress and technical implementation of the Sustainable Finance Programme. This programme specifically focuses on KBC's approach to climate action and other environmental themes such as biodiversity, water and circularity. Various departments at group level work closely together for this purpose. A Sustainable Finance Programme Core Team has been set up to handle the day-to-day implementation. The team is made up of specialists from the Finance, Credit Risk and Risk functions, along with sustainability experts. The team also works closely together with all relevant departments throughout the group.
- The **Data and Metrics Steering Committee** specifically manages the challenges related to climate-related data collection and reporting. It is chaired by the Group CFO.
- The **CSRD (Corporate Sustainability Reporting Directive) Steering Committee** was set up in 2023 to temporarily oversee KBC's CSRD Programme conceptualisation and implementation. The aim of this programme is to implement the KBC Sustainability Statement as part of the new European reporting legislation, CSRD.

The CSRD Steering Committee is only responsible for reporting topics. Strategic decisions remain the responsibility of the relevant existing decision-making bodies and committees.

- The **Senior General Manager Group Corporate Sustainability** leads the Group Corporate Sustainability Division. The Senior General Manager reports directly to the Group CEO and meets on a regular basis with the Chairman of the Board of Directors. The division handles the follow-up of ESG-related issues, developing our general sustainability strategy and policies, and the day-to-day implementation of this strategy across the group.

## Local accountability in our core countries

In each core country, we have a **General Manager Sustainability** in place. These managers are responsible for communicating on sustainability matters within their countries and for the operational implementation of the sustainability strategy. They work closely together with the Group Corporate Sustainability division, and functionally report to the Senior General Manager Group Corporate Sustainability.

The organisation of the local sustainability teams varies from country to country. However, generally, they are organised via **country sustainability departments and committees**. Local senior management steers these committees. They provide support for the local integration of the sustainability strategy and the organisation and communication of local sustainability initiatives.

## External

In addition to our internal organisation, we have set up an **External Sustainability Board**. This board consists of sustainability experts, mainly from the world of academia. Its role is to advise KBC on its sustainability strategy and policies.

Another external board is the RI Advisory Board. This board acts as an independent body and oversees the screening of the responsible character of the RI funds offered by KBC Asset Management.



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We track the progress on our sustainability strategy with measurable and verifiable KPIs

## KBC Sustainability Dashboard

We track the implementation and progress of our sustainability strategy by using the KBC Sustainability Dashboard. The dashboard provides measurable and verifiable parameters related to the key themes and actions of our sustainability strategy. In this way, it allows an objective assessment of the strategy. The dashboard is presented twice a year to the Executive Committee and the Board of Directors to evaluate and discuss the progress on sustainability. Progress on the different objectives affects the variable remuneration of the Executive Committee members.

The figure on this page shows the key elements of the KBC Sustainability Dashboard. We discuss the underlying Key Performance Indicators (KPIs) throughout this report as well as in our [Annual Report](#). However, some indicators are available only within the KBC organisation.

Figure 2.3: KBC Sustainability Dashboard



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## The world in which we operate

As a financial institution, we are an important driver of the current economic system and have a significant impact on the environment in which we operate. At the same time, we are impacted by the world around us. In shaping our sustainability strategy and policies, we keep a close eye on the developments in our working environment. This section describes different external elements that influence the focus of our sustainability strategy and how we deal with these factors.

### Legal landscape and voluntary commitments

Our sustainability strategy is informed and influenced by opinions from various societal and legislative counterparts. We make a distinction between legislations and regulations on the one hand, and our voluntary commitments on the other.

### Regulatory and legislative agenda

The landscape in which we operate, and more specifically all aspects relating to sustainability themes, are increasingly determined by regulation. At the European level, important legislative initiatives are already influencing our approach and that of our clients. It is likely that this trend will continue over the years ahead.

We welcome the fact that many of these initiatives help to provide a uniform and standardised overview of sustainability actions in the financial world and beyond. And we very closely follow up on and prepare for developments around all relevant legal initiatives, such as:

- The new European reporting legislation **Corporate Sustainability Reporting Directive (CSRD)** strengthens the rules concerning sustainability disclosures. It obliges large companies and listed small and medium-sized enterprises to include a Sustainability Statement in their annual report. KBC has set up a separate CSRD programme to deliver the Sustainability Statement as from our 2024 Annual Report onwards. Our mandatory Sustainability Reporting as such will gradually shift to our Annual Report in the coming years.



Through different initiatives, we aim to support our clients in being prepared for the upcoming CSRD legislation. In Belgium, we do this through online webinars, personal expert advice and by offering our clients concrete tools to collect data. In Czech Republic, ČSOB is supporting the consulting portal [CSR.D.cz](#). Through this themed counselling platform, companies get guidance to better understand which parts are relevant to them and to what extent. It also provides tools and helps to set realistic goals on implementing the legislation in their organisations.

- The disclosure requirements under the **Sustainable Finance Disclosure Regulation (SFDR)** provide more transparency for investors regarding the investments products we offer.
- The **EU Taxonomy Regulation** defines clear guidelines for economic activities to be labelled as 'sustainable' or 'green'. It does so for a selection of economic activities and in relation to six 'environmental objectives.' Furthermore, additional legislation and a related taxonomy is under development for the social domain.
- The European Union is working on a **European Single Access Point (ESAP)**. Amongst other things, the goal of ESAP is to ensure that sustainability-related information at EU level will be freely and publicly available.
- At the international level, the **International Financial Reporting standards (IFRS)** Foundation published its first two Sustainability Standards, S1 (general principles) and S2 (climate) and is working on other standards.

### EU Taxonomy

The EU Taxonomy Regulation sets out an EU-wide framework for investors and businesses to assess whether certain economic activities are environmentally sustainable.

The EU Taxonomy reporting of KBC Group contains:

**Mandatory EU Taxonomy reporting** in our management reporting. KBC Group is subject to the disclosure obligations set out in the EU Taxonomy Disclosure Delegated Act. Being a financial group, KBC conducts activities as a credit institution and as an insurer. We have already reported on the **Taxonomy eligibility** for climate change mitigation and for climate change adaptation in previous years. In our 2023 [KBC Group Annual Report](#), we report our first **mandatory key performance indicators on Taxonomy alignment** for climate change mitigation and adaptation.

**Voluntary EU Taxonomy reporting** in our sustainability reporting. Besides our mandatory reporting, we report how we contribute to the Taxonomy-aligned climate and environmental objectives of our non-NFRD (Non Financial Reporting Directive) clients. We have developed various products and solutions for this purpose, such as the financing of the most energy efficient homes and electric vehicles. We include this voluntary reporting in the '[Sustainable finance](#)' section of this report.

In addition to financing and insuring Taxonomy-aligned activities and assets, in all of our home countries, KBC also offers numerous other products and services that contribute to environmental and social objectives. These products and services include loans aligned with sustainability criteria of other external frameworks, such as the LMA (Loan market Association) framework or the EIB (European Investment Bank) Green Framework, sustainability-linked loans, green bonds and social bonds. We include this 'other' reporting in the 'Sustainable finance' section of this report.

### READ MORE

[More information on the EU Taxonomy and the 'Taxonomy eligibility' of KBC Group's financial activities 2023 KBC Group Annual Report](#)  
['Sustainable finance: Our commitment to the environment'](#)



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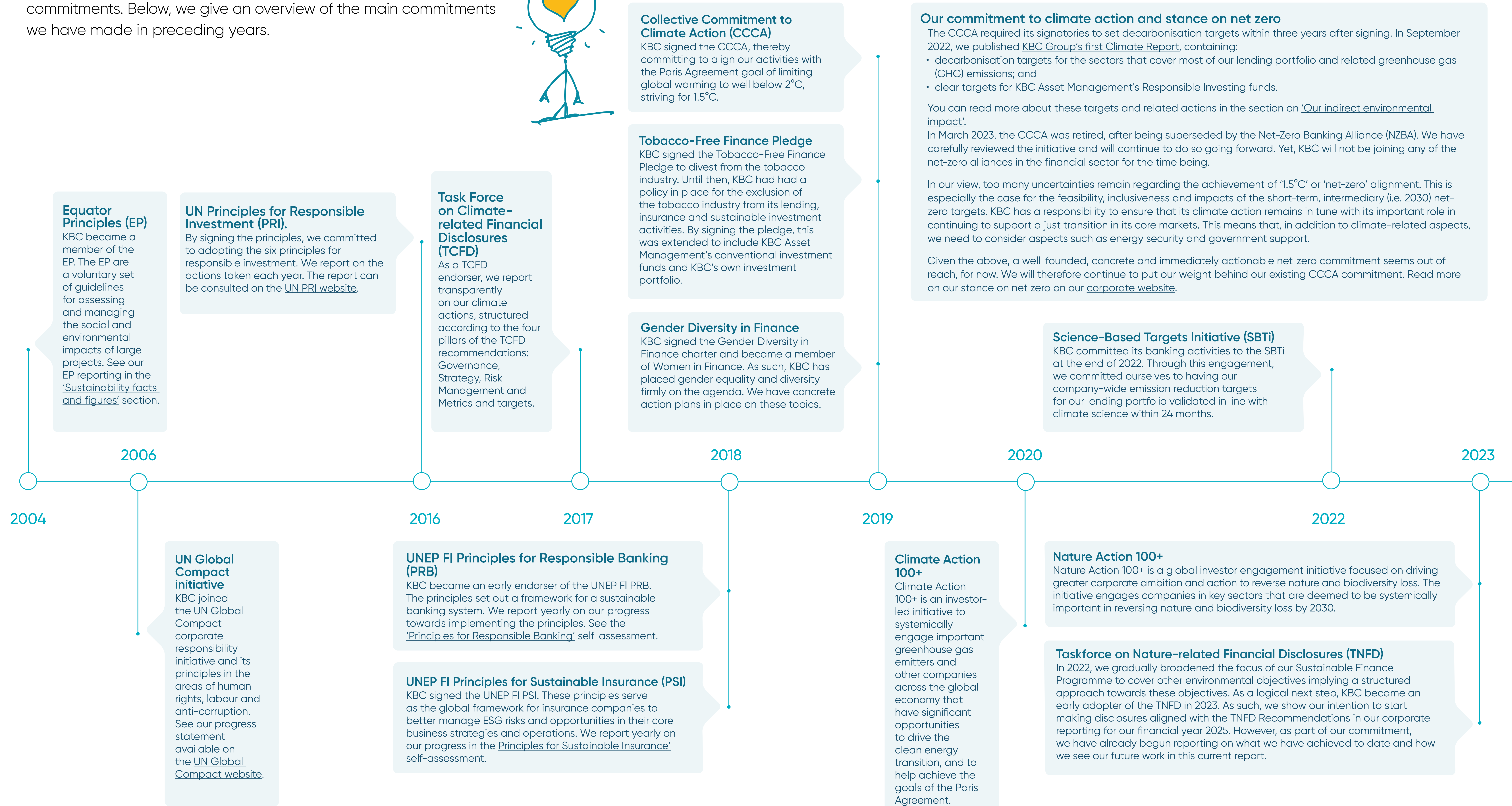
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## Voluntary commitments

KBC Group is also a signatory of various sustainability-related commitments. Below, we give an overview of the main commitments we have made in preceding years.



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## Stakeholder interactions

We engage in dialogue with our stakeholders to closely monitor and live up to their expectations. We do this at group level and in each of our five core countries. We listen to our stakeholders and continuously try to improve our operations in line with their needs to the extent possible. We also share our insights on relevant topics and challenges with our stakeholders.

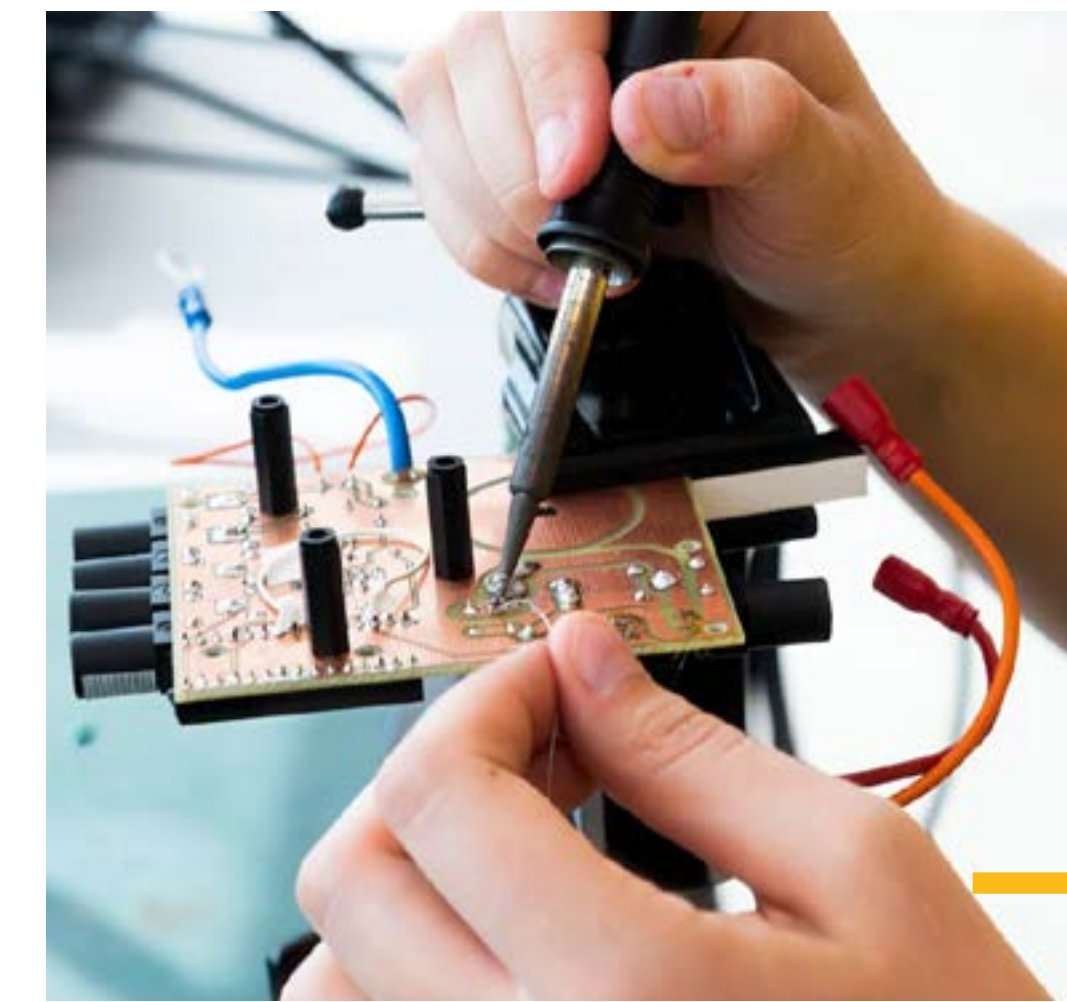
**We engage with our stakeholders on a continuous basis to understand their views on the environmental and social challenges we face as a society.**

We define our stakeholders as an individual or group whose interest is affected or could be affected by KBC Group's activities. Our main stakeholder groups are clients, employees, investors and core shareholders, suppliers, public authorities, non-governmental organisations and the wider community. We have identified these groups through thorough analyses and in cooperation with internal and external sustainability experts.



As part of our structural stakeholder dialogue, KBC in Belgium organised roundtable discussions around three sustainability-related themes: female entrepreneurship, sustainable real estate renovation and the challenges around net-zero emissions by 2050. The dialogues involved different stakeholder groups such as academics, non-profit organisations, entrepreneurs and (local) government officials. They helped us gather insights that will help us face the societal challenges of the future.

Filip Ferrante, Johan Thijs and Koenraad Debackere



KBC joined EnergyVille's first Strategic Advisory Council (STAC). The STAC was established by EnergyVille to inform and gather advice and feedback from stakeholders. Members of the STAC are experts from governments, market, civil society, science and finance. Through our membership, we had the opportunity to share perspectives on the energy transition, give feedback on EnergyVille's ambition as energy innovation hub and provide expert advice on effectively monitoring strategic impact.



–assist  
The event offered a unique setting with intimate roundtable discussions, where real dialogue and recognition took place. It was clear that KBC is sincerely committed to achieving tangible results in the field of female entrepreneurship. I sincerely hope that my contribution as a female entrepreneur was able to inspire others.

Sylvia Feytons, Founder Imagik, round table participant-stakeholder



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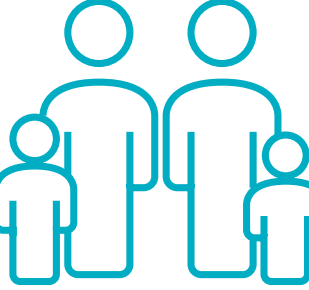
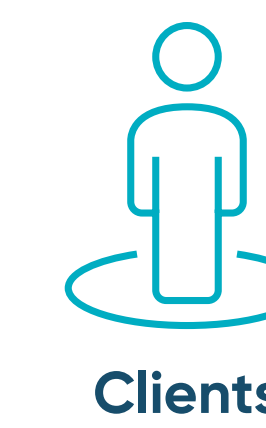
We enter into dialogue with all our stakeholders on a regular basis. This guides us in shaping and steering our sustainability strategy. The table on this page shows our stakeholder groups, the expectations they raised during our talks and our engagement activities based on their suggestions. The  symbol indicates that the members of our Executive Committee and Board of Directors were involved.

Table 2.1: How we interact with our stakeholders

Stakeholder groups	Engagement activities	Their expectations
<b>Clients</b> 	<ul style="list-style-type: none"> <li>Annual client satisfaction ranking: Client net promoter score (NPS)</li> <li>Complaints management</li> <li>Regular customer panels and customer consultations</li> <li>Local engagement by branch network and relationship managers</li> <li>Collaboration with clients in their transition to becoming a low-carbon business</li> <li>Webinars on ESG-related topics</li> </ul>	<ul style="list-style-type: none"> <li>A trustworthy partner</li> <li>Respect for privacy and protection against cyber risk</li> <li>Transparency</li> <li>Broad accessibility</li> <li>Top expertise</li> <li>Innovation</li> <li>Simplicity, relevant solution and personal advice</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Employee surveys (e.g. Shape Your Future survey)</li> <li>Regular consultations with the occupational health and safety committees, health, safety and security advisers, and employee representatives</li> <li>Annual meeting of the European Works Council</li> <li>Regular progress meetings with all staff</li> <li>StiPPLE, a digital learning and talent platform for our employees.</li> </ul>	<ul style="list-style-type: none"> <li>Work-life balance</li> <li>Personal and professional development</li> <li>Health and safety</li> <li>Ethical conduct</li> </ul>
<b>Investors and core shareholders</b>	<ul style="list-style-type: none"> <li>Investor days</li> <li>Regular roadshows for investors and analysts and dedicated virtual ESG meetings</li> <li>Annual general meeting</li> <li>Review by credit rating agencies</li> <li>Sustainability assessments such as S&amp;P Global Corporate Sustainability Assessment, CDP, Sustainalytics, FTSE4Good, Bloomberg GEI and ISS ESG</li> <li>Adhoc ESG questionnaires of investors</li> </ul>	<ul style="list-style-type: none"> <li>Value creation</li> <li>Long-term business model with clear financial and non-financial targets</li> <li>ESG as part of our strategy</li> <li>Transparency</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>CSR questionnaire as an integral part of our supplier assessments</li> <li>Supporting suppliers willing to make the adjustments needed to comply with the KBC Group Code of Conduct for Suppliers</li> <li>Webinars on ESG-related topics</li> <li>Vendor meetings on all levels of the hierarchy</li> <li>Proofs of Concept during which we mutually learn about potential value creation</li> <li>Transparent, simultaneous communications and approaches in competitive sourcing cases</li> </ul>	<ul style="list-style-type: none"> <li>Transparency</li> <li>Connect and collaborate to identify opportunities</li> <li>Strengthen long-term relationships</li> <li>Shared vision, strategy and values</li> <li>Shared risk and reward</li> <li>Joint value creation</li> <li>Timely payment</li> <li>Respect contractual agreements</li> </ul>
<b>Public authorities</b>	<ul style="list-style-type: none"> <li>Membership of banking and insurance federations</li> <li>Membership of other national and international representative bodies to establish and maintain relationships with political actors and to achieve closer follow-up of regulatory initiatives that impact the financial sector (e.g. public consultations)</li> <li>Active participation in networking events</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with applicable legislation</li> </ul>
<b>Society</b> 	<ul style="list-style-type: none"> <li>Regular (one-on-one) meetings with NGOs</li> <li>Membership of sustainability network organisations</li> <li>Membership of local works councils</li> <li>Research papers and media analysis</li> <li>External advisory boards advise us on various aspects of our sustainability strategy and challenge us on a wide range of topics. These boards mainly consist of experts from the world of academia.</li> </ul>	<ul style="list-style-type: none"> <li>Local employment</li> <li>Transparency and good communication</li> </ul>



### Grievance mechanism

We have different channels through which our clients and other stakeholders can voice concerns about our products and services. We aim to address these concerns and consequently improve our products and services:

- **Direct contact:** We recommend that our clients first contact their bank branch, relationship manager or insurance agent. This is the person who knows the client best and is best placed to help find a tailored solution to the clients' potential grievances.
- **Formal complaints channels:** We have formal channels in place in all our core countries through which our clients can report complaints. Information about these channels is available on the commercial websites of the various entities in our core countries. All complaints are closely followed up and immediate action is taken, if necessary. Where needed, the compliance departments will be involved. Moreover, all complaints we receive are analysed ex-post by the relevant product or service department in association with the Risk and Compliance departments.
- **Sustainability related requests:** Specific sustainability-related inquiries or complaints are addressed by the Group Corporate Sustainability Department via [csr.feedback@kbc.be](mailto:csr.feedback@kbc.be).



### External advisory boards

We regularly meet with our External Sustainability Board, which mainly consists of experts from the world of academia. The board advises us on various aspects of our sustainability strategy and challenges us on a wide range of topics. We see these meetings as a continuous stakeholder dialogue. By doing so, we keep our finger on the pulse of what is going on in society. It helps us to determine the topics we should focus on in our sustainability strategy.



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**7**  
high-priority topics  
that shape  
our strategic focus

**High-priority topics**

We conduct a materiality assessment every two years to identify the topics that are most important (i.e. most material) to us. We take a double materiality approach in line with GRI (Global Reporting Initiative) requirements. This means that we identify topics that have a strong impact on us, on the one hand, and on the world around us, on the other.

The last materiality assessment took place in 2022. Through this assessment, we identified seven high-priority topics. **The high-priority topics are the topics that have the highest impact on society and on KBC. These topics shape our strategic focus, and all have a clear link with our corporate and sustainability strategy.** We describe our group's impact in relation to these high-priority topics throughout the report. This means we report on the effects our activities have or could have on the economy, the environment and on people.

The table on this page shows how these topics relate to our strategic focus and which indicators we use to measure our progress. We track our performance on these parameters using, amongst others, the KBC Sustainability Dashboard. Please note, however, that not all KPIs are available externally and are thus not all shared in this report.

High-priority topics	Strategic focus	Focus domains	KPIs
Sustainable and responsible service and product offering	Increase our positive impact Limit our adverse impact	Environmental responsibility Longevity and health	<a href="#">KBC Sustainability Dashboard:</a> <ul style="list-style-type: none"> <li>Climate target setting</li> <li>Sustainable business opportunity track</li> <li>Supporting female entrepreneurship</li> <li>Developing the skill sets and attitudes of young adults regarding mortgage loans</li> <li>BRS: financial inclusion and impact investing</li> <li>Responsible Investing funds targets</li> <li>KBC Green and KBC Social Bonds</li> </ul>
Partner in the transformation to a more sustainable future		Environmental responsibility Entrepreneurship	
Sustainable and responsible asset management and investing		Environmental responsibility Longevity and health	<a href="#">KBC Sustainability Dashboard:</a> <ul style="list-style-type: none"> <li>Responsible Investing funds targets</li> </ul>
Ethical business conduct and responsible behaviour	Responsible behaviour	Financial literacy	<a href="#">KBC Sustainability Dashboard:</a> <ul style="list-style-type: none"> <li>Responsible behaviour</li> <li>Follow-up on concerns from our stakeholders</li> </ul>
Long-term resilience of our business model	Financial resilience and strict risk management	Environmental responsibility Entrepreneurship	<a href="#">Our financial KPIs in our Annual Report</a>
Data protection and cyber security		Financial literacy	
Employee development and well-being	Our people	Longevity and health	<a href="#">Our people</a>

**READ MORE**

- Full results of the materiality assessment and impact analysis [KBC Group Sustainability Report 2022: 'Appendices: Value creation: our material topics 2022'](#)
- Mapping our high-priority topics to GRI Topic Standards ['GRI Content Index and SASB disclosure'](#)
- Our corporate strategy [KBC Group Annual Report 'Our strategy'](#)
- Our sustainability strategy ['The cornerstones of our sustainability strategy'](#)



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# Our people

We want to create a working environment that attracts high-quality employees. We hence heavily invest in creating a pleasant, healthy and inclusive working environment. We also support our employees to grow their talents, from their onboarding, all the way to their retirement.



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# OUR PEOPLE

Team Blue embodies our strong cooperation ability across our group's different business units and our core countries. Through the various 'Team Blue' initiatives, we aim to unite employees from different countries, make them proud of their team and their company, and enable them to draw on each other's experience.

KBC Group has a total of 41 000 employees. We see them as one of the main stakeholders of our group, our biggest asset and our main driving force. We therefore want to create a working environment that attracts high-quality employees while motivating them to stay with KBC for the long term. To this end, we heavily invest in creating a pleasant, healthy, inclusive and safe working environment. We also want to enable our employees to grow their talents over the course of their careers, from their onboarding, all the way to their retirement. We make sure that we respond to our employees' needs by engaging in open social dialogue and regular employee engagement surveys.



Our colleagues at ČSOB Slovakia are also enthusiastic volunteers. It is their tradition to go into nature to clean forests and water reservoirs. Approximately 50 colleagues helped to pick up over 200 kilos of garbage from Slovakia's oldest national park High Tatras. They also helped to clean the water reservoir Ruzin, using boats, collecting dozens of garbage bags of litter.



From December 2022 to April 2023, all employees in Belgium were challenged to pick up litter in the streets. Within this period, 1 433 employees collected 32 377 pieces of litter. The employees could record this litter in an app. As a reward, they earned digital coins that could be spent at the Werchter Boutique festival, to which all Belgian employees were invited. Moreover, KBC matched this achievement with a donation of 25 000 euros to an educational mini-forest planting project organised by CERA.



K&H organised a plogging event – a run during which the participants pick up litter along the way. 30 colleagues went on a run together along the Pest stretch of the Danube. Together, they picked up more than 100 garbage bags full of waste.



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## Our people strategy

Our human resources policy is rooted within our 'PEARL+' business culture and group-wide values. The implementation of our people strategy, moreover, also considers local conditions within each of the labour markets in which we operate.

We sum up our **business culture** in the acronym '**PEARL+**':

- **Performance:** We strive for excellent results and do what we promise;
- **Empowerment:** We allow the creativity and talent of the individual employee to blossom;
- **Accountability:** We meet our personal responsibilities;
- **Responsiveness:** We anticipate and respond proactively to questions and suggestions;
- **Local embeddedness:** We view the diversity of our teams and clients in our core markets as a strength.

The **extra '+' dimension** reflects our increased focus on the joint development and smart copying of solutions, initiatives and ideas within the group, enabling them to be easily implemented across the board. Finally, we encourage all our employees to conduct themselves in a way that is responsive, respectful and results driven.



### READ MORE

[Our PEARL+ business culture and values](#)  
[KBC Group Annual Report 'Our business model: What makes us who we are'](#)

[Detailed people indicators](#)  
['Sustainability facts and figures: Employees'](#)

## Creating an attractive, safe and healthy working environment

We focus on creating and maintaining a working environment where people feel safe, are free to speak up and able to grow. Moreover, we are keen for our employees to enjoy the right work-life balance. We have put in place several measures to achieve this balance, among other things by allowing flexible ways of working. Finally, we want to ensure that our employees receive fair compensation for their efforts.

### Health and well-being

**KBC highly values the mental and physical health and well-being of its employees.**

**KBC has an independent medical prevention department and has set up Occupational Health and Safety Committees (OHSC) in its core countries.** Their responsibility is to create a healthy and safe working environment that does not negatively affect the health and well-being of our employees. In addition, the facilities department ensures that the lighting, air circulation, heating and ergonomics in KBC's buildings and office areas are appropriate. Since 2019, KBC in Belgium has been awarded international health and safety certification ([ISO 45001](#)).

**KBC Belgium, CBC, K&H (Hungary) and our Shared Services Centers in Czech Republic and Bulgaria have all received a Top Employer certificate.**

Concerning the mental health of our employees, **we are strongly committed to preventing excessive stress at work, which can cause burnout.** We run sensitivity campaigns to make sure our employees and managers are alert to early signs of stress and anxiety, and also encourage them to immediately act upon these symptoms. Moreover, there are several initiatives at local level. For example, in Slovakia, we offer lectures on work-life balance within the framework of the DETOX programme. We also offer articles, a podcast and workshops on mental health to our Slovak employees. We particularly targeted our sales teams, as they are a group that is vulnerable to mental health problems.

### New policy for absenteeism and reintegration

**In 2023, KBC Belgium initiated a new policy for absenteeism and reintegration. Within the framework of this policy we:**

- Established a multidisciplinary team consisting of first line contact persons and a mediator. They collaborate and together set up targeted actions to prevent absenteeism and facilitate reintegration of absent employees.
- Increased the visibility of the mediator and first line contacts for our employees.
- Trained the Kate chatbot to help employees find answers on health and safety topics. In addition, we trained the chatbot to help employees find their way to first line contacts more easily.
- Increased the support for managers concerning the topics of absenteeism and reintegration. We did so through in-person training and a new e-learning programme on how to conduct conversations around well-being and sickness.
- Optimised existing programmes that aim to support a smooth return to work after illness. The medical department and re-integration coaches provide for a proactive follow-up of employees who are absent due to illness.



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## Offering flexible working conditions

In the past years, **KBC has increasingly introduced new ways of working in response to the evolving needs and demands of its employees.** We have noticed an increased demand for flexible working conditions. We therefore offer different options in all our core countries. This includes increased possibilities for working part time, working from home or working flexible hours. By focusing on integrating digital collaboration methods, we have been able to increase flexibility without compromising the quality of our service delivery to our clients or team functioning.

Kate is a unique digital assistant for our employees. The Kate chatbot assists our employees in some of our core countries in their own HR-related topics and administration. It also assists them in their daily office tasks. In this way, we aim to provide tools and services that allow our employees to use their resources as efficiently as possible.

## Rewards and recognition

**It is important to us that our employees receive a fair and competitive salary for their efforts and performance.** We therefore offer all our employees an attractive and balanced reward package, including variable remuneration. In some of our core countries and for certain employee groups, this variable remuneration is partly linked to sustainability-related performance, as is the case for our senior management and executive committee members (see [‘Sustainability governance’](#)).

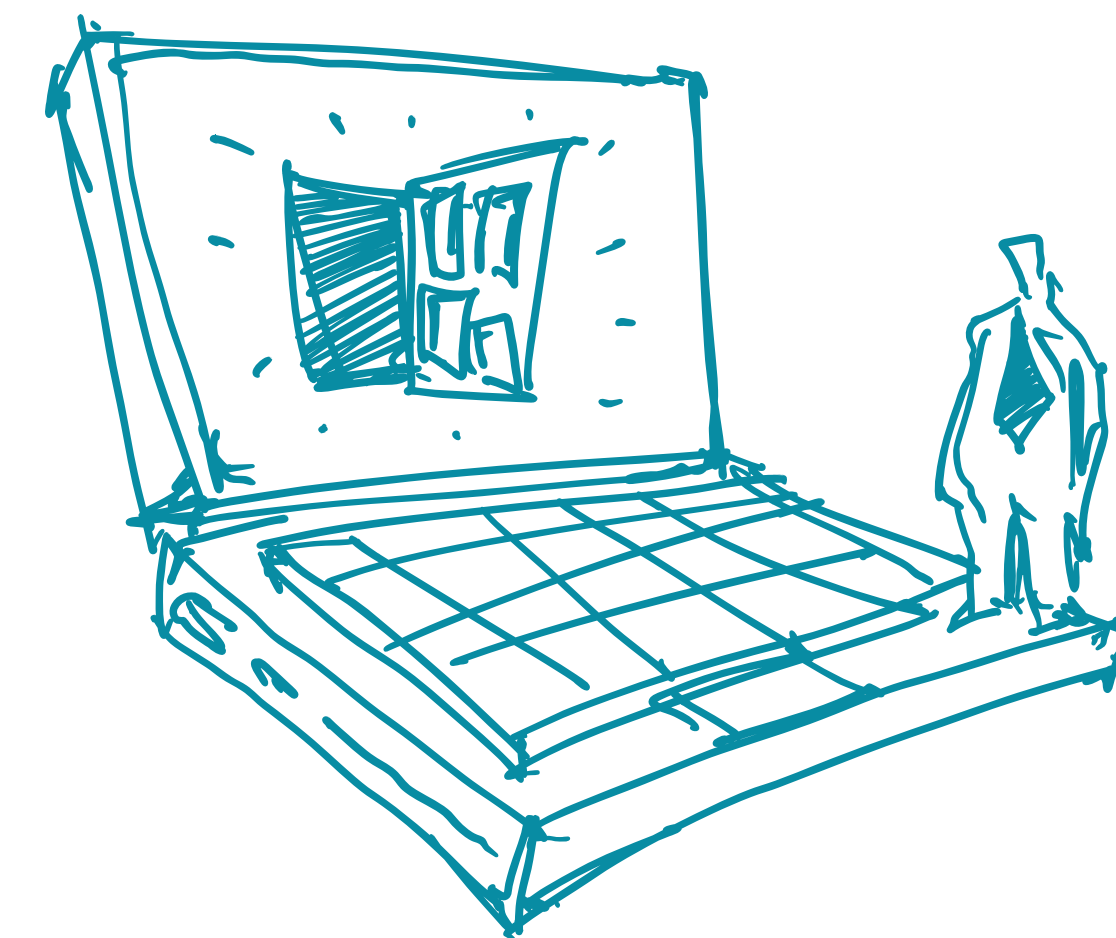
## Developing the talents of our employees

From onboarding to end of career, we want to give every employee the space they need to develop their talents and creativity. KBC has several tools in place to continuously enable its employees to develop their personal and professional skills, improve their performance and explore their leadership abilities.

### Performance and progression

**We want to ensure that each KBC employee progresses along with their team and in line with our group strategy. We therefore have a Performance and Progression Management system in place.** Within this system, employees can set dynamic individual progression goals. Moreover, teams can set common goals together.

The progression on these goals is continuously reviewed, instead of through annual appraisals. All managers and team members are actively involved in this process. We also make sure our employees have all the tools they need to move towards their goals by providing regular progression dialogues, continuous feedback and coaching sessions.



**In 2023, the average amount of learning days per FTE increased to 5.4 days.**

## Continuous learning

StiPPLE

**We have created digital platforms to support our employees in all our core countries to develop their skillsets and to be ready for current and future roles and functions.** The most advanced platform is called StiPPLE – an acronym for Skills to improve Performance Progression Learning and Employability. The platform provides multiple services:

- **Keep track of employees’ skills.** We have identified a set of ‘KBC hot skills’ that every KBC employee needs as well as specific job-related skills. The platform allows employees to set development targets on these skills. This is generally done in agreement between employees and their manager.
- **Suggest and provide learning opportunities.** The StiPPLE platform proposes learning content tailored to the individual needs of the employee.
- **Provide job opportunities.** The platform suggests internal job opportunities to our employees that match their skill profiles based on the proficiency levels of their competences and development ambitions.
- **Easily apply for open positions.** The platform shows how well the employees’ skills match with the skills required in the internal vacancy.



## Leadership programmes

We also deploy development programmes for our current and future leaders. First, there are tailored programmes for senior managers to develop the skills to keep on pursuing KBC's strategy. These programmes are offered through 'KBC University'. The programme is mandatory for all recently appointed senior managers. It focuses on the PEARL+ leadership model with specific attention to trust and psychological safety, and adaptive and inclusive leadership. Additionally, it includes a deep dive into KBC's overall strategy with a focus on amongst others sustainability, responsible behaviour and artificial intelligence.

Second, we are actively working on a separate development plan for top talent management, in which we identify our future senior managers. An example of this is 'Top Talent in Action,' an action-based learning programme, for 20-25 groupwide top talents. The focus of the programme is on vision, innovation, change, leadership, teamwork and self-awareness. The participants work as self-directing teams on a realistic case, supported by top management. In 2023 the case was linked to Sustainability.



In 2023, we launched the Plrvi Leadership Academy in Bulgaria. The goal of the academy is to offer training courses that will help to build and strengthen the leadership capacity at UBB. The programme offers training on, amongst others, innovation and digital transformation, and sustainability. The goal is to raise awareness of these topics and develop competencies to deal with issues related to them.



We are actively working on improving gender diversity within IT. Within the framework of our initiative 'Women in IT & Friends' we organise monthly events on a wide range of topics. For example, we organised a recruitment event where we connected with female students, training on gender diversity where we learned about specific female strengths and discussion sessions on topics like micro-aggression. We also organised women-led walks, in which women in IT could make new connections, and the 'Womentoring track,' in

which women wanting to receive coaching throughout their careers were assigned a womentor. The initiative is sponsored by our Chief Information Officer, Isabel van Mele. Moreover, most events are accessible to women and men. A community to be proud of!

## Female leadership programmes in Hungary



We have several initiatives to support women with leadership ambitions within our organisation. One of these is the K&H Women's Career School in Hungary. The school is meant for female colleagues already in leadership positions and has been running for several years. It includes quarterly workshops with panel discussions or presentations on topics that may be relevant to their career development.

The aim of the programme is for its participants to become more conscious about their skills, strengths and opportunities. If needed, they are encouraged to expand their boundaries and take a step out of their comfort zone.

We also provide mentoring opportunities for female leaders who are considering a senior management position or who need support in their current role.

In addition to the above, we offer a programme series, targeting women preparing for their first leadership role. We invite outstanding women leaders from K&H to the panel discussions to serve as role models for the participants. These occasions also provide space for networking.



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## Sustainability hot skill

**KBC sees its employees as a crucial element in carrying out its sustainability strategy.** It has therefore formulated sustainability as a crucial skill on its StiPPLE platform since 2021. It has also developed several training courses on the subject:

- A generic training, intended for all KBC employees, was launched in 2021. The training focused on climate change-related issues. The goal of the training was to raise awareness about the significance of transitioning to a more sustainable economy. It highlighted the key elements of KBC's strategy to achieve this goal. Finally, the training also highlighted the responsibility of all KBC employees in carrying out KBC's sustainability strategy.
- Additional training sessions on climate risks, regulatory reporting requirements and responsible investing areas were launched in 2022.
- In the last quarter of 2023, we launched an e-learning programme on the basic understanding of biodiversity, pollution, water and circular economy and why these topics are important for financial institutions.

## Supporting PhD research in Bulgaria

In March 2023, UBB launched a competition for conducting research and defending a PhD degree on Sustainable Finance in partnership with the Faculty of Economics and Business Administration of Sofia University. The competition was accessible to employees from UBB, UBB Interlease and KBC Asset Management NV – Branch Bulgaria. Two employees were awarded the support:

**Yuliya Zharova** is a Senior Legal Advisor at the Legal Directorate of UBB. Her PhD focuses on legal trends and risks in the field of corporate sustainability. She also studies greenwashing by credit institutions from a legal perspective. Finally, her research focuses on legal challenges to the achievement of ESG compliance in sustainable finance.

**Ivaylo Petrov** is a regional key clients coordinator at the SME Banking Directorate. The goal of his PhD is to develop a model that can help assess the value that companies create from an ESG perspective. The aim is for the model to calculate the added value of a company and generate a unified rating with a minimal amount of data input. The model will thus add new sustainability aspects to conventional finance assessment. It could also be used for different purposes, such as leveraged buyout deals or equity financing.

## Offboarding and end-of-career schemes

**Being involved in the careers of our employees means that we also work on smoothing the transition of our colleagues towards the end of their employment at KBC.**

**We also want to provide our employees with the opportunity to grow and develop their talents, even towards the end of their careers.** In Belgium and Czech Republic, we have end-of-career schemes in place that encourage ageing employees to remain active at their time of life as well as providing them with innovative career pathways.

- In Belgium, employees at the end of their careers can choose to work at a lower employment rate. Also, the **'Minerva programme'** offers employees with fewer than eight years of service left until retirement the opportunity to share their experience outside KBC, without losing their employee status. In total, about 150 employees have already been given the opportunity to share their expertise and experience in non-profit organisations.
- In Czech Republic, our employees enrolled in the **'55-plus Programme'** get to pursue their career to the benefit of non-profit organisations and public benefit institutions.



More than 90% of KBC's employees followed our generic training on sustainability.



Working in the social sector has been a reality check. But it is satisfying to know that I can mean something for the people I work with. And I'm happy to do something different at the end of my career, without giving up on my job security.

Dirk Van Den Bossche – Participant in the Minerva Programme



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**72%**  
of our employees  
feel engaged  
with KBC

## Improving the work experience of our people

We want to be in touch with the sentiments, needs and views of our employees, and adapt our organisation accordingly. We therefore listen to our employees carefully by regularly conducting employee engagement surveys. We also invest in regular social dialogue with employee representatives.

### Employee engagement surveys

KBC conducts a six-monthly employee engagement survey in all its core countries. The goal of these surveys is among other things to consult our employees on:

- The engagement they feel with regard to the organisation. Engagement is based on pride in working for the company, motivation to do one's job well and commitment to KBC.
- The ways in which they view their career opportunities and opportunities for personal development within the organisation.
- How they experience the digital transformation and the way it impacts their jobs.
- How they perceive KBC's sustainability approach.

Overall, the results of the surveys show that **72% of our employees feel engaged with KBC. The engagement rate is in line with previous years.**

Employees are proud of KBC's innovative approach and its stability as an organisation and an employer. Furthermore, **the survey results are used to decide on further actions to improve our employees' work experience and their engagement towards the company.** This includes initiatives to further support managers in their role as coaches.

For detailed results of the survey, we refer to the '[Sustainability facts and figures](#)' section in this report.

**At group level, around 86% of our employees are covered by collective bargaining agreements. For 65% of employees, formal employee representation is in place.**

### Social dialogue

We regularly engage in constructive dialogue with our employees and our formal employee representation groups. Related to this, we fully support the freedom of association and the right to collective bargaining. The goal of these dialogues is to balance the interests of KBC and its employees. Examples of issues that may be discussed are payment and employment conditions, reorganisations and well-being.

Though a group-wide practice, the dialogues are generally initiated on an individual country or legal entity level. Discussion topics may thus also differ per core country, as they may focus on particular local social issues. The dialogues are also shaped according to the local practices and laws of each country. The European Works Council brings together the employee representatives from all core countries and senior management once a year. During these meetings, topics of cross-border importance are discussed. As such, we ensure that there is a forum for discussing the impact of decision-making at group-level.

**Most KBC employees are covered by collective bargaining agreements and formal employee representation.** The proportion of employees covered by such agreements differs per country since the collective bargaining mechanisms and trade unions are less common in some of our core countries.



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Well-balanced workforce with

**57%** and **43%**

women and men

## Diversity and inclusion

We want to create a diverse and inclusive working environment. Our diversity approach is strongly rooted in the value of Respect. This means that we treat all our people equally in all circumstances and that we want every employee to feel recognised and empowered and to have equal opportunities. We further specify our approach towards these values in our Diversity policy. Within this policy, we focus particularly on gender diversity. Moreover, every business or country can add specific actions or focus on other diversity areas, depending on their context.

### Gender diversity

Within our Diversity policy, we have adopted a specific focus on gender diversity and equality. In the long-term, we aim to achieve a gender distribution at leadership level that reflects the diversity of our general workforce. Currently, the workforce is well-balanced with 57% women and 43% men. Yet women remain underrepresented in the higher echelons of our organisations, especially senior management.

**In 2023, KBC was again included in the Bloomberg Gender-Equality Index. This is in recognition of our efforts in favour of gender equality and an inclusive workplace within the organisation.**

We aim to further improve the gender distribution within our leadership in three ways:

- Develop the skills of our female colleagues and attract women with the right skills and ambition levels.
- Encourage senior management to formulate ambition levels and action plans with regard to women in managerial positions.
- Adapt and support HR processes and practices, e.g. by publishing gender-neutral job vacancies. Also, to support gender diversity in the higher echelons of our organisation, we have set a goal of having one female and one male candidate for every new senior management nomination, provided they have equal qualifications.

Our Executive Committee monitors the progress on our goals and actions twice a year.



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We want to make KBC an inclusive and diverse workplace. We have already taken big steps to achieve this, with tailored actions in all our core countries.

Laura Lumingu, Corporate Culture and Diversity and Inclusion Officer

**Could you introduce yourself and explain what role you play in diversity and inclusion at KBC?**

I started working at KBC thirteen years ago. I have had different positions. Today, I work at the Corporate Culture department in HR. Together with my colleagues, I help to make diversity and inclusion (D&I) concrete for the entire group through policy. We keep an eye on specific challenges in each of our core countries. For Belgium, I also help to create and implement an action plan based on this policy.

I also volunteer at Diversity Rocks, a network through which we take bottom-up initiatives around D&I in our core countries.

**Why are diversity and inclusion so important to KBC?**

At KBC, we put our corporate culture, PEARL+, at the heart of everything we do. At the core of PEARL+ lies the value of respect, which guides our interactions with clients and colleagues. We want to create an environment where:

- Everyone is treated with respect and responsibility;
- Everyone is enabled to be their authentic selves and freely express their opinions;
- All employees are treated equally and receive fair treatment in every circumstance;
- An open mindset prevails.

**Have you seen progress since you started?**

For a long time, the focus was on gender. This is only logical, since more than half of KBC’s employees are women and we didn’t see that percentage reflected in senior positions.

Since a few years, our view is broader. We are now looking at a more comprehensive D&I approach with a focus on inclusion. Responsible and inclusive behaviour is now also on the strategic

agenda within HR. We now consistently address questions like where we still see barriers and how we can counter unconscious biases. We investigate this with a data-driven approach.

The Diversity Rocks employee network has also shifted its focus from gender to diversity and inclusion. This brings together a more diverse group of colleagues. Internationally, age and disability are important issues.

In 2023, we founded the Proud@KBC network in Belgium. This was inspired by the Czech LGBTQ+ network Proud@ČSOB. We also organised our first Group Diversity Day in 2023.

**Where do you think we still have steps to take?**

With HR, we strive for more inclusion across the employee life cycle. To this end, we have now set up a wide-ranging study, which should lead to concrete recommendations. Moreover, we actively listen to the experiences and needs of our colleagues through focus groups, surveys and other participatory methods. In 2023, we organised surveys on disability and neurodiversity. The insights from this study enable us to take concrete steps to increase accessibility in the workplace and create an even more inclusive culture. We also want to pay attention to colleagues in the final phase of their careers. These are just a few examples of how we continue to work on D&I.

Of course, D&I is more than just an HR topic. For example, we also need to create an accessible (digital) environment for our clients. Every client, with or without disabilities, should feel welcome when visiting a bank branch or insurance agent and be able to access our digital services. By informing our colleagues about the nuances and possible limitations, we want to contribute to a respectful atmosphere and an accessible environment. This is something that we continue to work on.



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# 87%

of parents  
successfully returned  
after parental leave  
thanks to the parents'  
programme at ČSOB

### Equal pay

We aim to create gender equality when it comes to the rewards and compensation our employees receive. **We prioritise equal pay for equal work, ensuring that there is fairness in compensation across roles and career levels.**

**We also actively measure gender pay.** This helps us find and address any structural barriers that hinder gender equity. We measure the gender pay gap in two ways:

- The **unadjusted gender pay gap** represents the raw difference in average pay between male and female employees. This basic calculation highlights to some extent the gender pay gap, but it does not account for factors like local economic context, job roles or experience.
- The **adjusted gender pay gap** takes into consideration various factors that influence earnings. This measurement method aims to account for variables that could explain pay disparities other than gender. We believe that this provides a more insightful view on gender pay gap.

In 2022, we calculated the adjusted pay gap for Belgium and Czech Republic, our two main core countries. Our calculations have shown that the adjusted pay gap in these countries is negligible, respectively, 1.11% and 2.92%. Our ambition is to develop a validated methodology for the other countries as well. The difference with the unadjusted pay gap (14.76% in Belgium and 30.80% in Czech Republic) is explained by different factors, for example by the fact that the majority of roles that are linked to higher compensation were historically more often filled by men. To a smaller extent, the gap can be attributed to the fact that men tend to have longer tenure in KBC. These findings have inspired, and will continue to inspire, actions to also decrease the unadjusted pay gap. For example, remuneration for new senior management appointments is set at the same entry level for male and female candidates.

### Parental leave and family care

We have several policies and support mechanisms in place for (young) parents. This includes:

- Parental leave
- Childcare options
- Lactation facilities
- Flexible working options
- Programmes for female colleagues returning from parental leave.

Our local parental leave and family care policies meet the legal standards in all our core countries. In some countries, we go beyond what is required by law. We provide more detailed information on, for example, the number of weeks of parental leave and workplace flexibility options for parents in the '[Sustainability facts and figures](#)' section of this report.

### Parents' programme at ČSOB

At ČSOB in Czech Republic, there is a specific programme in place for new parents. The aim of the Parents' Programme is to:

- Stay in touch with the company;
- Help prepare expecting parents for everything related to maternity leave;
- Help with adaptation upon return through the 'Parents Academy', which offers workshops around the topic of employment and parenthood;
- Create job opportunities during parental leave and upon return;
- Provide infrastructure such as company kindergartens and provide childcare allowances to facilitate the return to work.

These actions are especially important since formal childcare provision in Czech Republic is poor and the parental leave in Czech Republic is one of the longest in all the European countries.

This has a negative effect on maternal employment. Running our own daycare facilities, for example, therefore contributes to more equal chances for parents. The results of the programme show this too, with 21% of parents working during or instead of parental leave and 87% of parents successfully returning after parental leave.



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## Employing people with disabilities

### We also focus on the inclusion of our colleagues with a disability.

For example, in Czech Republic, it has become an integral part of our corporate culture to provide opportunities to people with disabilities. As a part of this, we have recruited nearly 90 colleagues with a disability. Today, they are fully-fledged members of our teams. There are significant benefits for both parties. Our colleagues can grow professionally and expand their qualifications while, at the same time, applying their knowledge within our organisation. We offer them work in various fields, including digitalisation, complaint processing, and financial and capital markets.

#### READ MORE

[The key behaviours expected from all our employees  
KBC Group Code of Conduct](#)

[The way we approach Diversity and Inclusion at KBC  
KBC Group Diversity and Inclusion Policy](#)

## Unconscious bias

We recognise the negative impact of unconscious bias on collaboration and innovation. To address this, **we offer unconscious bias training through e-learnings and workshops to all our employees.** In the spirit of leading by example, our senior managers and colleagues in leadership roles are also obliged to take the e-learning module on unconscious bias. This empowers our workforce to recognise and challenge biases, fostering a shift from unconscious bias towards conscious inclusion.

## Network organisations on diversity and inclusion

### There are several networks and employee-led groups within KBC that aim to promote diversity and inclusion within the organisation.

The groups offer employees a safe environment to support one another and focus on various aspects of inclusion within the company, including gender, disabilities, age diversity, cultural background, LGBTIQIA+, parenthood and inclusive leadership.

The networks allow our employees to connect and share experiences around these topics. They do so, for example, by organising workshops, informal meetings and webinars. Once a year, they gather at a virtual event to connect and share best practices.

The local networks on diversity and inclusion are sponsored by a local Board member. Next to this, two Group Executive Committee members are members of the International Steerco for Diversity Rocks. Within the Steerco, ideas and best practices of all local initiatives are shared.

## Inclusive panels

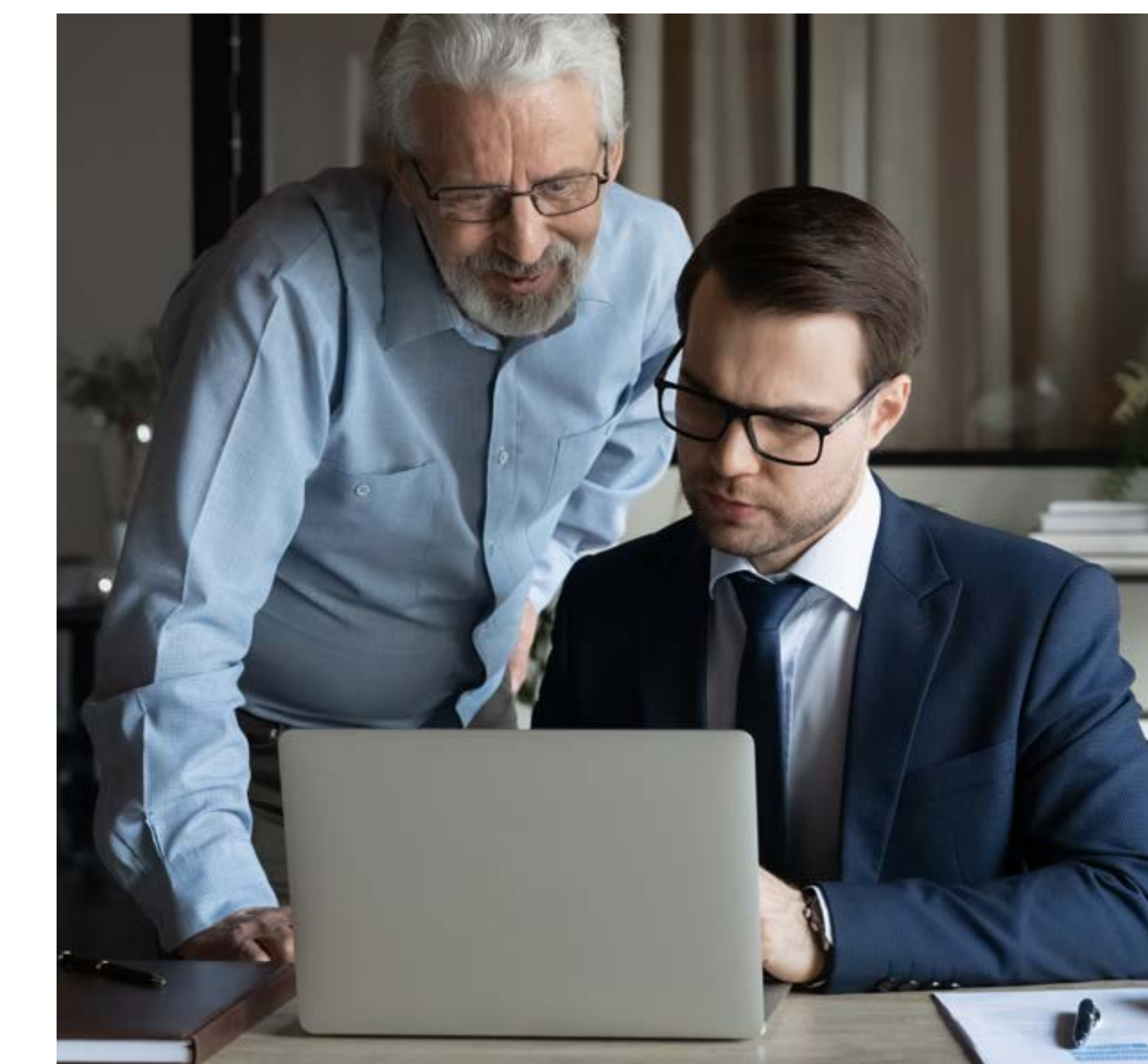
In Belgium, we have signed the Inclusive Panels Charter. The charter encourages companies to pay attention to the balance of gender, generations and different backgrounds to be included in panel discussions. This will ensure rich and open debates that generate innovative ideas.



CBC4Diversity gives people with disabilities the opportunity to do an internship at CBC Banque. To do so, CBC cooperates with EFE (*Espace Formation Emploi*), a training centre for people with disabilities who wish to train or reorient themselves professionally. So far, CBC has welcomed four of their interns. The initiative has proven to be an enriching experience for both sides. CBC plans to continue and expand this collaboration in the years to come.



In 2023, we organised our first Group Diversity Day, an inspiration day connecting different colleagues from our core countries. During this day, we addressed different topics related to diversity and inclusion.



Different generations work together, each with their own set of expectations. At ČSOB Slovakia, managers at all leadership levels were offered a workshop on generational diversity. The workshop helped them to develop their leadership skills with respect to working with different generations and their specific needs.



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# Our responsibility

We want to act in a responsible and ethical way. Only in this way can we gain and keep the trust of our stakeholders. Responsible behaviour is therefore the foundation of an effective and credible sustainability strategy. We thus consider the responsible behaviour of all our employees as the foundation of everything we do.



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# OUR RESPONSIBILITY

It is crucial for us that we act in a responsible and ethical way. Only in this way can we gain and keep the trust of our stakeholders. We see this trust as the foundation of our existence and our 'social licence to operate'. To earn our stakeholders' trust, we genuinely care about and encourage the responsible behaviour of all our employees. We also act according to strict business ethics. This consists of diligently following (local) laws and regulations, on the one hand, and respecting our additional corporate policies, on the other. Furthermore, we particularly focus on respecting human rights throughout all our activities. Finally, our rapidly evolving digital world brings its own share of challenges. We proactively deal with cyber and information security threats. We also strictly respect the privacy of our stakeholders and deal with personal data in a lawful and transparent manner.

## Responsible behaviour

We truly consider the responsible behaviour of our employees to be the foundation of everything we do. Individual integrity, competence and open communication, complemented by a sound risk awareness, form the cornerstones of responsible behaviour. Responsible behaviour is also the foundation of an effective and credible sustainability strategy. This, of course, goes further than merely following applicable rules, regulations and corporate policies.

**The way we view and define responsible behaviour is strongly rooted in our corporate culture and values.** This drives us to behave in ways that are:

- **Respectful:** We treat everyone equally. We are transparent. We trust others and appreciate them for who they are and what they do;
- **Responsive:** We are open to different ideas and we respond to suggestions and questions spontaneously and positively;
- **Result-driven:** We do what we promise and meet our objectives. We deliver quality and do so on time and in a cost-effective way.

### READ MORE

[Our PEARL+ corporate culture and values](#)  
['Our people'](#)  
[KBC Group Annual Report 'Our business model: What makes us who we are'](#)

The way in which we expect our employees to behave responsibly is outlined in our [Code of Conduct for employees](#). Our employees receive mandatory training on the KBC Group Code of Conduct on a regular basis. Moreover, we have drafted a '**My Responsible Behaviour Compass**'. The compass outlines basic principles of common sense around responsible behaviour. It addresses the risks, standards, policies, processes and structures to maintain KBC's high standards on responsible behaviour. The compass is easily accessible to KBC staff in all local languages. Both documents also address how to act responsibly in response to the dilemmas that we face every day in our line of business.

## Accountability

**Senior management is primarily responsible for creating the right environment, nurturing the right behaviour in the organisation and actively shaping the collective attitudes within KBC. At the same time, all employees are accountable for behaving responsibly in all circumstances and along the lines of KBC values.**

## Awareness training

**We have put in place several initiatives to raise awareness of responsible behaviour**, both at group level and at a local level. We have been providing an online training module on responsible behaviour since 2020. So far, almost all our employees have completed this training course. The training is also a part of the onboarding programme for new employees.

To keep awareness on responsible behaviour among our employees high on the agenda, a new mandatory webinar on responsible behaviour was launched in September 2023. The webinar deals with the importance of business ethics and responsible behaviour within financial institutions. In the webinar, real-life examples are discussed that can provide practical insights that employees can implement in their daily activities. The webinar concludes with a set of principles that employees need to acknowledge. By the end of 2023, 75% of employees had already viewed it.

## Dilemma training

As a financial institution, we inevitably face dilemmas and complex decisions on a daily basis. **All our senior managers, therefore, follow a dilemma training session within the framework of our senior management development programme.** The training supports senior managers on how to discuss dilemmas or complex decision-making with their staff members.

The training sessions have resulted in the development of the 'KBC Decision Wheel'. The wheel gives a roadmap that our employees can follow when facing difficult decisions.

## Financial literacy

We believe it is our responsibility to contribute to improving the general public's understanding of financial concepts and products. Studies show that the foundation of financial literacy should be laid at an early stage. In several of our core countries, we have therefore developed teaching programmes for young people. In Belgium and Czech Republic, these programmes are offered under the '**Get a Teacher**' programme. Within this programme, our employees visit schools to teach about a range of money matters. They address questions like: What exactly does a bank do? How does a loan work? What if you want to start a business later?

In 2023 alone, we reached around 35 000 students in 450 schools in Belgium and Czech Republic together. More than 650 KBC employees were involved in the teaching.



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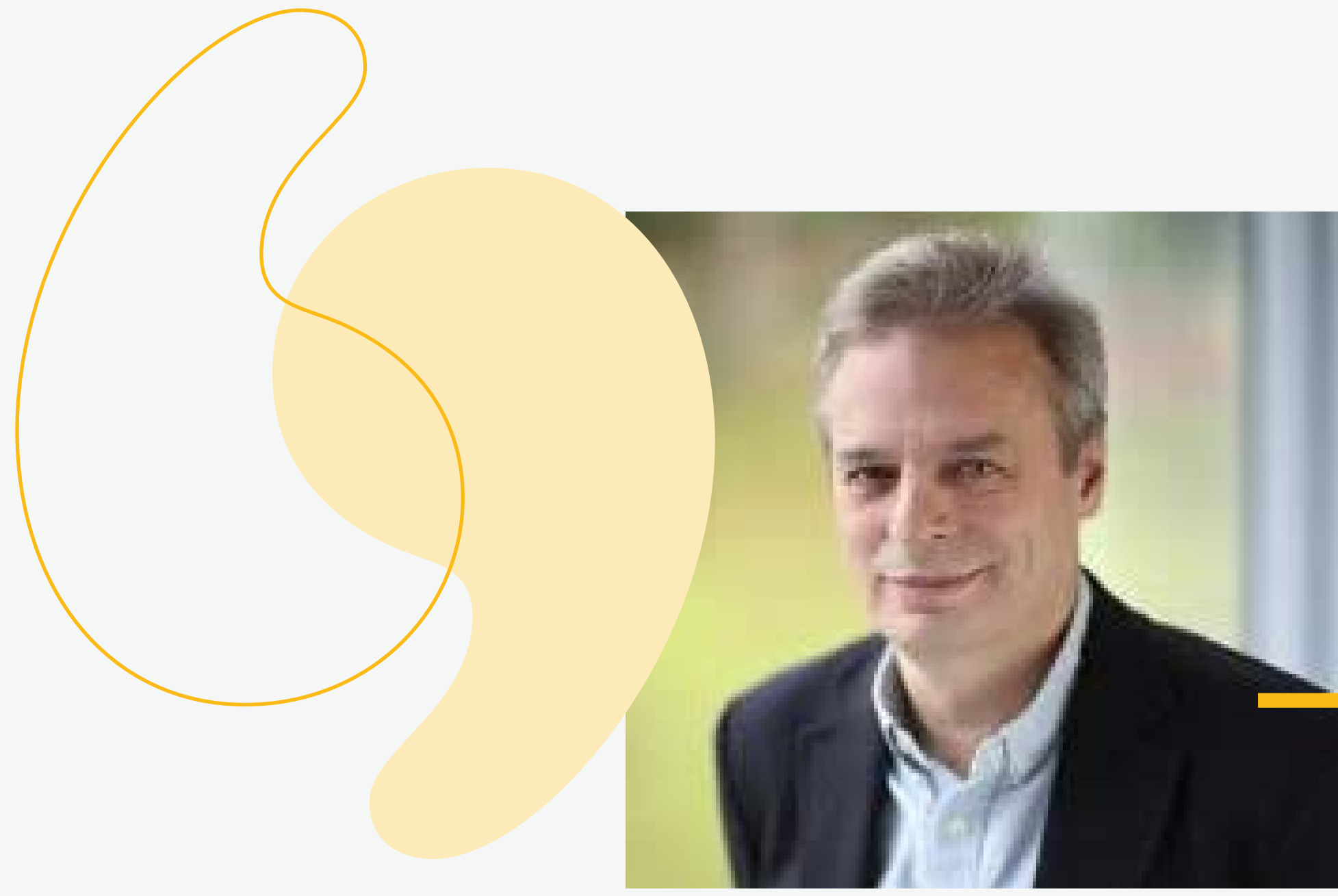
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It is crucial that employees are aware of why the rules are there in the first place. This awareness is created by a corporate culture in which it seems 'obvious' to behave in a responsible way. This is where a mandatory webinar like the one produced by KBC is very useful.

Geert Demuijnck, Professor of Ethics at EDHEC Business School – Lille and member of KBC Group's external advisory boards

#### Could you give a definition of responsible behaviour?

To put it concisely: responsible behaviour is about competence, transparency and clear communication with clients. It is also about integrity and providing solutions that serve clients' interests.

In business, and elsewhere, people do the right thing when their action is based on the right intentions. Profit may be one of them. Yet, it cannot be the only one. It is important to find a balance between the interests of a bank and those of its clients. So, it is important to sell services and investments that fit with clients' demands, needs and risk profiles.

A further important point is to have the reflex to seek advice when one has doubts. During the financial crises of 2008, a lot of misconduct was related to incompetence, and not to opportunism or greed.

#### Why is responsible behaviour so important, especially for a financial institution like KBC?

Responsible behaviour is essential to gain the trust of clients. People could never entrust their money to a financial institution if there wasn't an extremely high level of trust. So, without it, the financial sector could not exist.

Trust is built up over a long time, but it can disappear very quickly. Financial institutions have to make sure that employees at all levels comply with the rules to avoid controversial situations. A strong compliance policy is thus very important.

It is also very important that employees are aware of why the rules are there in the first place. This awareness is created by a corporate culture in which it seems 'obvious' to behave in a responsible way. This is where a mandatory webinar like the one produced by KBC is very useful. And such a corporate culture is also only possible if the executives lead by example.

#### Is 'responsible behaviour' something static, or does the concept evolve over time?

The basic principles I mentioned before, such as competence, integrity and transparency are static, of course. But the business evolves quickly, and new grey zones appear. This can relate, for example, to new, complex financial products of which the investors cannot always analyse the details, the processing of data for marketing purposes or technological evolutions in cash management.

Moreover, regulations generally and logically, lag behind the events/facts that necessitate them. That is exactly why we need responsible behaviour as a permanent mindset and attitude. The point is not to look for loopholes in the regulation and cynically exploit them. Instead, we need to keep up a constant discussion about how our values should be incorporated in new business practices. We also need to keep on anticipating new regulations and evolutions – think about climate policies – that are likely to be rolled out in future.



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## Business ethics

At KBC, we strictly follow our corporate policies and guidelines to ensure ethical business, ethical behaviour, openness, transparency, discretion and privacy. All information related to our policies, guidelines and codes of conduct can be found on our corporate website.

KBC's Corporate Compliance Division closely monitors how KBC's corporate policies and guidelines are implemented, and takes proactive actions to keep them in line with the updated regulatory requirements. We also guarantee that all our policies are compliant with the laws and regulations in the markets and countries where we operate.

### Our corporate policies

- [KBC Code of Conduct for KBC Group Employees](#)
- [KBC Group Anti-Money Laundering Policy](#)
- [KBC Group Ethics and Fraud Policy](#)
- [KBC Group Anti-Corruption and Bribery Policy](#)
- [US Patriot Act Certification](#)
- [KBC Group Tax Strategy](#)
- [KBC Group policy for the Protection of Whistleblowers](#)
- [KBC Group Corporate Public Affairs Policy](#)
- [KBC Dealing Code](#)

## Whistleblowing and speaking up

**We encourage our employees to speak up and report actual or potential misconduct.** The way in which our employees can do so is detailed in our [global whistleblowing policy](#), which forms a part of our [KBC Group Code of Conduct for employees](#). Our employees can report (potential) misconduct either via the intranet or via a dedicated contact point ([reporting@kbc.be](mailto:reporting@kbc.be)). They are actively encouraged to do so through information campaigns and 'Ethics and fraud' training. Our employees are also encouraged to report products or processes that appear unethical, unfair or contradictory to our values ([business.ethics@kbc.be](mailto:business.ethics@kbc.be)).

**KBC assigned the local compliance departments to receive and follow up on whistleblowing reports.** They investigate each case and evaluate whether there are incriminating and exculpatory elements. Without disclosing confidential information, they report to local and group management on the number and nature of these cases. This year, 28 cases were reported to group management.

Furthermore, in 2023, we launched a new reporting tool following the requirements of new Belgian legislation that aims to protect whistleblowers. This tool allows employees to anonymously report all forms of misconduct, including discrimination and retaliation against employees. The tool is available in all of KBC's core countries.

## Responsible artificial intelligence (AI)

We regularly use AI tools to work with large amounts of data on our clients. This poses specific risks related to the security and privacy of our clients and stakeholders. We have therefore created **a framework on 'Trusted AI'. The goal of the framework is to assess and effectively manage the risks related to the AI models that we use.** The framework particularly focuses on responsible behaviour, data protection and the protection of client privacy. Through this framework, we aim to avoid the following issues that may harm our clients:

- Unfair treatment;
- Discrimination;
- Bias;
- Security issues;
- Inferior quality.

The current version of the framework complies with the latest EU requirements and is integrated in our governance regarding the approval of AI models in KBC. The framework is embedded in the AI models we use and reviewed annually in case any adjustments are required.

The tool is currently being used in our Belgian entity. Alongside this, the tool is being piloted in Czech Republic and, in 2024, we will further investigate the implementation of the tool in our other countries as well. We have integrated the frameworks' concept into the data literacy training that is available for all staff. This means that our staff is aware of the framework requirements and its implementing rules.



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## Anti-money laundering

We have set up a general 'Anti-Money Laundering policy' framework to counteract money laundering and the funding of terrorism. We monitor compliance using an AI platform that was developed in-house that detects illegal activity which might be linked to money laundering. We also meet the regulatory obligations to report suspicious activities linked to money laundering.

In addition, we train our employees in order to increase awareness on this topic. All our employees, including senior managers, receive training that details their duties regarding anti-money laundering. These training courses take place online or face-to-face. During the training sessions, real case studies are explored.

### Spearheading the war against financial crime with AI



**Discai**  
Powered by KBC

In 2022, KBC launched Discai, an independent subsidiary of KBC. Through Discai, KBC commercialises the AI applications that we have developed in-house to third parties.

Discai's main offer is that of an innovative, AI-based Know Your Transaction (KYT), Anti-Money Laundering solution. A comparison has shown that their AML solution outperforms all solutions currently available in the market threefold when it comes to identifying disguised money transactions.

The tool is currently operational in six European countries, where it actively scans nearly 15 million clients for suspicious money laundering activities. Since the launch of Discai, discussions have been started with over 50 prospective clients throughout Europe. Moreover, at the close of 2023, four non-KBC group financial institutions had started projects using our KYT AML solution. By expanding the tool to other financial institutions worldwide, Discai can play an important role in the fight against financial crime globally. Existing technologies are proven to be insufficient to detect money laundering. Only a marginal 10% of money laundering activities are currently detected. This leaves a significant challenge for the financial sector.

## Responsible taxpayer

Our [KBC Tax strategy](#) ensures that KBC Group act as responsible taxpayers. The strategy is rooted in our Responsible Behaviour philosophy and acts according to the following values:

- Accurate tax compliance;
- Responsible tax risk management;
- Legitimate tax planning based on sound business reasons;
- Full tax transparency;
- Independent Tax Function from the business.

**Consequently, our employees are not allowed to provide any kind of advice or assistance to clients in terms of tax avoidance or the violation of regulations.**

The penalties for violations for tax abuse and illegal tax evasion can be severe. KBC supports its employees by providing a training module on the tax prevention policy for bank experts. In 2023, 87% of the target group completed this course successfully.

## Public policy engagement

**KBC Group Corporate Public Affairs Policy strictly prohibits any type of political involvement and expressing political convictions.**

This rule applies to all our staff members in the KBC Group and is guided by our KBC Group Code of Conduct for employees. Also, KBC simply rejects any requests for financial or other type of contributions to political parties, government organisations, politicians or campaign events. The highest level of direct responsibility for key public policy issues lies with our Executive Committee.

### READ MORE

[KBC's tax strategy and country-by-country reporting of KBC Group](#)  
[KBC Group Annual Report: 'Financial Statements'](#)

## Human Rights

KBC is committed to respecting human rights. Our aim is to reduce any potentially negative impact on society and our value chain. To this end, we follow the [OECD Guidelines for Multinational Enterprises on Responsible Business Conduct](#) and the [UN Guiding Principles on Business and Human Rights](#).

Furthermore, in 2006, KBC pledged to adhere to the principles of the [UN Global Compact](#), the world's largest corporate responsibility initiative. We keep our stakeholders updated on our progress related to these commitments. Our annual Communication on Progress can be found on the [UN Global Compact](#) website.

### WE SUPPORT



KBC Group has been committed to the UN Global Compact corporate responsibility initiative and its principles in the areas of human rights, labour, the environment and anti-corruption since 2006.

### We strictly cease any human rights violations by:

- Formalising our KBC Group Human Rights Policy. We also regularly update this policy;
- Implementing specific policies and due diligence processes on human rights;
- Adopting zero-tolerance policies to circumvent any plausible controversial activities;
- Improving the implementation of the UN Global Compact Principles in our daily operations.

### READ MORE

[KBC's approach to human rights](#)  
[KBC Group Annual Report 'Our role in society: Focus on human rights'](#)

[KBC Group UN Global Compact Communication on Progress](#)  
[UN Global Compact website](#)



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**100%**  
of our employees  
have completed  
a training in cybersecurity



## Information security and cyber risk

Digital technologies play a major role in our organisation. They help us to efficiently run our business and connect with our clients. Yet, digitalisation results in greater exposure to cyber attacks. Unfortunately, cyber attackers are more experienced than ever when it comes to detecting the weaknesses of an ICT system. This means that we must be one step ahead of them. Our focus at KBC is to ensure that our clients and our entities are protected against cybercrime. We use a variety of proactive security controls to stop all cyber attacks before they can cause any harm to our ICT systems.

Our main priority is to protect our clients' data and our ICT systems. One of the principles of 'our social licence to operate' is to retain our clients and stakeholders' trust. We therefore aim to avoid any breaches that can lead to legal, reputational and financial harm. We do so by installing highly secure and reliable ICT systems and maintaining robust data protection procedures. We also consistently monitor our systems and the environment.

Predictions indicate that cyber threats will remain a major risk for KBC. Information security, including cyber crime fraud is therefore identified as a top risk within the group. As such, the Risk and Compliance Committee and Board of Directors very closely monitor this risk.

In 2023, KBC experienced several cyber incidents, mainly driven by geopolitical tensions. None of these incidents caused major damage to our systems or had a serious impact on our customer service. This is mainly the result of our mature internal controls, strong detection mechanisms and swift management response.

KBC Group also has a comprehensive insurance programme to mitigate the possible financial damage of a potential cyberattack.



Besides supporting the digital transition in our own activities, we also support society in this digitalisation.

ČSOB Slovakia launched a Digital Smart Grant to support digitalisation in education. In 2023 the grant funded 155 000 euros to several projects in the domains of digital education, internet safety for children and adolescents, the creation of smart innovations and process simplifications. The beneficiaries of the grant were schools and municipalities.

### Sharing knowledge on cyber security

KBC Bank Belgium is a member of the Belgian Cyber Security Coalition. This is a unique partnership between academia, public authorities and the private sector. The goal of the coalition is to fight cybercrime. KBC is the co-chair of the Governance, Risk and Compliance focus group of this coalition.

We also contribute to educational initiatives. For example, we collaborated on publishing a Cyber Security Guide for Small and Medium-Sized Enterprises (SMEs). SMEs usually do not have enough resources to combat cyber threats. We therefore help SMEs to get an overview of the basics. We also support them in establishing cyber security measures. This enables SMEs to improve their cyber security levels, reduce cyber security risks, mitigate vulnerabilities and improve their resilience. The framework is user friendly and simple, so that it is accessible to a wide group of SMEs.

Financial literacy

### READ MORE

[More information on KBC's information risk management](#)  
[KBC Group Information Security Strategy](#)  
[KBC Group Annual Report 'Non-financial risks: Information risk management'](#)



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## Information risk management

**KBC has installed a Competence Centre for Information Risk Management (IRM). Its main goal is to protect KBC against threats to data and information.** This includes cyber crime related fraud, risks related to information security, IT-related risks and business continuity management. All of these threats may lead to a loss of integrity, loss of confidentiality and unplanned unavailability.

The group IRM department reports regularly and directly to the Executive Committee, the Board of Directors and the Risk and Compliance Committee.

Furthermore, **we apply a robust information security programme consisting of strict information security governance and solid prevention and control mechanisms.** This programme's security standards are based on the ISO 27001 and comply with the European Banking Authority (EBA) guidelines' regulations and directives.

## Control monitoring and review

We continuously monitor the efficiency of our information security controls. In this regard, we also perform deep dives, especially hard testing such as ethical hacking, incident readiness drills and vulnerability scans. We take immediate risk mitigation measures if we detect any defect or shortcoming in the system. Additionally, internal and external auditors regularly control and assess the implementation of these surveillance mechanisms.



In June 2023, KBC Global Services, together with external parties, organised a hackathon on cybersecurity and ICT Risk Management.

The event took place in Varna, Bulgaria. The goal of the hackathon was to engage with the ethical hacking community, to foster awareness on ICT threats and to improve KBC's security measures. This gave us an opportunity to detect any potential improvement points in our system.

## Culture and awareness

Given the importance and potential severity of IT security risks, **we continue to focus on awareness of the issue among all our employees.** In 2023, we did so by:

- Organising cybersecurity training sessions for all employees.
- Organising periodic awareness campaigns. For example, in 2023, we organised 'Security On', which educated our employees on how to behave in a cyber-secure way.
- Performing group-wide simulation tests of phishing, smishing (SMS phishing) and vishing (voice phishing). Our employees are assessed on their performance in these simulations. Managers are made aware of the results of their teams. Colleagues who repeatedly fail the tests are offered additional training to improve their skills in this area.
- Encouraging our employees to attend international 'Cybersecurity Month' campaign sessions each year. In 2023, employees from all entities participated in topic-specific webinars such as cyberwarfare, cyber crime and the threat landscape.
- Organising regular training courses and workshops for software developers on secure coding and for all IT personnel on multiple generic security.

We also continue to organise activities to create cyber risk awareness among our clients. This includes phishing, smishing, how to protect their computer systems against online threats and general tips on how to act in a cyber-secure way.



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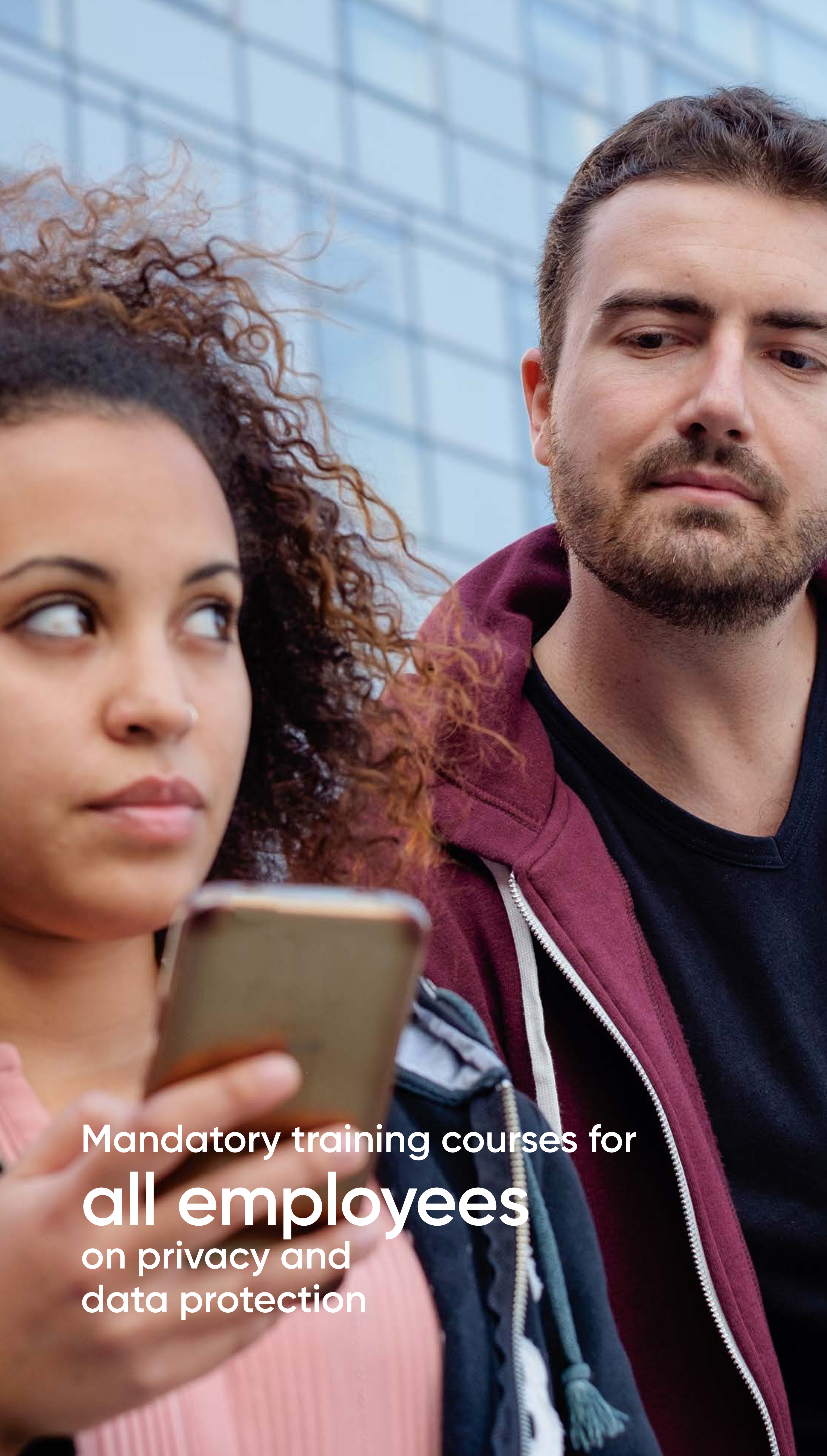
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Mandatory training courses for  
**all employees**  
on privacy and  
data protection

## Privacy and data protection

Processing private data is part of our daily business. We respect the privacy of all our stakeholders and comply with the General Data Protection Regulation (GDPR). This allows us to ensure that we process personal data in a lawful and transparent way.

We process and protect large volumes of (personal) data every day using AI and smart data analysis technologies. This makes it possible to offer our clients the right solutions. Yet, using these amounts of data also makes us accountable for doing so in a responsible way. To this end, **KBC strictly follows the GDPR guidelines and our own privacy policy in all services and each new service we launch.** Our privacy policies are publicly available on our communication channels in each of our core countries, such as our local websites and mobile applications. The privacy policies for our Belgian retail clients, for example, are available to be consulted on our Belgian commercial website [www.kbc.be](http://www.kbc.be).

This means that we guarantee the following **data protection principles**:

- **Purpose limitation:** We use data solely for the purpose for which they are collected;
- **Data minimisation:** We only collect the data we need;
- **Transparency:** We are fully transparent on the data we collect and how we use it.

Moreover, by following our privacy policy, we show that we are committed to:

- **Accuracy principle:** Keeping personal data accurate and up to date;
- **Integrity and confidentiality principle:** Securing data against unauthorised access, loss or damage;
- **Storage limitation:** Destroying the data once they are no longer needed.

Furthermore, our clients can decide themselves what we are allowed to do with their data. We transparently communicate to our clients through an unambiguous privacy overview. They can also adjust their choices at any time.

Finally, we have several systems and mechanisms in place that ensure that data are handled correctly and responsibly throughout the group. This includes:

- **New and Active Products Process (NAPP):** Any new service, product or change we launch needs to go through the NAPP. The goal is to evaluate risks and provide advice for improvement before the launch of the product or service. NAPP explicitly considers GDPR and other privacy rules.
- **Cloud Enablement Forum for Third Parties:** When data are exchanged with third parties (e.g. through a cloud), we control data security and GDPR compliance through a 'cloud enablement forum'. The forum evaluates all the risks before exchanging data with third parties with whom sensitive data will be exchanged and proposes necessary risk mitigating measures. In addition, we set contractual agreements with these third parties, and a Data Processing Agreement (DPA) to ensure diligent personal data processing on their side.
- **Data Privacy Training for our Employees:** KBC organises a set of mandatory training courses for all employees on privacy and the cautious handling of personal data. The content and detail of the training depend on the jobs and specific situations of our employees.
- **Code of Conduct:** Our KBC Code of Conduct explicitly mentions that any type of privacy infringement is absolutely prohibited. We remind KBC employees to be cautious about this subject with regular awareness campaigns. We regularly monitor our systems to detect any potential breaches. In case of infringement, e.g. unauthorised consultation of customer data while servicing the client, we take immediate internal actions to protect the client.

### READ MORE

More information on privacy and data protection at KBC  
[KBC Group Annual Report 'Corporate governance statement'](#)



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# Sustainable finance

We want to contribute to sustainable societies through our main activities: financing, insuring and investing. That is why we have strict sustainability policies in place for all our business activities. We measure the impact of our activities. We have formulated distinct targets and closely monitor our progress.



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# SUSTAINABLE FINANCE

## Our approach to sustainable finance

We want to contribute to sustainable societies through our main activities: financing, insuring and investing. We also want to increase the sustainability of our own operations. This section of the Sustainability Report details our approach to sustainable finance, which is strongly rooted in our overall sustainability strategy. It explains how we respond to the main environmental, social and governance (ESG) topics currently at stake.

The chapter consists of four parts, each addressing a part of our approach to sustainable finance.

- **Our sustainability policies:** We have a set of sustainability policies in place that define how we include sustainability in all our business activities. We aim to gradually restrict the most harmful activities by implementing these policies.
- **Sustainable investing:** Sustainability plays an important role in our investments. This is true for our own investments and the investments we make for clients. For our clients, we see Responsible Investing (RI) as the preferred solution.
- **Our social impact:** We want to increase the positive societal impact of our main activities. We also aim to increase the affordability and accessibility of our products and services.

Finally, we support financial inclusion through microfinance and microinsurance through our partnership with BRS.

- **Our environmental impact:** We are working on our environmental impact within the framework of our **Sustainable Finance Programme**. In the final part of this chapter, we focus on this programme in depth. This section also includes our TCFD (Taskforce on Climate-related Financial Disclosures) report, in which we focus on our direct and indirect climate-related impact. We are also taking the first steps towards aligning our disclosures with the TNFD (Taskforce for Nature-related Financial Disclosures) recommendations.

Figure 5.1: Our approach to sustainable finance



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### Stimulating sustainability through our main activities

In 2023, we again supported our clients in their sustainability transitions through our different core activities: lending, insurance, advisory services and asset management. Table 5.1 shows an overview of a variety of sustainable finance solutions we offered at year-end 2023<sup>1</sup>. In the rest of the chapter, we discuss some of these products and solutions in greater depth and give a more detailed breakdown, where relevant.

<sup>1</sup> We are working to gradually align these solutions with European sustainability legislation. The EU Taxonomy is a guiding standard in this regard. We also want to align with various other frameworks that constitute market standards. Here we point out that terminology such as 'green' and 'sustainable' is not meant to suggest (full) alignment with the EU Taxonomy.

Table 5.1: Sustainable business in our core activities (KBC Group, millions of euros)

		2023	2022	2021
<b>Sustainable investing<sup>1</sup></b>				
Responsible investing (RI) on behalf of our clients	RI funds under distribution <sup>2</sup>	40 700	32 300	31 700
<b>Our social impact<sup>1</sup></b>				
Financing contributing to social objectives	granted amount	7 401	7 356	7 152
BRS Microfinance Coop	loans to microfinance institutions and investments in microfinance funds (cooperative share capital)	11 (22)	10 (22)	10 (22)
<b>Our environmental impact</b>				
Financing contributing to environmental objecties <sup>3</sup>	total volumes	19 281	14 285	11 752

<sup>1</sup> End-of-year data

<sup>2</sup> KBC Asset Management's current RI framework is a KBC in-house framework that is proven and has been subjected to external testing. KBC Asset Management is further aligning this framework with new EU regulations such as SFDR and MiFID. All RI funds are either Article 8 or Article 9 funds under the SFDR.

<sup>3</sup> The volumes in this table are based on asset/activity specific data. Further details can be found in [Table 5.3](#). As of 2023, we also started to report based on EU Taxonomy alignment. We report on our EU Taxonomy financing in [Table 5.5](#). We will fine tune this reporting in the years ahead.





## Our sustainability policies

We have stringent sustainability policies in place for all our business activities and have brought them together within our sustainability framework. This framework helps us identify potentially controversial activities and other areas of concern. We will either not engage in these activities, or only under stringent criteria. These policies help us to restrict activities with a harmful impact on the environment, human rights and other important issues. We also want to use the framework to control and effectively manage reputational and litigation risks. We update our sustainability policies at least once every two years, supported by the independent experts of our External Sustainability Board.

### Application of KBC's sustainability framework

In our Sustainability Policy Framework, we set out the sustainability policies that apply to our different business activities. It includes the fundamental exclusions that we apply to our core and supporting activities. For particular business lines, specific additional exclusions and restrictions are in place based on the ESG screening of our counterparties' activities.

**We have a strict due diligence process in place to monitor compliance with our sustainability framework.** In the event of an infringement of its policies, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. For further reading on the application of KBC's sustainability framework, including due diligence and remedial action, we refer to the [KBC Group Sustainability Policy Framework](#).

#### READ MORE

[Full overview of the KBC sustainability policies](#)  
[KBC Group Sustainability Policy Framework](#)

[Overview of KBC business ethics related corporate policies 'Business ethics'](#)

### Expert advice on sustainability-related matters

For lending, insurance and advisory services, our due diligence process includes the possibility of requesting expert advice on sustainability related matters for individual cases. For certain policy domains, this advice is obligatory prior to any business transaction. Until 2022, this advice was always provided centrally. Since January 2023, part of the expert advice function has shifted to local country level. Practically, this means that advice requests related to our sustainability policies are now processed locally, provided that the decision itself is also taken on the local level. **This delegation increases local awareness of sustainability matters and ensures that policy advice is provided based on a sound knowledge of the local reality.**

A monitoring system put in place at group level shows that, since the partial shift to the local level, the quality and consistency of the advice has remained constant. In 2023, we assessed 318 referrals of which 55 were rejected, 42 were approved, subject to strict additional conditions, and 221 were assessed positively, as they were deemed to be in line with policies. Of these advice requests, 144 were provided at a local level and 174 at group level. For a detailed breakdown of the advices provided, please refer to the '[Sustainability facts and figures](#)' section of this report.



The [KBC Group Sustainability Policy Framework](#) gives a comprehensive overview of our sustainability policies for our business activities and how they are applied in our various activities. It also includes more information on the due diligence process and remedial actions in place.



"I have always been interested in ESG issues, so I was happy to take on the challenge of becoming a local sustainability policy advisor. After having received extensive training from an expert at the Group Corporate Sustainability department, we went live with the new system of local sustainability advice in January 2023. We quickly realised that, in some cases, we are faced with real dilemmas. Sometimes, different sustainability concerns seem to conflict with one another. It is therefore essential to ensure that the interpretation of the policies remains uniform across the entire group."

Jiří Stržítek, Sustainability Advisor at CSOB Czech Republic

### Updated and new sustainability policies

In 2023, we updated the chapters on energy and biodiversity of our sustainable lending standards.

**We updated our energy policy to facilitate the financing of renewable energy projects for integrated energy players.** By doing so, we can play an even more important role in financing the energy transition. Due to the high capital-intensity of this industry, integrated energy groups play a crucial role in building up renewable energy capacity across Europe. Until now, integrated groups that still have coal-based activities were excluded for financing – even if it concerned renewable energy projects. This policy adjustment, which will enter into force in 2024, will allow such financing. Strict conditions, however, will remain applicable, including a full ring-fencing of the renewable energy projects from the other activities of those groups.

Regarding biodiversity, our policies already contained restrictions on the production of forest commodities, such as palm oil, since these activities often involve deforestation. **The existing biodiversity policy on producers will be expanded to include more forest commodities and to also include traders of these commodities.** This means that we will require our clients active in the production and/or trade of those forest commodities to have 100% of their activities certified under an internationally recognised sustainable certification scheme. And this within a time frame of four years. Moreover, given the significant risk for deforestation, **KBC will no longer finance cattle farming in Latin America.** In this way, the goal of the KBC biodiversity policy to mitigate deforestation risk originating from activities outside the EU. The updated policy will become active in 2024.

This policy change is timely and necessary, as deforestation and forest degradation are important drivers of climate change and biodiversity loss. The increased focus on deforestation risk is reflected in new legislation and increased pressure from stakeholders. Financing activities related to deforestation can have a large environmental impact and involve reputational, litigation and credit risks for KBC.



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**40.7**  
billion euros  
total volume in  
Responsible Investing  
(direct client money)

## Sustainable investing

Sustainability plays an important role in how we manage our clients' and our own investments. We have a long history of Responsible Investing (RI) for the investments we make on behalf of our clients, where Responsible Investing has become the preferred solution. Sustainability is also becoming increasingly important with respect to our own investments.

### Responsible Investing on behalf of our clients

We see RI funds as our first offer to our clients and preferred investment solution. We actively promote them among our clients, especially in our digital sales channels. In this way, we want to enable our clients to invest in companies and countries that recognise and act on their social and environmental responsibility.

KBC has been a pioneer in the field of RI for over 30 years and the importance of RI in our business keeps growing. We offer RI funds in all our core countries.

We offer **three types of RI funds**, each with their own specific characteristics and criteria:

- **Responsible funds** invest in companies or countries that promote sustainability aspects and make efforts to limit climate change;
- **ECO-thematic funds** invest in companies which provide solutions to a specific sustainability challenge such as climate change or water scarcity;
- **Impact Investing funds** invest in companies that have a positive impact on society and/or the environment through their products and/or services.

In the future, we want to remain a pioneer in the field of RI. **Our ambition is for RI funds to reach at least 55% of total assets under distribution (AUD) (direct client money) and 65% of total annual fund production by 2030.** On top of that, we want to reduce the carbon intensity of the corporate investees in Responsible funds by 50% compared to the end-of-2019 reference values by 2030. We refer to the part on '[Climate-related impact of our asset management portfolio](#)' and the '[Methodologies explained: Trucost](#)' appendix of this report for more details on the methodology we use to track our progress.

### Target

#### Responsible Investing funds

Indicator	Baseline 2021	2023 <sup>1</sup>	2025 target	2030 target
RI funds in % of total AUD (direct client money)	33%	41%	45%	55%
RI funds in % of total annual fund production (gross sales)	55%	35% <sup>2</sup>	-	65%

<sup>1</sup> End-of-year data

<sup>2</sup> The drop in the portion of RI funds within the total annual gross sales is the result of the success of non-RI funds in 2023 (more in particular capital protected and money market funds), in response to the specific situation of rising interest rates. In the second half of 2023 we extended our offer with RI alternatives for capital protected funds.

#### READ MORE

[Climate-related impact of our asset management portfolio 'Metrics and targets'](#)  
['Methodologies explained: Trucost'](#)



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## Regulatory framework

**Our RI funds all qualify as Article 8 or Article 9 funds under the Sustainable Finance Disclosure Regulation (SFDR).<sup>2</sup>**

**Our 'responsible funds' qualify as Article 8 funds.** These funds promote environmental and/or social characteristics. Among other things, these funds pursue clear objectives in relation to carbon intensity and are managed accordingly. Furthermore, KBC Asset Management has specific objectives in place for these funds. These funds need to:

- Promote the integration of sustainability into the policy decisions of issuers (companies, governments, supranational debtors and/or agencies linked to governments) by favouring issuers with a better ESG score;
- Promote climate change mitigation by favouring issuers with a lower carbon intensity in order to reach a predetermined carbon intensity objective;
- Support sustainable development by including issuers that contribute to achieving the UN Sustainable Development Goals;
- Support sustainable development by promoting the transition towards a more sustainable world through investments in bonds to finance green and/or social projects.

**KBC's 'ECO-thematic funds' and 'Impact Investing funds' qualify as Article 9 funds.** In this category, we select companies that make a tangible contribution towards climate transition, among other things. These include, for example, companies operating in areas such as alternative energy and efficient energy use or companies that make a positive impact on society or the environment through their products and/or services.

<sup>2</sup> The SFDR is a European Regulation that governs the provision of information on sustainability in the financial sector. It divides investment funds into three sustainability categories to help guide investors.

**Article 6:** Conventional funds, funds that have not defined any sustainable objectives or are not in a position to calculate the outcomes.

**Article 8:** Funds that promote a combination of environmental and/or social characteristics.

**Article 9:** Funds that have a sustainable objective and where the specific contribution to this objective can be measured and reported.

## Exclusion criteria

**We have strict sustainability criteria in place for both our conventional funds and our RI funds.**

More information on the exclusion policies for our conventional funds are available in the [KBC Group Sustainability Policy Framework](#) and on KBC Belgium's [commercial website](#).

**For RI funds, we go one step further by applying additional exclusion policies.** This includes exclusions for gambling, conventional weapons, fur and specialty leather, adult entertainment, palm oil and fossil fuels. In addition, we apply a norm-based policy that excludes companies involved in severe controversies relating to environmental, social or governance issues. More information on these policies can be found on KBC Belgium's [commercial website](#).



Finally, **all KBC's RI funds comply with the criteria imposed by the quality standards of the 'Towards Sustainability' label.** This label was developed at the initiative of Febelfin, the sector association for the Belgian financial services industry. KBC Group is a signatory of this label.

**In 2023, UBB Asset Management organised an awareness campaign on responsible investing. It did so through an online campaign, the organisation of webinars on the topic and information sharing on conferences and forums.**

## Independent expertise through the RI Advisory Board

**KBC AM works closely with an external body of independent experts called the RI Advisory Board.** This board advises us on the sustainability policies for our RI funds and screening results. We meet with the RI Advisory Board at least once every quarter. During these meetings, we challenge one another and take on board the various expert opinions expressed. In doing so, we ensure we follow the highest possible standards for RI funds.



## Financial literacy

ČSOB Slovakia has created an e-book for potential investors named "From basics to success: How to learn investing". The book is intended for beginner investors that may still be hesitating to invest their money. The book helps readers to set realistic expectations and goals. It also provides information on how to cope with market downturns and what to do with their first investing successes. In this way, we want to make investing accessible for everyone and to further strengthen financial literacy.



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## Increasing the sustainability performance of our investee companies

**KBC Asset Management wants to increase the sustainability performance of its investee companies.** There are two main ways in which it tries to do so:

- **Proxy Voting:** The importance of sustainability is ever increasing and by now forms an integral part of our proxy voting policy. As an asset manager, we represent our clients who invest in companies through our equity funds and mixed funds with equity positions at shareholder meetings. We use proxy voting to do so. We believe that the incorporation of sustainability in our proxy voting policy is necessary to act in the best long-term interests of our clients. Also, we believe that shareholder activism concerning sustainability issues may have a positive impact on the companies we invest in. In 2023, KBC Asset Management voted on more than 20 000 resolutions at 1 578 shareholder meetings following the [Proxy Voting and Engagement Policy](#).
- **Engagement:** KBC AM interacts with investee companies on an ongoing basis. Sustainability issues form an important part of these interactions. KBC AM engages in collective and individual engagement. For the former, we participate in initiatives such as [Climate Action 100+](#) or collective engagement initiatives by Sustainalytics. Also, in 2023, KBC AM signed [Nature Action 100](#). This is a global investor engagement initiative that focuses on driving greater corporate ambition and action to reverse nature and biodiversity loss. For the latter, KBC AM enters into direct dialogue with companies or country policy makers on ESG issues.



Shareholders can have a big impact on a company's operations. As an asset manager, we see it as our duty to steer companies in the right direction through the way we exercise our voting rights and by utilising engagement opportunities from our fund management activities. That's why we engage with the companies we invest in, suggest improvement targets and, in some cases, even use our voting rights to vote against agenda items that are not sustainable.

Jürgen Verschaeve,  
Chief Investment Officer at KBC Asset Management

### READ MORE

[Rules for Proxy Voting and Engagement](#)  
[KBC Asset Management Proxy Voting and Engagement Policy](#)

## Sustainability in own investments

Sustainability is increasingly gaining importance in the way we manage our own investments. This is true both for our own investments managed by Group Treasury and the investments of *Pensioenfond KBC*.

### Sustainable investment principles of Group Treasury

**We follow strict ethical restrictions regarding our own investments.**

As a basic rule, KBC Group does not invest for its own account in financial instruments that are issued by 'excluded counterparties'. This applies, for example, to counterparties from the KBC Blacklist, the human rights offenders list or the controversial regimes list. Counterparties involved in thermal coal or tobacco are also excluded. For more information, we refer to the [KBC Group Investment Policy](#).

Furthermore, most of the exclusions that are applicable to RI funds also apply to investments done by KBC Group for its own account. For example, we have exclusions in place for activities relating to fossil fuels, controversial and conventional weapons, gambling, adult entertainment, fur and specialty leather.

As a result, KBC's own investments also benefit from the solid expertise and governance structure that apply to our RI funds. This includes the permanent external challenging of our policies and asset selection by the RI Advisory Board. For more information on our policy with regard to RI funds, please refer to the '[Responsible Investing on behalf of our clients](#)' part of this section.

In 2023, we also set targets on the Scope 1 and 2 emission intensity of the combined equity and corporate bond portfolio of KBC Insurance's own investments for the first time. For more information on these targets, please refer to the '[Metrics and targets](#)' part of this section.

### READ MORE

[Climate-related impact of our own investments](#)  
['Metrics and targets'](#)  
['Methodologies explained: Trucost'](#)



Group and KBC, and the EU Taxonomy. This is another milestone in KBC Insurance's ambition to make its investment portfolio more sustainable. The partnership allows us access to major investments. As such, we can have an even more important impact. The fund will be managed by the EIF and the deal will run over a period of at least 20 years.

KBC Insurance has started an investment partnership with the European Investment Fund (EIF). Through the partnership, KBC Insurance will support up to 200 million euros of equity investments in sustainable, climate-relevant infrastructure projects. Such projects will be aligned with the climate goals of both the European Investment Bank

### Sustainable investment principles of *Pensioenfond KBC*

Sustainability is also integrated in the way in which the pension funds from *Pensioenfond KBC* are managed. This pension fund manages the supplementary pensions of our Belgium-based staff and is by far the most important pension provision in this form within KBC Group. We started doing this in 2017, by including ESG principles in the Statement of Investment Principles of these pension funds. The principles include zero tolerance of certain non-sustainable companies. This includes blacklisted companies, human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling.

Since then, the sustainability approach has been expanded step-by-step over the years. For example, the focus on RI funds has been increased, and a long-term goal set to achieve a climate-neutral investment portfolio.

*Pensioenfond KBC* has also mapped the SFDR classification of the various funds in the investment portfolio. Please refer to the '[Responsible Investing on behalf of our clients](#)' part of this section for more information on this regulatory framework. **In total, 89% of the assets of *Pensioenfond KBC* currently have an Article 8 or 9 qualification.**



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**7.4**  
billion euros  
business contributing  
to social objectives

## Our commitment concerning our social impact

We want to increase our positive societal impact through our core activities. We do so by financing, insuring and giving advice on projects that create positive societal impact. This includes education, basic infrastructure, essential services, healthcare and employment. We also offer our clients business solutions that cater for societal needs in our four focus areas: financial literacy, health and longevity, entrepreneurship and environmental responsibility. Finally, we want to increase our positive social impact by supporting financial inclusion through microfinance and microinsurance through our unique partnership with BRS.

### Social impact financing

Table 5.2: Social impact financing (KBC Group, millions of euros granted amount, end-of-year data)

	2023	2022	2021
Healthcare and senior living sectors	6 233	6 202	6 059
Education sector	1 167	1 154	1 093
<b>Total</b>	<b>7 400</b>	<b>7 356</b>	<b>7 152</b>

### Financing, insuring and supporting social sectors

Supporting sectors with a positive societal impact is at the heart of all our core activities:

- **Insurance:** We protect our clients from the financial consequences of healthcare risks with the insurance products we provide.
- **Financing:** We are an important financier of different social sectors, such as healthcare, senior living, education, basic infrastructure and affordable housing. At the end of 2023, the financing we granted to the healthcare and senior living sectors amounted to 6.23 billion euros. The financing of the education sector amounted to 1.17 billion euros.
- **Advice:** We have dedicated departments that are specialised in helping social profit institutions and local authorities navigate their finances. This includes giving advice on payments, asset management and financing solutions.

#### READ MORE

Read more on our community involvement  
[KBC Group Community Involvement Policy](#)  
[‘Sustainability facts and figures: community involvement’](#)



The K&H Medical Magic programme celebrated its 20th anniversary in 2023! Over the years, the programme has donated innovative medical equipment worth more than HUF 852 million to Hungarian children’s healthcare institutions on 531 occasions. For the anniversary, we launched the K&H Future Healers competition. With this, we wanted to show our appreciation for paediatricians under 40 who are putting their heart and soul into healing young patients in an innovative way.



In Bulgaria, DZI offers ‘Kaksi’: a mobile application that aims to improve the health of its users. The app can hold the digital health card information of DZI’s clients. They can also use the app to claim their healthcare costs, book medical services or online consultations, and access information about the availability and prices of medication. Through gamification and rewards, the app encourages its users to live a healthier and more active lifestyle. The app has been installed over 22 000 times, has over 12 000 health card registrations and over 6 000 users per month.



UBB financed the upgrading and extension of the collection system of a wastewater treatment plant in Plovdiv, Bulgaria’s second largest city. The project aims to protect public health and the environment from water pollution and to develop solutions for wastewater collection and treatment. These goals are balanced with the aim to safeguard the financial and operational viability of the water company. Potential environmental and social risks of this project financing are determined, assessed and managed according to the Equator Principles.



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## Accessibility and affordability of products and services

KBC promotes financial inclusion and supports the financial health of its clients. We create equal opportunities and make sure that our products, services and facilities are accessible to all, including to people with specific needs and abilities. We pay particular attention to:

- **Clients who are less advantaged:** For clients who are less advantaged, we offer special accounts with banking services at no cost or at a low cost in almost all our core countries. We have also developed tools that help our clients manage their finances and in doing so also improve their financial health.
- **Clients who are in financial distress:** We ensure proactively communicate with clients in financial distress via dedicated units, processes and techniques.
- **The ageing population:** We support our ageing clients in navigating the challenges of an increasingly digital world. For instance, we run educational activities and offer coaching to non-digital clients at our branches.
- **Clients with a disability:** We are consistently working to improve access for those with a disability or long-term health condition. We have strategies and action plans in place in almost all our core countries to provide a full range of services specifically aimed at these clients.

Alongside our own bank and insurance products and services, **we offer non-financial solutions in our mobile apps. We refer to this as bank-insurance+.** To this end, we work with third parties to offer clients and prospects solutions that help them to:

- **Save money**, for example, by suggesting a switch to a cheaper energy supplier;
- **Earn money**, for example, by offering discounts via Kate Coins in Belgium;
- **Facilitate everyday payments**, for example, by providing a service in our banking app to automatically pay parking fees;
- **Support business activities.**



The 'KBC Belmobiel' has been on the road since early 2023. This home service in Belgium provides access to banking services for non-digital and less mobile private clients. At the client's request, a KBC employee comes to the client's home to provide the service required. We have a total of 10 electric vehicles and five bicycles that have been dispatched more than 1 000 times since the initiative was launched.



During fruit picking season, Central European seasonal workers come to Belgium to work in the agriculture and horticulture sector. However, they do not yet all have a bank account into which they can receive their wage. KBC supports them in opening a bank account. This is a complex process given the different nationalities involved. Therefore, our Belgian bank branches cooperate with colleagues from the shared service centre in Varna, Bulgaria. The entire administrative preparation is done in Varna.



ČSOB in the Czech Republic cooperates with People in Need in helping to prevent people building up unmanageable debt. ČSOB co-finances the provision of free debt advice and responsible debt resolution. This is done through a financial distress advisory centre, *Poradna při finanční tísni*.



We are continuously working to improve the accessibility of our services in all our core countries. Our user experience experts do so by involving clients with a disability in their research. This gives the experts better insights into visual impairments and the problems our clients face when using digital applications. We recently improved colour contrast-ratios in our digital applications and websites. In all new product developments, accessibility needs to be considered. It is embedded in our project lifecycle.



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750  
million euros  
second social bond issue

## Financial literacy on mortgage loans

**KBC wants to play a key role in helping young adults pursue their dream of homeownership.** However, we conducted a study that indicated that young people consider mortgages to be complex and difficult to understand. Consequently, they may make uninformed choices and end up in financial difficulties due to not being able to repay their mortgage loans.

We want to do business in a responsible way. **We therefore strongly focus on providing the right support, so that young adults can make well-informed choices when considering the purchase of a new, and often their first, home.** Hence, we want to primarily play an important educative role in developing the skills and attitudes of young adults with respect to mortgage loans. Through education, we aim to demystify the topic for them and give them the tools to make the right financial decisions within their specific situations. In line with the requirements of the UNEP FI Principles for Responsible Banking, **KBC has set two targets to drive positive outcomes for young adults while avoiding negative impacts** (scope KBC Belgium). We will report for the first time on our progress in 2024.

- **To increase our positive impact**, we have set a target of improving the financial skills and attitudes to mortgages of more than 35 000 young adults by 2030.
- **To limit our potential negative impact**, we want to support young adults in making informed choices and as such prevent them from getting into a situation of overindebtedness. By doing this, we aim to perform at least 50% better than our peers in the relative share of young adults who are unable to repay their mortgage loans.

## Social bond

In 2022, **KBC developed and implemented a comprehensive Social Bond Framework for its social asset portfolios.** The Framework is aligned with the Social Bond Principles of the International Capital Market Association. The bond is used to (re)finance projects that generate social benefits in support of our mission and vision. Our first social bond was launched in 2022. The bond was worth 750 million euros and was used for investments in healthcare. In 2023, we again launched a social bond worth 750 million euros. This bond was used for investments in schools and hospitals and has a maturity of eight years.

To ensure transparency, we have a webpage dedicated to our social bond on our [corporate website](#), including information on our social bond issue and framework.

In the years ahead, we will continue to focus on funding projects in the following areas: access to essential services (such as education, healthcare, sport and culture), affordable housing, job creation and SME financing.

## Financing schools

One of the assets in our second social bond is the land on which the Egied Van Broeckhoven School is built. The school is the first project in the DBFM (Design, Build, Finance and Maintain) schools programme of the Flemish government. In total, this programme consists of 42 projects. KBC took part in the financing of this project.

The school opened its doors in 2023 and is an initiative by the non-profit Jesuit organisation 'Ignatius Schools in Motion'. It offers Dutch speaking, secondary school education in the multicultural district around the West station in Sint-Jans-Molenbeek, Brussels.

Its students can follow courses within two fields of study: STEM (Science, Technology, Engineering and Mathematics) and 'Welfare and Society'. The courses specifically focus on getting the students ready for the job market. The school thus aims to address local youth unemployment.

During the first academic year, 100 students attended the school. In total, around 860 students will be able to attend courses.

The classrooms and outdoor spaces of the school will also be open for non-school activities outside of school hours. In this way, it will serve as a meeting place for young people in a neighbourhood that is known as a melting pot for different cultures and religions. The project thus also contributes to community building.



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## Supporting start and scale-ups

We support start-ups and scale-ups (entrepreneurs and companies) through our award-winning incubator programmes at Start it @KBC communities in Belgium, Hungary and Czech Republic. Within these communities, we provide product development and investing support. We also organise workshops and provide mentoring opportunities.

Our start-up communities support a wide range of starting businesses. Yet, there is an increasing focus on supporting environmentally sustainable businesses.

**Over its lifetime, 'Start it' has supported almost 1 000 start-ups and scale-ups in our core countries.**

The Start it communities have dedicated programmes to help women go into business. These address some of the challenges women face when setting up a company. Start it @KBC in Belgium, in particular, has been focusing for several years already on this topic and has a target in place on female entrepreneurship.

## Target

### Female entrepreneurship at Start it @KBC in Belgium

Indicator	Target	2023	2022	2021
Female entrepreneurs selected <sup>1</sup> (in % of total entrepreneurs)	50%	35%	34%	46%

<sup>1</sup> Number of start-ups with minimum one female co-founder at the pitch of October.

## Financial inclusion and impact investing

**KBC wants to play a role in ensuring access to basic financial services to all people around the globe. We do so through our unique partnership with the Belgian Raiffeisen Foundation (BRS). BRS aims to supply basic financial services, such as microfinance and microinsurance, and as such sustainably improve the quality of life for all. BRS consists of two organisations: BRS vzw and BRS Microfinance Coop.**

### BRS vzw: Supporting microfinance and microinsurance institutions

**BRS vzw's mission is to support rural entrepreneurs and farmers in the Global South and thus give them the opportunity to improve their lives in a sustainable manner. It mostly does so by working with and supporting local cooperative microfinance institutions (MFIs) in Africa, Latin America and Asia.** These MFIs offer financial services, such as microcredits and microinsurance, and organise access to education and healthcare for their clients.

BRS vzw focuses on giving advice, coaching and training to these MFIs. The training courses are given by experienced active and retired KBC bankers and insurers who volunteer their time to share their knowledge. They do this through KBC4BRS, KBC's employee involvement programme.

The training centres around topics such as risk management, cooperative governance, human resources, digitalisation, client-centricity and internal controls. In 2023, 86 KBC colleagues shared their time and knowledge as BRS volunteers.

BRS thoroughly screens the financial and social qualities of its MFI-partners, to ensure financial and social returns for all involved stakeholders. It does this using MFI-Factsheets to assess their financial performance. This tool was developed by BRS and is downloadable for free via its specialised website [Microfact.org](https://microfact.org).

### READ MORE

[More information on the operations of BRS BRS website](#)



Through a dedicated website, Microfact.org, BRS offers tools, such as MFI Factsheet and Microvision, and workshops to strengthen the performance of MFIs. These tools can be used by MFIs and other organisations active in the inclusive finance sector for monitoring financial and social performance. They also allow reliable projections to be established. Microfact also offers training modules. Interested stakeholders can rely on a broad worldwide network of certified trainers or choose the e-learning courses.

BRS also uses Cerise and SPTF (Social Performance Task Force), which are internationally accepted tools to assess the social performance of MFIs. BRS pays special attention to client value, prevention of over-indebtedness, transparency and responsible pricing.

Finally, BRS has an important informative role to play. It creates a social impact by sharing testimonies of people in the Global South in Belgium, for example by organising information sessions.

### BRS Microfinance Coop: raising capital and supplying financial services

**BRS Microfinance Coop raises capital through the issue of cooperative shares.** This capital is invested in MFIs in Africa, Latin America and Asia. In turn, they supply microcredits to rural entrepreneurs and farmers. Since 2023, BRS Microfinance Coop has focused on providing loans to individual MFIs that also make use of the coaching services of BRS vzw.

In 2023, the outstanding loan portfolio in individual MFIs was 2.5 million euros. At the same time, BRS Microfinance Coop started to increase its participations in Microfinance Funds to a total invested amount of 8 million euros compared to 2.6 million euros in 2022. At the end of the year, the outstanding share capital of BRS Microfinance Coop amounted to 21.8 million euros, of which KBC contributed 34%.

For more details about the activities and the investment policies of BRS vzw and BRS Microfinance Coop, please refer to the [BRS website](#).



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“We left well prepared, but only during that week on site did we learn exactly what the needs were. Face to face, in their own working environment and separate from their hierarchy, people are more open.”

Sofie Van Eycken and Simon Schauwers, KBC employees and BRS volunteers

Sofie Van Eycken and Simon Schauwers both work at KBC and are a couple in everyday life – so far nothing special. But they are also both BRS volunteers. Sofie went to Ecuador for a first assignment in April 2023, while Simon went to Ethiopia in 2022.

As an HR expert, Sofie joined two savings and credit cooperatives in Ecuador, Hermes Gaibor and San Antonio. Simon is a management reporting analyst and took that experience to the savings and credit cooperative Buusaa Gonofaa in Ethiopia.

#### Can you tell us something more about your first assignments?

Sofie: “Together with a colleague, I had already spoken extensively with the HR managers of these organisations. We wanted to find out what they are doing and what we could do for them. The cooperatives particularly needed advice on HR policies and people management, which are typical challenges for growing organisations. On site, we jointly drew up a concrete action plan, which I will now follow up further.”

Simon: “My main task was to find out how the cooperative organises its data reporting and what questions they had in this regard. The aim is to develop solutions for specific reporting questions during a subsequent visit. But with the unstable political situation in Ethiopia, it is an open question of when that follow-up will take place.”

#### Where did the idea of going abroad as a BRS volunteer come from in the first place?

Simon: “I knew BRS was looking for volunteers and that’s how the ball started rolling. The assignment attracted me because it is in

line with what I do at KBC, and it seemed interesting to discover my domain in a different work setting.”

Sofie: “In turn, I was inspired by Simon, and I thought, ‘why not?’ For Ecuador, BRS ideally sought a Spanish-speaking volunteer. I understand Spanish quite well, but to have a conversation I need an interpreter. This is an obstacle; an interview is different with an intermediary involved, which is why I’ve now started a Spanish course.”

#### Was it an enriching experience?

Simon: “I like the fact that I can do something for the people in the Global South. But it is also enrichment for me. I have learned a lot from the people on the ground and from the other experts, who are active in areas that I do not encounter in my work at KBC. And it’s nice to get to know a part of the world unknown to me. We travel a lot, but you only see real life during this kind of assignment.”

Sofie: “And the realisation that not everything is about money, that you can also just do something to help people, even if that is very limited in our case. My assignment taught me a lot, not only privately, but also professionally. At KBC, for example, we have already come a long, sometimes complex, way in terms of evaluation systems. The pertinent questions my interlocutors asked about this made me realise that we should go a little further to the essence. I’ve put a lot of time into my assignment, but I get so much energy out of it! When I saw the enthusiasm during the presentation of our action plan at the end of my visit, I knew: I’m doing it for this.”



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## Our commitment to the environment

We are working on our environmental impact within the framework of our Sustainable Finance Programme. When the Sustainable Finance Programme was begun, in 2019, its focus was solely climate. Since 2022, the programme core has been expanded to also include the themes of biodiversity, circularity, pollution and water.

In this section we delve into this programme in more depth, and into the actions that we are taking to actualise our commitment to the environment and climate action. Consequently, this section includes our TCFD (Task Force on Climate-related Financial Disclosures) report, in which we focus both on our direct and our indirect environmental impact.

In September 2023, the Task Force on Nature-related Financial Disclosures (TNFD) recommendations and guidelines were published. KBC is an early adopter of the TNFD and intends to publish its first TNFD report on KBC 2025 financial year. In anticipation of this, we are already reporting on nature and other environment-related information in this year's report.



KBC is on the CDP Climate Change A list for the second year in a row. KBC is among the 346 A-listed companies world-wide being recognised as most transparent when it comes to climate communication. CDP is considered the gold standard for corporate environmental reporting and is fully aligned with the TCFD recommendations. Since 2022, the CDP questionnaire has also included a water and forest module. Other environmental objectives will also be gradually integrated.

Filip Ferrante, Senior General Manager Group Sustainability

**READ MORE**

[More detail on financial materiality](#)  
['Product development'](#)  
['Risk management'](#)  
[KBC Group Risk Report](#)

[More information on our targets and our progress on these targets](#)  
['Our indirect environmental impact'](#)

[More detail on CCCA and our stance on Net Zero](#)  
['The world in which we operate'](#)

### A brief history of the Sustainable Finance Programme

The Sustainable Finance Programme was launched in September 2019 as part of our role as a signatory of the Collective Commitment to Climate Action (CCCA). The aim of setting up the programme was to bring together all the relevant expertise within KBC Group to work on climate-related challenges and opportunities. As a part of this commitment, we set decarbonisation targets for the sectors that cover the majority of our lending portfolio as well as related greenhouse gas (GHG) emissions. We report on these targets and our progress on achieving them in the part on 'Our indirect environmental impact'.

Despite the dissolution of the CCCA in March 2023, we continue to work on the commitments we made under this initiative. We report on how we do this throughout this chapter. For further information on the CCCA and our stance on Net Zero, we refer to the part entitled 'The world in which we operate'.

### The 'double materiality' approach guides our Sustainable Finance Programme

We use a 'double-materiality approach' to set the focus of the Sustainable Finance Programme and the actions that we take within it. This means that we are committed to managing both our company's impact on the environment and the impact of environmental issues on our company:

- **Environmental materiality:** We aim to manage the direct and indirect impact of our company on the environment. We want to limit the negative impact of our activities on the environment and increase our positive impact. Our approach is to adopt environmental policies and climate-related targets for our loan, investment, and insurance portfolios.
- **Financial materiality<sup>3</sup>:** We want to manage the impact of environmental issues such as climate change, biodiversity loss, and pollution on our company. To this end, we closely monitor climate and environmental risks and opportunities, and take appropriate actions to manage them effectively.

<sup>3</sup> Financial materiality is used here in the broad sense of affecting the value of a company, not just in the sense of affecting financial measures recognised in the financial statements.



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### Working together with all stakeholders

We believe that **active collaboration with all stakeholders is necessary to successfully address climate and other sustainability-related challenges.** That is why we work jointly with our clients, other financial institutions and authorities. KBC is also a signatory of various voluntary sustainability-related commitments. For more information on how we collaborate with our clients on sustainability-related issues, we refer to the part on [‘Customer engagement’](#). More information on the rest of our stakeholder engagement strategy can be found in the [‘Our sustainability strategy’](#) part of this report.

**We are a part of financial industry associations in all our core countries. By actively putting environmental issues on the agenda, we aim to agree on joint action within the financial sector.**

### Measuring and reporting on our environmental footprint

**We measure the direct and indirect impact of our portfolios.** With respect to our lending portfolio, this concerns the sectors and product lines that are the most carbon intensive. We refer to these as our ‘White Paper sectors’. We further elaborate on our direct environmental impact in the part on [‘Our direct environmental footprint’](#) and the [‘Sustainability facts and figures’](#) section of this report. The part on [‘Our indirect environmental impact’](#) further specifies how we approach measuring our indirect environmental impact. We outline methodologies, outcomes of the calculations and strategies for improving data collection. Both the calculations of KBC Group’s direct footprint and the target progress report of KBC’s Group’s lending portfolio have been independently verified by an external party. The items verified are indicated throughout the section, where relevant.

### Work in progress

**Our approach to environmental sustainability continues to be a work in progress.** For example, we are consistently widening the focus of our Sustainable Finance Programme. The initial focus of our Sustainable Finance Programme was climate-related issues.

However, **from 2022 we also began to include other environmental topics**, such as the 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. Please note that KBC has been working on these themes outside of the scope of the Sustainable Finance Programme for a significant amount of time already, for example, through our [sustainability policies](#).

Going forward, we will continue to embed these themes within the scope of our Sustainable Finance Programme. We are adopting an approach similar to our previous efforts on climate change mitigation and adaptation.

Finally, we want to point out that **the calculations in this chapter should be interpreted with caution and are mostly intended to provide a high-level insight into our environmental impact.** This is due to the gap that still exists in the requisite climate-related data and the data available with respect to our clients. Therefore, our calculations for certain parts of our portfolio are based on the use of proxies and estimations. For more information about this, please refer to the [appendices](#) of this report.



### K&H Sustainability Month 2023

K&H dedicated the entire month of September 2023 to sustainability. Throughout the month, K&H organised activities that would decrease its impact on the environment or that would increase sustainability awareness. As a part of Sustainability Month, K&H:

- Signed a cooperation agreement with WWF to support wildlife habitat restoration.
  - Switched off decorative lighting in all K&H buildings. This saved 288 000 kWh across the entire network, equaling the annual electricity consumption of 120 households. It also reduced light pollution.
  - Allocated a total of HUF 100 towards habitat rehabilitation goals for every interaction with Kate in K&H’s mobile banking app.
- The initiative began in September and ran until 31 December 2023. It was a major success and K&H intends to repeat it in the years to come.

### Our direct environmental footprint

**We want to reduce the direct environmental impact from our own operations. To this end, we have been measuring our direct, group-wide emissions since 2015. Since that time, we have put targets in place for reducing our direct environmental footprint. We have also achieved substantial reductions in our GHG emissions. Lastly, since 2021, we have aimed to achieve net climate neutrality with respect to our own operations. We took three steps to achieve this goal: measure, reduce, offset.**



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## Measure

Since 2015, we have been calculating the GHG emissions arising from our own operations at group level, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

Every year, an external party verifies the data and methodology that we used for the calculations to a level of reasonable assurance in accordance with ISO 14064-3. Data independently verified by Vinçotte are expressly earmarked with the adjoining symbol . The verification statements can be found in the 'Assurance statements' section of this report.

## Targets

### Direct environmental footprint

Indicator	Targets	2015 baseline <sup>1</sup>	2023	2022 <sup>1</sup>
Total CO <sub>2</sub> e emissions from own operations (direct footprint scope) in tonnes CO <sub>2</sub> e		170 735	55 377 	55 417
% change	-80% by 2030		-68%	-68%
Renewable electricity consumption in %	100% by 2030		100% 	100%
Carbon credits purchased (in % of remaining GHG emissions from own operations)	Net climate neutrality as of 2021		100%	100%

<sup>1</sup> The 2015 base year and 2022 data were both recalculated in 2023, in line with our internal restatement policy. This recalculation was prompted by two important changes, as compared to previous years:

- Private use of KBC's own company fleet by our employees is included from 2023 onwards.
- Structural changes in the reporting organisation, i.e. the divestment of KBC Bank Ireland.
- The targets (expressed in percentages) were unchanged in relation to the restated baseline.

Our calculations include:

- **Scope 1:** Direct emissions from fuel combustion and refrigerant gases in our office buildings and from our company-owned car fleet (including private use);
- **Scope 2:** Indirect emissions from purchased energy (electricity, heat, cooling and steam consumption);
- **Scope 3:** Indirect emissions from business and commuter travel, and emissions from sources over which we have direct operational control (such as paper and water consumption and waste generation).

These calculations provide insight into our direct impact on the climate and help identify the main sources of our impact. For more details on the scope and boundary of our direct footprint GHG inventory, please see the 'Sustainability facts and figures' section.

Apart from our impact on the climate, we also assessed our potential impact on biodiversity by mapping whether our own offices in our core countries are located in biodiversity-sensitive areas. By plotting the location of all our offices and ATMs on the map of protected European areas, **we have concluded that none of our buildings are located in strictly protected areas** (IUCN category IV and above). Only 3.6% of our buildings are located in protected landscapes that include urbanised areas, such as Birds Directive areas. These buildings have all the necessary permits in accordance with local and European legislation. Furthermore, based on best available expert knowledge, the nature of our bank-insurance activities does not negatively impact these protected areas.

## Reduce

**Most important in our approach regarding our direct footprint, is that we are committed to reducing our negative, direct environmental impact.** To this end, we set group-wide reduction targets in 2016, and we have tightened them over the years.

The most recent targets were set in 2020 and are aimed at our:

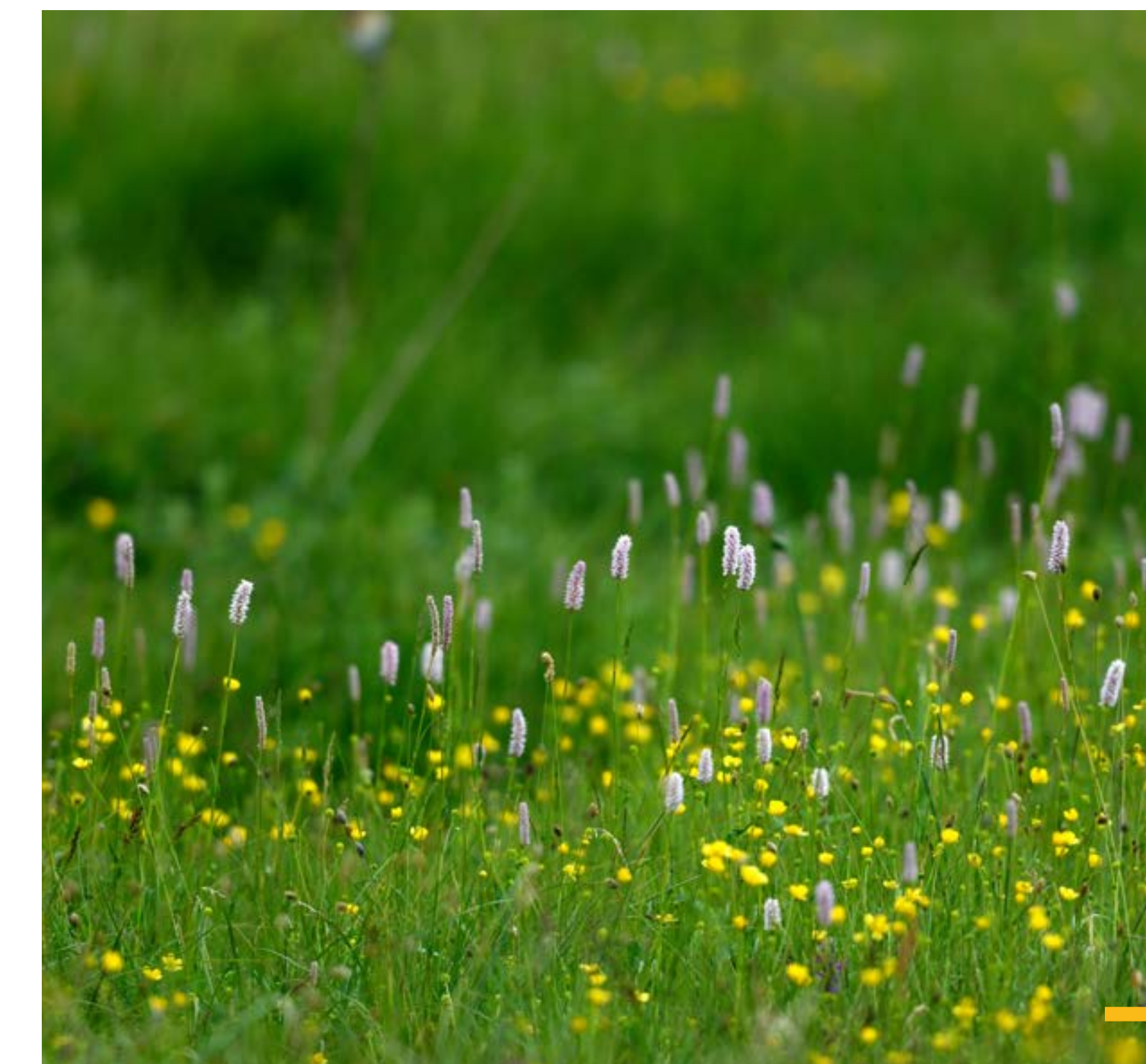
- **Direct emissions:** We have the long-term ambition of achieving an 80% reduction in our direct emissions by 2030, as compared to 2015.
- **Renewable electricity:** We set a goal to use 100% energy from renewable resources by 2030. We achieved this goal in 2021.

**The electricity we use comes from 100% renewable sources.**

**We have taken several steps to move towards these targets,** including implementing an ISO 14001 environmental management system in all core countries to manage and reduce our direct environmental impact. In addition, we reduced GHG emissions from our energy consumption by transitioning to electricity from 100% renewable sources and investing in energy-saving solutions like insulation. In addition, we have consistently maintained our support for transitioning to greener employee mobility by incentivising (electric) bicycles, promoting public transport and supporting the transition to a greener and electric car fleet. Finally, we reduced the waste we produced as well as the amount of paper consumed.



We are also actively working on the electrification of our own car fleet. As a part of this effort, we expanded the number of charging points at our Belgian head offices to 190 in 2023. These amenities allow our employees to charge their electric vehicles at the office, if needed.



We want to reduce the impact of our own operations on biodiversity. For example, in the Flemish region, we participated in the initiative 'Maai Mei Niet' (No-Mow May). The initiative encourages people and companies not to mow their lawns in the month of May. This allows plants to grow and produce nectar which benefits bees, butterflies and other pollinators. Additionally, we installed a wetland on the grounds surrounding our main offices in Mechelen. This wetland captures excess rainwater and allows it to be absorbed while also offering a habitat for plants, insects and birds.



In 2023, ČSOB Czech Republic and Mastercard organised a 'Green Challenge': a friendly contest that encourages employees from the financial sector to commute by using public transport, running, walking, cycling or carpooling instead of driving alone. Eleven financial institutions accepted the challenge. By the end of October 2023, they had accumulated over two million 'green' kilometres, saving an estimated total of over 250 000 kg CO<sub>2</sub>. Mastercard rewarded these efforts by planting over 12 500 trees.



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## Offset

Since 2021, the last step in our direct footprint approach has been the offsetting of our direct footprint emissions that cannot yet be eliminated. In this way, **we aim to achieve net climate neutrality with respect to our direct footprint. We have done so by investing in high-quality climate projects.** We are aware that there may potentially be flaws in the ways that carbon credits are measured. However, we still think it is important to support high-quality projects that aim to protect carbon storage or increase sequestration.

**In addition to our group-wide offset programme, we are also involved in various local initiatives that support the environment. Such as the five-year collaboration between ČSOB Slovakia and Slovakia's oldest national park, 'Tatra National Park'. As part of this collaboration, ČSOB planted 22 250 spruce and fir trees in 2023.**

To this end, **we selected projects of the highest quality that were certified under the most stringent of standards.** Moreover, we specifically chose to invest in projects that address climate change, whilst simultaneously ensuring additional benefits for **local communities** and **biodiversity** conservation. All the projects also have a clear link to our sustainability strategy. Please note that our due diligence process is aimed at selecting projects with a demonstrated real-world impact, but that ultimately this process relies on information supplied by third parties and is dependent on the availability of credits within those projects.

This year we aimed to broaden the range of ecosystems included by investing in the protection of tropical rainforests as well as mangroves and peat swamp forests.



### The Amazon – Earth's largest tropical rainforest

Tropical rainforests are home to many species and store large amounts of carbon. The Envira Amazonia Project in Brazil will preserve rich biodiversity and a wide range of ecosystem services. Moreover, it will provide direct benefits to local communities, and mitigate the release of about 12.6 million metric tonnes of carbon dioxide emissions over the first 10 years of the project.



### Mangroves – All-round provider of ecosystem services

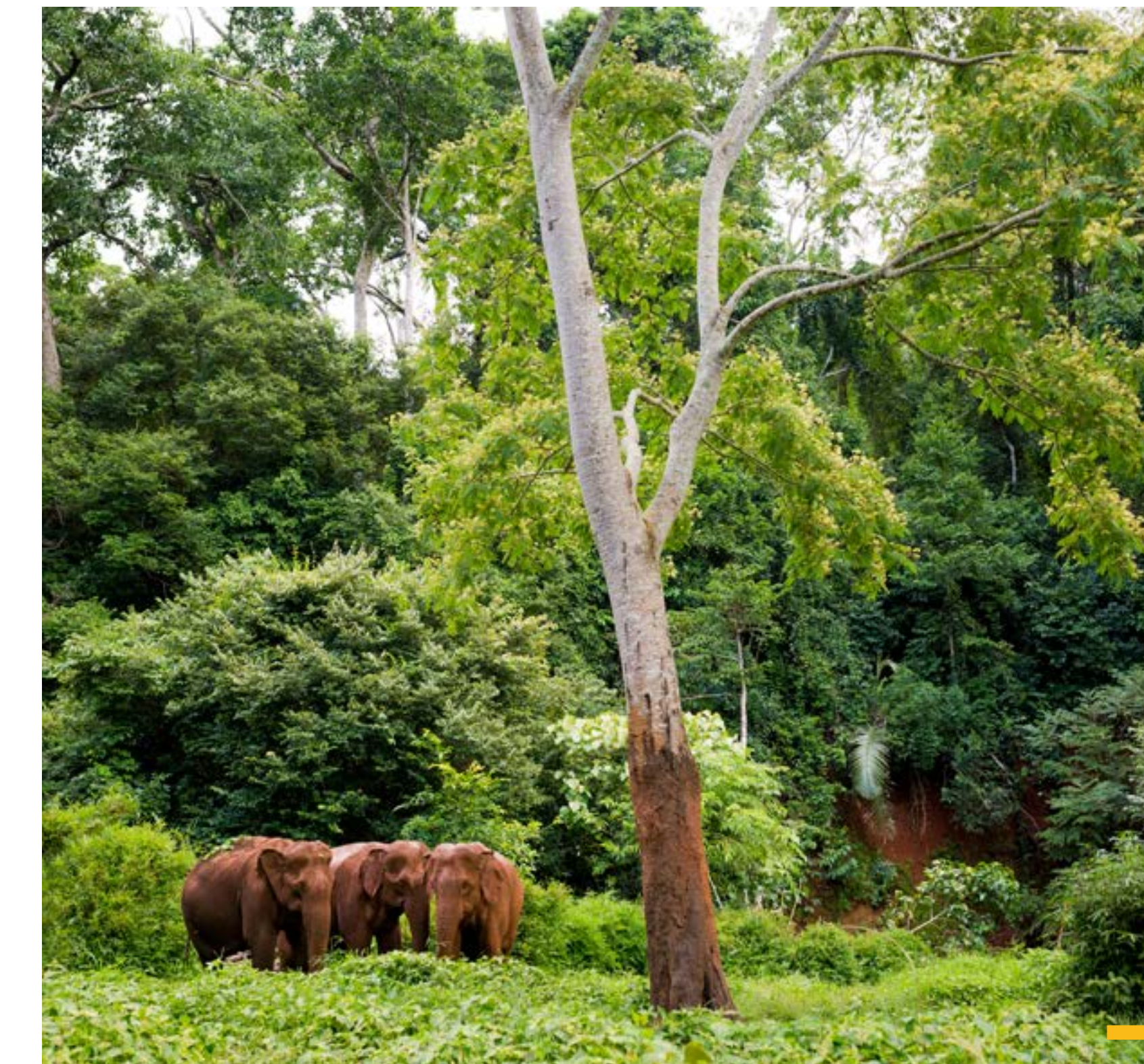
Mangrove forests provide many valuable ecosystem services that contribute to human well-being. They store carbon, protect coasts from storms and form a nursery for many fish species. This project will afforest and reforest 226 000 hectares of degraded tidal wetlands in Pakistan's Indus Delta Area. This will have important climate benefits, contribute to the conservation and restoration of biodiversity and protect coastal areas.

Photo Courtesy of The Delta Blue Carbon project



### Peat swamps – Major global carbon reservoirs

The Rimba Raya Biodiversity Reserve in Indonesia acts as a physical buffer between palm oil plantations and the Tanjung Puting National Park (TPNP). As such it prevents further intrusion into the TPNP. This is important as the TPNP houses one of the last remaining populations of wild orangutans on earth. Moreover, without this project, the area would have likely been converted into palm oil plantations, releasing millions of tons of greenhouse gases from the peat deposits within the project area.



### Keo Seima – Cambodia's biodiversity hotspot

The Keo Seima Wildlife Sanctuary is home to the highest number of species recorded in any protected area in Cambodia. Forest clearing for agriculture and the extraction of resources from the area has accelerated in recent years. This is due to improved road access, population growth and the limited recognition of the value of biodiversity and environmental services. The project thus aims to alleviate deforestation by taking a holistic approach to tackling the multiple root causes.



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## Our indirect environmental impact

The focus of our Sustainable Finance Programme is on our indirect environmental impact. In this part, we therefore report our achievements regarding our indirect environmental impact. We also outline our vision of our future work in a constantly changing world. Although initially the focus of the programme was on climate change, we are continuously expanding our scope to include other environmental objectives. We will report on our progress on these topics where possible.

We believe that a transparent disclosure strategy supports a sound sustainability approach. This section is therefore structured according to the four pillars of the TCFD and TNFD recommendations: governance, strategy, risk management and metrics and targets. In this way, we aim to provide all stakeholders with clear insights into all the relevant aspects of our broader sustainability approach.

## Our contribution to environmental objectives

We contribute to environmental objectives through the services and products we offer. In this part, we give an overview of how we do this.

### Lending

Table 5.3 provides a summary of the amounts of our loan portfolios that contribute to renewable energy, mortgages for energy-efficient housing and low carbon vehicles. To reflect trends with previous reports, this table uses the definitions we have used in past reporting. These are not aligned with EU Taxonomy criteria, but do give an accurate picture of the trends in sustainable lending in our portfolios over the years. Our EU Taxonomy reporting is explained in detail further in this section.

**Table 5.3: Overview of KBC Group's lending portfolio contributing to environmental objectives per type of financed activity or asset (KBC Group, millions of euros)**

	2023	2022	2021
Renewable energy and biofuel sector (granted amount)	2 565	2 255 <sup>1</sup>	2 115 <sup>1</sup>
Mortgages for energy-efficient housing (outstanding amount) <sup>2</sup>	15 210	11 711	9 517
Financing for low carbon vehicles (gross carrying amount) <sup>3</sup>	1 506	319 <sup>4</sup>	120 <sup>4</sup>

<sup>1</sup> End-of-year data

<sup>2</sup> Includes data for 2023 of Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia. The 2022 data do not include KBC Bank Bulgaria EAD. The 2021 data also include Ireland in addition to the 2022 and 2023 scope. The reported amounts correspond to dwellings with A and B energy performance labels, considered as energy-efficient housing. The data are based on actual EPC (Energy Performance Certificate) labels or on first approximation when no labels are available.

<sup>3</sup> Includes data on financial leasing, loans and operational leasing for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50g CO<sub>2</sub> /km and in alignment with substantial contribution criteria of the EU taxonomy, such as bicycles, motorbikes, passenger cars and light commercial vehicles).

<sup>4</sup> Outstanding amount

In addition to the volumes reported in Table 5.3, we also support our clients with **Sustainability-linked loans (SLLs)**. These loans grant a margin adjustment of the loan's interest rate if sustainability goals are met. If these goals are not met, a margin increase will be charged. The goals can be related to both environmental and social objectives. They are pre-determined and translated into clear Key Performance Indicators (KPIs). SLLs can be both bilateral as well as syndicated loans. These types of loans are enjoying growing success. KBC supports its clients in formulating ambitious KPIs that contribute effectively to their sustainable transition.

**Table 5.4: Sustainability-linked loans (KBC Group, millions of euros gross carrying amount)**

	2023 <sup>1</sup>
Sustainability-linked loans	927

<sup>1</sup> We only report 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

Finally, in Table 5.5 we list the loan volumes that we can align to a certain extent with **EU Taxonomy criteria**. In addition, in this table, we summarise the loans we have provided that meet the criteria of sustainable frameworks from other external parties such as the European Investment Bank, Loan Market Association (LMA) or local governments. Please note that the volumes we report in this table

may partially overlap with those reported in Table 5.3 as different methodologies were used. However, not all volumes reported in Table 5.3 are aligned with the EU Taxonomy criteria and therefore only partly included in Table 5.5.

**Table 5.5: Loans aligned to the EU Taxonomy criteria and to criteria of other external frameworks (KBC Group, millions of euros gross carrying amount)**

	2023 <sup>1</sup>
<b>Mandatory EU Taxonomy reporting<sup>2</sup></b>	<b>406<sup>3</sup></b>
<b>Voluntary EU Taxonomy reporting<sup>2</sup></b>	<b>3 750</b>
EU Taxonomy-aligned loans to non-NFRD companies and SPVs and subsidiaries of NFRD companies	1 371
Estimated EU Taxonomy-alignment of our Belgian and Bulgarian mortgage portfolio	2 379
<b>Others</b>	<b>3 055</b>
Loans only complying with the Substantial Contribution criteria of the EU Taxonomy	2 597
Loans that comply with other third-party sustainability frameworks	458

<sup>1</sup> We only report 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

<sup>2</sup> Mandatory and Voluntary EU Taxonomy reporting are based on end-of-year figures. All other figures are based on 30 September 2023 figures.

<sup>3</sup> Mandatory EU Taxonomy reporting is based on turnover KPI published by the NFRD counterparties.

We identify three different categories in this table:

- **Mandatory EU Taxonomy reporting:** this includes mainly the EU Taxonomy reporting volumes based on turnover KPI published by NFRD companies, as well as the loans we offer for assets and activities that fully meet the criteria of the EU Taxonomy. Where these are offered to corporate clients covered by the Non-Financial Reporting Directive (NFRD), we include them in our Green Asset Ratio. We also report these numbers in our Annual Report. These loans are assessed per individual case against the technical EU Taxonomy criteria. The client needs to provide the documentation for this assessment, in some cases accompanied by a Second Party Opinion. Retail loans offered to households, such as mortgage loans and low-emission car loans that fully meet the criteria of the EU taxonomy, may in the future be included in this 'Mandatory EU Taxonomy reporting'. However, we cannot currently access all of the required documentation for every loan in order to include them in our Mandatory EU Taxonomy reporting.



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• **Voluntary EU Taxonomy reporting:**

- We also offer **loans that fully meet the criteria of the EU Taxonomy to corporate clients that have no NFRD obligations.**

Moreover, here we also include project finance and Special Purpose Vehicles (SPVs) for renewable energy projects for this reporting year. Taxonomy legislation requires us to make a distinction between counterparties subject and not subject to NFRD disclosure obligations. We have applied this definition strictly and excluded SPVs and subsidiaries of NFRD counterparties for the mandatory reporting (conservative approach), based on discussions at sector federations. However, recent updates have indicated that these SPVs and subsidiaries should be included in our mandatory taxonomy reporting. Unfortunately, notification of this was not received in time to be qualitatively factored into our 2023 reporting.

- This category also includes **mortgage loans that meet the criteria of the EU Taxonomy, but where we do not have access to all the required documentation for each individual file.** Here, we used reliable proxies and estimates to calculate the share of our mortgage portfolio that complies with EU Taxonomy criteria. For example, we used rules of thumb to determine whether the financed houses are considered new constructions or acquisitions of an existing house. This allowed us to check the Substantial Contribution criteria for energy performance for these portfolios. An example of how we verify 'Do No Significant Harm' criteria is our use of available flood maps to exclude houses in flood-prone areas. We used proxies to estimate the Taxonomy Alignment of our mortgage portfolio in Bulgaria and Belgium. For more details on the proxies and estimates applied, we refer to the 'Methodologies explained' appendix.

• **Others:** We also contribute to our clients' environmental objectives in other ways. In Table 5.5 these are compiled under the heading 'Others'. We differentiate diverse types of loans in this section:

- **Loans for which we were only able to verify the Substantial Contribution criteria of the EU Taxonomy:** We can prove that a portion of our portfolio complies with the Substantial Contribution criteria of the EU Taxonomy but have no information on compliance of that portion with the 'Do No Significant Harm' criteria. One example of this is our portfolio of electric and hybrid vehicles with emissions below 50g CO<sub>2</sub>e/km. However, data on

tyres fitted and the circular material use requirements of these vehicles is sometimes unavailable. We are therefore unable to include them in our mandatory EU Taxonomy reporting. For that reason, they are reported in this section.

- **Loans that comply with other third-party sustainability frameworks:** We also offer loans that comply with reliable third-party frameworks other than the EU Taxonomy. This includes frameworks from the European Investment Bank, loans that can be considered 'green' according to the LMA framework or frameworks developed by local governments in our core countries. This category includes loans to companies, specific target groups and households.

**Green Asset Ratio**

In our Annual Report we report in more detail on our mandatory Taxonomy eligibility percentages and our Green Asset Ratio (GAR), i.e. the Taxonomy alignment percentages for the assets of our credit institutions.

The GAR is 0.2%, based on the counterparties' turnover KPIs. This percentage is low due to limited data availability on the Taxonomy alignment of our counterparties. A second reason for this low percentage is the difference between the definition of the GAR numerator and denominator. For instance, in the numerator, corporate counterparties are limited to companies subject to the NFRD, whereas the denominator must also include counterparties that are not subject to the NFRD.

If we include both our mandatory and voluntary (as reported in Table 5.5) Taxonomy aligned volumes we arrive at an aligned percentage of 2.07%.

**Green Bond and Sustainability Bond Investments of KBC Bank**

**KBC Bank supports green investments of governments, other financial institutions and corporates by investing in Green Bonds and Sustainability Bonds<sup>4</sup>.** These are aligned with the ICMA Green Bond Principles. Besides investing in these Green and Sustainability

<sup>4</sup> For the own investments of KBC Insurance, we refer to the part on 'Investment portfolio assessment'.

Bonds ourselves, we also offer advisory services to our clients on issuance of Green Bonds which are aligned with the ICMA Green Bond Principles.

**Table 5.6: Green Bond and Sustainability Bond investments (KBC Bank NV, all subsidiaries, millions of euros)**

Financed activity or asset	2023 <sup>1</sup>
Own investments in Green <sup>2</sup> Bonds and Sustainability <sup>3</sup> Bonds issued by governments, other financial institutions and corporates (nominal value)	1 476

<sup>1</sup> We only report 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.  
<sup>2</sup> Green Bonds (bonds of which the proceeds are used to (re)finance green assets or projects) in line with the ICMA Green Bond Principles (GBP).  
<sup>3</sup> Sustainability Bonds (bonds of which the proceeds are used to finance or re-finance a combination of green and social assets or projects) in line with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) as well as the Sustainability Bond Guidelines (SBG).

**Insurance**

**In 2023, we also calculated the alignment of our non-life insurance portfolio with the EU Taxonomy criteria for climate change adaptation for the first time.** Currently, 156 million euros of the gross written premium (GWP) is deemed to be compliant with these criteria. This specifically relates to KBC Insurance's 'fire and other damage to property insurance' portfolio in Belgium. In the coming years we will continue to work to more closely align the insurance portfolio with the EU Taxonomy criteria in all our core countries.

**Table 5.7: GWP aligned to the EU Taxonomy criteria for climate adaptation (KBC Insurance NV, millions of euros)**

	2023 <sup>1</sup>
Non-life insurance (GWP) <sup>2</sup>	156

<sup>1</sup> We only report 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.  
<sup>2</sup> GWP includes the total amount of premiums recognised for the whole period of coverage, provided by the insurance contract, regardless of the fact that such premiums may relate in whole or in part to a later financial year or accounting period and irrespective of premium payment conditions (e.g. monthly versus quarterly versus yearly premium payments).

**READ MORE**

[More detailed figures on our contribution to environmental objectives 'Sustainability facts and figures: Sustainable finance'](#)

[More information on mandatory Taxonomy reporting at KBC KBC Group Annual Report: 'Our strategy: Our role in society'](#)



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## Governance

Our environmental governance is fully embedded in our overall sustainability governance. It spans all levels and functions of our company. We therefore refer to the 'Sustainability governance' part of this report for a detailed overview of our overall sustainability approach.

## Strategy

The strategy of our Sustainable Finance Programme is embedded within our overall sustainability strategy to the largest possible extent. We therefore refer to the section on 'Our sustainability strategy' for further reading on our overarching sustainability strategy. Our Sustainable Finance strategy also has some specific action terrains:

- **White Paper approach:** Our environmental strategic initiatives focus in large part on the sectors and product lines that have the largest environmental impact. For each of these sectors we developed White Papers in which we assess the impacts, dependencies and associated risks and opportunities of different environmental challenges. For further details on the themes please see the [White Papers section](#) further in the document.
- **Customer engagement:** Customer engagement is a central part of our sustainability strategy because we believe we can only achieve change in collaboration with our clients. Climate has been the main sustainability topic in discussions with our clients, but other environmental topics such as deforestation or plastic pollution are gaining attention.
- **Product development:** We want to incorporate environment-related opportunities as much as possible into our core products, such as bonds, loans, investments and insurance contracts.
- **Internal Carbon Pricing:** We have developed an approach that includes the estimated costs of emissions in the internal accounting of companies and organisations. We refer to this methodology as Internal Carbon Pricing (ICP).

In the following sections, we further elaborate on these elements.

### READ MORE:

[Overview of our sustainability governance 'Sustainability governance'](#)



ČSOB in Czech Republic offers a 'Lifestyle-CO2 calculator'. The tool provides an analysis of the personal carbon footprint of its users. The analysis is based on the user's consumption in four areas: housing, transport, food and other personal consumption. The consumption in these areas is then converted into a total carbon footprint per user. The calculator is free and takes eight minutes to complete. It is available at [www.csob.cz/uhlikova-stopa](http://www.csob.cz/uhlikova-stopa).

## White Paper approach

Our Sustainable Finance Programme focuses on the sectors and product lines that are the most carbon intensive. We refer to these sectors as our 'White Paper sectors'. These sectors are **energy, commercial real estate, agriculture, food production, building and construction, chemicals, transportation and metals**. Three product lines are included in these sectors. These product lines are **mortgages, car loans and car leasing**<sup>5</sup>.

Details on outstanding loan volumes and financed GHG emissions for these sectors and product lines can be found in the '[Metrics and targets](#)' part of this section and the '[Sustainability facts and figures](#)' section of this report.

All White Paper analyses **focus on our credit business, advisory services and (if material) insurance activities**. We also looked at the specific contexts in our core countries in more detail<sup>6</sup>. To that end, the relevant local departments work closely together with their respective central departments.

The White Papers are regularly updated to include important new developments in the sectors and to enable the taking of timely action. The Internal Sustainability Board closely monitors and approves actions and targets established in the White Papers.

<sup>5</sup> Our criteria for selecting these sectors are based on the materiality analysis methodology specified in the TCFD recommendations. In short, we have chosen these sectors and product lines because they have granted loan volumes that represent more than 5% of all our industrial loans. We have also chosen them because they are important from the perspective of GHG emissions and have a significant impact on climate change.

<sup>6</sup> Core countries for which a specific sector is considered not material or relevant, are not included in the analysis according to the White Paper approach.

In 2023, the White Papers update focused on the following elements:

- The latest technological changes in these sectors and legislative evolutions; and
- An in-depth analysis of climate-related physical and transition risks in each of the sectors and risk mitigation measures for our portfolios.

We supplemented the transport White Paper with specific analyses for the **aviation and shipping sectors**. While these sectors have a very limited representation in our loan portfolio, they are among the world's leading emitters of greenhouse gases.

We extended the scope of our White Papers from the initial focus on climate change to include other environmental objectives: biodiversity, pollution, water and circularity. This underlines the growing importance we are attributing to these topics and will, among other things, provide the necessary foundation for our subsequent CSRD and TNFD reporting.

In this first step, we looked at specific themes related to other environmental objectives in more detail, for a selection of sectors. We selected White Paper sectors with a high impact or dependency on one of the environmental objectives: agriculture, food and beverages, building and construction, metals and chemicals. We made a high-level risk assessment, including EU and national legislation, for each of the themes. Topics where we expect an impact on our clients were included in an engagement track as well as a gradual data collection strategy. We will continue to monitor similar topics using our White Paper approach in 2024. We will do this, either on a sectoral level or take a more thematic approach across various sectors.

More details on the conclusions of the White Paper sectors can be found in the '[Metrics and targets](#)' section.

### READ MORE:

[More details on the results and conclusions of the various White Papers 'Metrics and targets'](#)  
[KBC's climate-related targets](#)  
[KBC Group Climate Report](#)



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## Customer engagement

Customer engagement plays an important role in our Sustainable Finance Programme. We have had an active customer engagement strategy in place since 2020. Initially, this strategy focused on larger, mid-cap clients in Belgium. We gradually expanded this scope to all our core countries and to smaller clients, to include SMEs (small and medium-sized enterprises) as well.

The dialogues with customers focus on creating awareness about environmental, social and governance (ESG) topics, such as climate change, and stimulating and incentivising positive actions by our clients. In these dialogues, we aim to be a partner in our clients' sustainability transition and to encourage them to take necessary steps to make their businesses more sustainable. Where relevant, we pay attention to specific themes, such as sustainability reporting, subsidies and regulation. Examples of topics include the Corporate Sustainability Reporting Directive, the EU Taxonomy or the EU Deforestation Regulation. In doing so, we aim to help our clients gain an understanding of what these regulations are, their importance and how they should be applied.

We want to offer **tailored solutions and expert advice**. To do so, we are working with partners such as Encon in Belgium. But we also aim to support our corporate clients in their sustainability transition with our own solutions, such as Green0meter in Czech Republic and EcoWise in Belgium.

- In 2023, KBC acquired 50% in Green0meter, a startup based in Czech Republic focused on digital ESG advisory. Green0meter participated in the Czech 'Start it @ ČSOB' programme. Green0meter's vision is to help as many businesses as possible with their sustainable transition using data and artificial intelligence. To this end, it offers a technological platform that offers carbon footprint calculation for companies' Scope 1, 2 and 3 emissions. Based on this, it provides companies with individualised ESG reports, advice on how to improve the sustainability of their business and financing options tailored to the business' processes and needs. For the moment, the tailored Green0meter proposition is offered to ČSOB's corporate and SME clients. We are continuously working on improving the offer of digital ESG advisory on the Green0meter platform and on making the tool accessible to smaller corporate clients.



ČSOB is the first bank on the Czech market to offer its corporate and SME clients the opportunity to digitally calculate their direct and indirect CO<sub>2</sub> footprint because of the collaboration with Green0meter. Our goal with this platform is to provide our clients an objective view of their environmental impact.



"We look forward to working with the entire KBC Group to help accelerate this transition using a Czech platform that is user-friendly and fully automated, and that helps companies to leverage sustainability as a business opportunity. Through this collaboration, we will be able to offer new tools and services to help businesses more effectively monitor and manage their sustainability goals and reduce their environmental footprint."

Karel Kotoun, co-founder of the Green0meter platform.

- In 2023, KBC Belgium launched a new subsidiary, ecoWise. The company guides and supports SMEs in Flanders with their sustainability transitions. It does so with a specific focus on energy efficiency and renewable energy. EcoWise's energy consultants are spread across the Flanders region. They give tailored advice to their clients on the energy use of the company. A fixed, four-step approach is used. Once the client's current energy consumption is mapped, ecoWise looks for sensible ways to reduce their energy consumption. This could include the recovery of heat from production processes, for example. In a next step, ecoWise investigates whether renewable energy can be incorporated to meet remaining energy needs. Finally, ecoWise also provides an overview of the grants and sustainable financing solutions that KBC can offer. By the end of 2023, ecoWise had already supported 249 SMEs and had provided advice to 45 businesses in the agricultural sector. On average, clients that worked with ecoWise were able to decrease their energy-consumption-related costs by 15-25%.



KBC's new subsidiary ecoWise has been assisting entrepreneurs with customised energy advice since the beginning of 2023. Among them was *De Zuivelarij*, a dairy producer in Berlare, Belgium. EcoWise suggested several energy savings and measures. For example, previously, all the heat generated during production processes used to go to waste, but on the advice of ecoWise, *De Zuivelarij* invested in two heat exchangers to capture the heat. Now, all milk is heated entirely with recovered heat.

We **train our relationship managers** to increase their awareness about ESG issues and to increase their knowledge of environment-related risks and opportunities. Through this training, we also aim to give them the tools to be able to support our clients in their sustainability transitions. In some cases, the training is sector specific.

We also make use of these client conversations to **gather environmentally relevant data**. Our work is increasingly structured through the use of surveys and ESG assessments. Carbon-footprint calculators deliver valuable insights and help in defining positive, climate-related investments. Based on insights derived from the White Papers, we set up more extensive surveys for specific sectors or collect additional data on specific metrics.

**In 2023 alone, we conducted more than 3 000 sustainability conversations with our clients.**

Across the various core countries, more than 3 000 conversations with corporates and SMEs were conducted in 2023. We will continue to hold these conversations in the coming year. In addition, **we have set targets for several activities in our core countries**. These include, for example, targets for the number of customer awareness meetings, carbon-footprint calculations or signed contracts for specific solutions.



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## Product development

Climate change and the other environmental objectives defined in the EU Taxonomy carry several risks but also many opportunities. We believe that we have an important role to play in managing and seizing these opportunities.

As part of our White Paper approach, we have identified several opportunities to accelerate the transition. In Table 5.8, we provide an overview of the main opportunities identified. We also indicate a selection of our products and services that make use of these opportunities. We further elaborate on these products and services in the White Paper sectors part of the [‘Metrics and targets’](#) section.

**Table 5.8: Climate- and other environmental objectives-related opportunities for KBC**

White Paper sector	Opportunity	Selection of products and services
 Energy	Energy transition to alternative and affordable energy sources Green hydrogen production Increased electricity storage capacity	Expert advice for corporate and retail banking clients through our own network, through partnerships or through our mobile channels
 Real Estate	Retrofitting buildings and energy-efficiency advisory services Integration of renewable energy such as energy-efficient heat pumps and photovoltaics	Energy services Financing cleaner energy supply
 Transport	Transition to electric vehicles and bicycles Green hydrogen and electrification for long-haul transport Use of recycled plastic and batteries for the remanufacturing of vehicles	Stimulating clean and efficient energy consumption Financing and insuring sustainable buildings and home renovations
 Agriculture	Bioenergy from agri-food waste resources Regenerative farming practices Smart and precision farming	Financing and insuring low-emission cars and bicycles
 Food and beverages	Energy-efficient production Higher recycled content of plastic packaging	Sustainability-linked loans Issuance of Green Bonds
 Building and construction	Bio-based and carbon-negative building materials Modular constructions Electrification of machinery Upcycling of demolition waste	
 Metals	Electric arc furnaces for steel production Green hydrogen as an energy source Upcycling of steel and aluminium in scrap waste Recollection of electric vehicles batteries for recycling of precious metals (e.g. rare earths, lithium)	
 Chemicals	Green hydrogen as a feedstock and as an energy source Higher recycled content of plastics through effective Extended Producer Responsibility (EPR) recollection systems Application of advanced recycling techniques Safer alternative chemicals to PFAS	

## Internal carbon pricing

**We have developed a tool to consider the theoretical costs of carbon emissions in our decision making** in 2021. We refer to this methodology as Internal Carbon Pricing (ICP).<sup>7</sup>

**The tool is meant to support decision makers to assess for instance credit proposals in carbon-emitting sectors** such as the energy, chemical, metals, building material and car manufacturing sectors. In this way, it allows to identify opportunities and risks related to carbon emissions within the context of requests for credits. We currently **mainly use the ICP tool in the context of larger credit files.**

We review our ICP levels annually using data from reliable and established providers – such as the International Energy Agency or the Network for Greening the Financial System.

Colleagues in Business Unit Belgium started a CO<sub>2</sub> pilot based on ICP. In it, colleagues used estimated counterparty greenhouse gas emissions and KBC’s ICP to test the sensitivity of a company’s earnings and this outcome can be a catalyst for further financial analyses. Based on the outcome of the pilot it will be decided if the results of this sensitivity analysis will be used to initiate discussions with clients. The pilot will also focus on companies that are active in the most carbon-intensive industries.

We are continuously exploring potential other use cases for our ICP. For instance, as a next step we will further explore how we can increase awareness among our SME clients about the intrinsic cost of carbon emissions. To do so, our internal carbon pricing could mirror the theoretical cost attached to clients’ carbon emissions and help them steer towards low-carbon activities and detect low-carbon investment opportunities.

<sup>7</sup> For more in-depth information on our ICP methodology we refer to our [2021 Sustainability Report](#).



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### READ MORE:

Details on our strategic approach towards the White Paper sectors [‘White Paper approach’](#)



## Risk management

The effects of climate change and other evolutions in the context of ESG are becoming increasingly visible. The expectations and mindsets of our stakeholders are changing accordingly. If not addressed, environmental change is expected to have devastating effects, such as extreme storms, floods, pandemics, mass migration and economic crises. Aside from these physical risks, transitioning to a more sustainable economy also induces additional risks, which may impact clients as well as financial institutions. Climate risk has therefore been reconfirmed as a top risk for KBC in 2023. Moreover, other environmental risks have also been included as top risks given their increasing relevance. We cover our risk approach in-depth in our [Risk Report](#). In this section, we provide a summary of our approach.

We distinguish between two types of environmental risks, as defined by the TCFD and the TNFD.

**Transition risks** arise from disruptions and shifts caused by the transition to a low-carbon, climate-resilient or environmentally sustainable economy. Transition risks are driven by potential changes in policies and regulation, technological development and/or customer behaviour. This, in turn, may result in stranded assets and/or reputational and litigation risks. These risks may affect the stability and value of our loan and investment portfolios.

**Physical risks** refer to potential financial implications from physical phenomena associated with climate and environmental trends and extreme weather events. Climate and environmental trends include, for example, changing weather patterns, rising sea levels,

increasing temperatures, chronic heat waves or gradual changes to the state of nature such as biodiversity loss. Extreme weather events may refer, among other things, to storms, floods, fires, heatwaves or droughts.

Also, climate and other environmental risks such as biodiversity loss, water stress, pollution and waste management are heavily interlinked. For example, biodiversity loss may be accelerated by the adverse effects of climate change. At the same time, it can also have a re-enforcing effect on climate change. Moreover, these risks can also significantly affect financial institutions' balance sheets in several other ways, through their clients and investments. We are therefore also increasingly taking these other environmental risks into account in our risk analyses.

## Risk governance

**The management of ESG risks is embedded in our existing Risk Management Governance.** The 'Three Lines of Defence Model' constitutes the cornerstone of KBC's risk governance. It specifies the roles and responsibilities regarding risk management for all risks to which KBC is exposed. This also includes ESG risks.

Moreover, the risk function is actively represented on the main sustainability committees at the group and local level. For further reading on this, we refer to the ['Sustainability governance'](#) part of this report.

## Integration into risk management frameworks and processes

The **KBC Enterprise Risk Management Framework** defines KBC's overall approach to risk management and sets group-wide standards for risk management. It covers all risks to which KBC is exposed. This includes ESG risks, which are gradually being embedded in KBC's overarching risk management processes.

**ESG risks, including climate risk, are identified in our risk taxonomy as key risks related to KBC's business environment.** ESG risks are considered as key risk drivers of the external environment that manifest themselves through (all) other traditional risk areas, such as credit risk, market risk, technical insurance risk and reputational risk. As such, we do not categorise ESG risks as standalone risk types. To this point, our main focus has been climate risk. Risk assessment methodologies for climate risk are much more advanced than methodologies for some of the other ESG risk areas. At KBC, our initial focus has also been on the integration of climate-related risks within all risk management frameworks and processes, such as risk identification, measurement, stress testing and risk appetite.

However, we are increasingly taking environmental risks other than climate change into account in our risk analyses. We also integrate social and governance risks into our risk management approach, including anti-money laundering, anti-corruption, data protection and cyber security.

## Risk identification

We use **a variety of approaches and processes to identify new, emerging and changing risks, including climate and other ESG risks.** We incorporate a forward-looking perspective by considering emerging risks in the short (0-to-3-year horizon), medium (3-to-10-year horizon) and long term (beyond a 10-year horizon).

To ensure pro-active risk identification, we have already taken several initiatives. In this section, we provide a short overview of the most important approaches. For more detail, we refer to the [KBC Group Risk Report](#).

Climate and other environmental risks, cyber risk, compliance risks (including anti-money laundering, GDPR and embargo) and conduct risk have been identified as top risks by the Group Executive Committee and the Board of Directors for some years now.

We take sustainability and climate-related risks (e.g. greenwashing) into account when deciding on new products or services.

### READ MORE

[More detail on KBC's risk and capital management, including linked to ESG-related risks KBC Group Risk Report](#)

[More details on KBC's sustainability framework KBC Group Sustainability Policy Framework](#)

[Overview of KBC business ethics related corporate policies 'Business ethics'](#)

[More details on our sustainability and climate-related governance 'Sustainability governance'](#)



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We assess the risk impacts of relevant environmental risk drivers within our White Paper sectors. Where relevant, we provide more details on this in the section on our '[White Paper approach](#)' of this report.

In 2022, **KBC developed a Climate Risk Impact Map which is being reviewed on an annual basis.** The goal of the map is to identify the most significant climate-risk drivers that have an impact on KBC's businesses and portfolios for different time horizons and climate scenarios. With respect to traditional risk types, it reflects the impact of transition and physical risk drivers. As of 2022, we also began integrating findings from the Impact Map into our core risk management processes (e.g. risk appetite and stress testing).

In 2023, KBC performed **a pilot exercise to identify the most significant risk drivers relating to biodiversity loss, pollution and water stress.** As 2024 progresses, we aim to gradually integrate the conclusions from this exercise into an overarching Environmental Risk Impact Map (incl. climate change).

**Our ambition is to make continuous progress regarding physical risk assessments for our loan and insurance portfolios.** We performed a flood risk assessment in line with the UNEP FI methodology for various home loan and corporate/SME portfolios across the KBC Group. We also extended this assessment to our property insurance portfolios since these are naturally more sensitive to evolutions in flood risk. In parallel, we collected portfolio data and enlisted scientific support to identify our portfolios' sensitivity to the other physical risks listed within the Climate Risk Impact Map.

A **sector-based, environmental and social (E&S) sectoral heat map** is embedded in our loan origination and review processes. We use this heat map as a tool to identify E&S risks in the Corporate and SME loan book. Additionally, KBC makes use of the **ESG Assessment Guide** which is a supporting tool for credit advisors and decision makers assessing environmental and social risks with respect to loan origination. Like the heat map, the Assessment Guide's scope extends beyond climate and takes other environmental and social risks into account.

KBC Asset Management accounts for ESG risk in its investment policy by applying an exclusion policy and integrating the ESG scores of issuers. For further information please refer to the part on '[Responsible Investing](#)'.

We analyse the potential impact of extreme natural events on our non-life, property insurance portfolio. External broker and vendor models are used by KBC Insurance entities to model these events. Physical risks in other regions around the world are also closely monitored, as these can affect the global reinsurance market on which KBC relies.

Finally, ESG risk signals are regularly reported to the Group Executive Committee, the Risk and Compliance Committee and Board of Directors via the Integrated Risk Report.

## Risk measurement, scenario analysis and stress testing

### Tools and methodologies

We make use of a series of tools and methodologies to provide further insights into the impact of climate change on our business model. Additionally, we aim to use these tools to assess the impact of our activities on the environment. By doing so, we want to gradually improve our credit underwriting and investment policies as well as our engagement with our clients. For more information, please refer to the part on '[Metrics and targets](#)' in this section and the [Risk Report](#).

### Stress testing

We apply stress tests and sensitivity analyses to our lending, insurance and investment activities. The results of these tests allow us to identify weaknesses or blind spots and to assess capital and liquidity adequacy.

**Climate risk is playing an increasingly prominent role in the scenarios of KBC's stress tests and sensitivity analyses.** We also consider other ESG drivers, such as operational risk losses due to possible cyber hacks. More insights can be found in the [Risk Report](#).

## Setting and cascading risk appetite

KBC has a well-developed Risk Appetite Statement and process to support KBC in the successful implementation of the strategy, as outlined in this statement. Our risk appetite covers all material risks that we are exposed to. It pays particular attention to risks that dominate the external environment, now and in the future.

### Climate impacts are firmly embedded within our Risk Appetite Statement and process.

When integrating climate risk reflections into our Risk Appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration.

**Other ESG themes, such as cyber, information or reputational risks, are also included in our risk appetite objectives.** All these risk appetite objectives are then translated for the different risk types, such as credit, market, insurance, compliance or operational risks.

In turn, KBC's risk appetite is supported by its policies on sustainable and responsible lending, insurance, advisory services and investments, as well as its sustainability targets. In this way, KBC aims to safeguard its long-term sustainability.

In 2023, we introduced a set of climate-related Key Risk Indicators into our Risk Appetite process. Indicators were defined for the most material transition and physical risks, as defined in the climate risk impact map, and covering a large part of KBC's activities and portfolios. These are reported on half-yearly basis in the Climate Risk Dashboard, submitted to GExCo, RCC and BoD.

More information on our policies and sustainability targets can be found in the part on '[Sustainability policies](#)' and the part on '[Our sustainability targets](#)' in this report.



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## Risk analysis, monitoring, reporting and follow-up

Indicators for climate-related risks and opportunities are integrated into the KBC Sustainability Dashboard. Given that ESG risks are well integrated into ICAAP/ILAAP/ORSA<sup>8</sup> and related analyses, these risks are already extensively addressed in these reports.

In 2023, a Climate Risk Dashboard was developed that is reported twice a year in the Integrated Risk Report. It is used to monitor the most material transition and physical risks (as defined in the Climate Risk Impact Map) for all risk types, and to keep track of the abovementioned Key Risk Indicators. The Dashboard will continue to evolve in tandem with improvements in data availability and quality.

**The Board of Directors, the Risk & Compliance Committee, the Executive Committee and the Internal Sustainability Board are the primary recipients of the various outputs of the main risk management processes.**

All regulatory disclosure requirements are guided by the dedicated [Data and Metrics project](#) within the Sustainable Finance Programme.

Since December 2022, the EBA templates for Pillar 3 disclosures on ESG-risk are included in the Risk Report.

Also, regarding the Sustainable Finance Disclosure Regulation (SFDR), KBC (and particularly KBC Asset Management) is implementing the various disclosure requirements (regarding entity, service and product level).

## Metrics and targets

We gather climate-relevant data to monitor and steer the climate performance of our portfolios. We also use them to set targets and to meet the reporting requirements of regulators and supervisors. This section gives an overview of the outputs and targets that are already in place as well as the methodologies used. First, we discuss our lending business, specifically for our White Paper sectors. Second, we discuss our approach for determining the climate performance of our investment portfolios. Lastly, in 2022 we began to assess the climate impact of our insurance underwriting business through a pilot project. This year, we report on this project for the first time.

We use a variety of methodologies to track the climate-related impact on and of our portfolios. All our tools support us in a variety of ways to correctly report the climate-related impact of our portfolios. Their combined use allows us to set targets for and to increase the sustainability of our portfolios.

For our **loan portfolios**, we use:

- **PACTA** (Paris Agreement Capital Transition Assessment);
- **Internally developed physical and transition risk models**, and;
- **PCAF** (Partnership for Carbon Accounting Financials).

For our **investment activities**, we use the **Trucost data and methodology**.

For our **insurance business**, we use the **PCAF guidelines for insurance-associated emissions**.

### READ MORE

[PACTA methodology and results](#)  
'Methodologies explained: PACTA'

[Climate target setting, PCAF methodology and results](#)  
'Metrics and targets: Loan portfolio assessments'

['Metrics and targets: Assessment of the insurance underwriting portfolio'](#)

['Methodologies explained: Target setting'](#)  
'Methodologies explained: PCAF'

[Trucost methodology and results](#)  
'Metrics and targets: Investment portfolio assessments'  
'Methodologies explained: Trucost'

<sup>8</sup> The Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) submission is a comprehensive set of documents, in which all material evolutions in the risk, capital and liquidity situation of KBC Group, its business model, governance and risk management are documented and summarized in Capital and Liquidity Adequacy Statements. These documents are input into ECB's Supervisory Review and Evaluation Process (SREP).

## We have started a dedicated Data and Metrics Project to deal with challenges regarding the availability of correct and usable data.

This is necessary since collecting the necessary and sufficiently granular, climate-related data on our portfolios is still a major challenge. This is especially the case for private individuals, SMEs and mid-caps. Most of these clients do not yet have basic, climate-related data or calculations of their GHG emissions available. Larger companies are often already required to disclose non-financial data and are hence able to share climate-related data more easily. Yet, overall, there is still a long way to go in improving data gathering on climate-related issues.

Within the Data and Metrics Project we aim to identify the data that need to be collected. In a subsequent step, we want to integrate the gathering of these data in all relevant processes in our core countries. **To further expand our ESG data ecosystem, we invested this year in four main areas:**

- We acquired additional external data sources.
- We implemented tools to calculate and report on relevant ESG metrics.
- We introduced Artificial Intelligence techniques to gather and structure ESG data.
- We invested in the standardisation of data feeds across our group. These investments are aimed at improving the re-usability of ESG data in the different reports and supporting diverse reporting requirements.



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## Loan portfolio assessments

KBC has calculated the financed emissions (i.e. KBC's Scope 3) for at least a portion of its portfolios since 2019, using the [PCAF Global Standard](#). Over the years, the scope of these calculations has gradually expanded. Since 2021, we have applied this methodology to estimate the financed emissions of our entire portfolio. In this section we build further on our first [Climate Report](#), in which we set and communicated sectoral climate targets for our lending activities. As part of that, we give an update of the financed emissions from our loan and lease portfolio. We also report on our 2023 progress, in comparison to the targets set in our climate report.

### Lending portfolio overview

**Measuring the indirect climate impact of our lending activity is a crucial first step in defining climate strategies.** We measure this indirect climate impact by calculating the Scope 3 GHG emissions associated with our lending activities (so-called financed emissions).

**In this section of our report, we use the term 'financed emissions' to refer to our financing share in our clients' Scope 1 and 2 GHG emissions. We do this to align the scope of financed emissions with the emissions that are in scope for our lending climate targets. KBC also reports, in full, on the financed emissions of our entire loan portfolio (i.e. financed emissions associated with our clients' Scope 1, 2 and 3 emissions) in the 'Sustainability facts and figures' section of this report.**

For further reading on our financed emission calculation approach, please refer to the ['Methodologies explained' appendix](#) of this report. The overview of these financed emissions is based on the PCAF Global Standard and is not comparable to similar information in other reports released by KBC (such as EBA Pillar 3 reporting,) due to differences in scope and calculation methods.

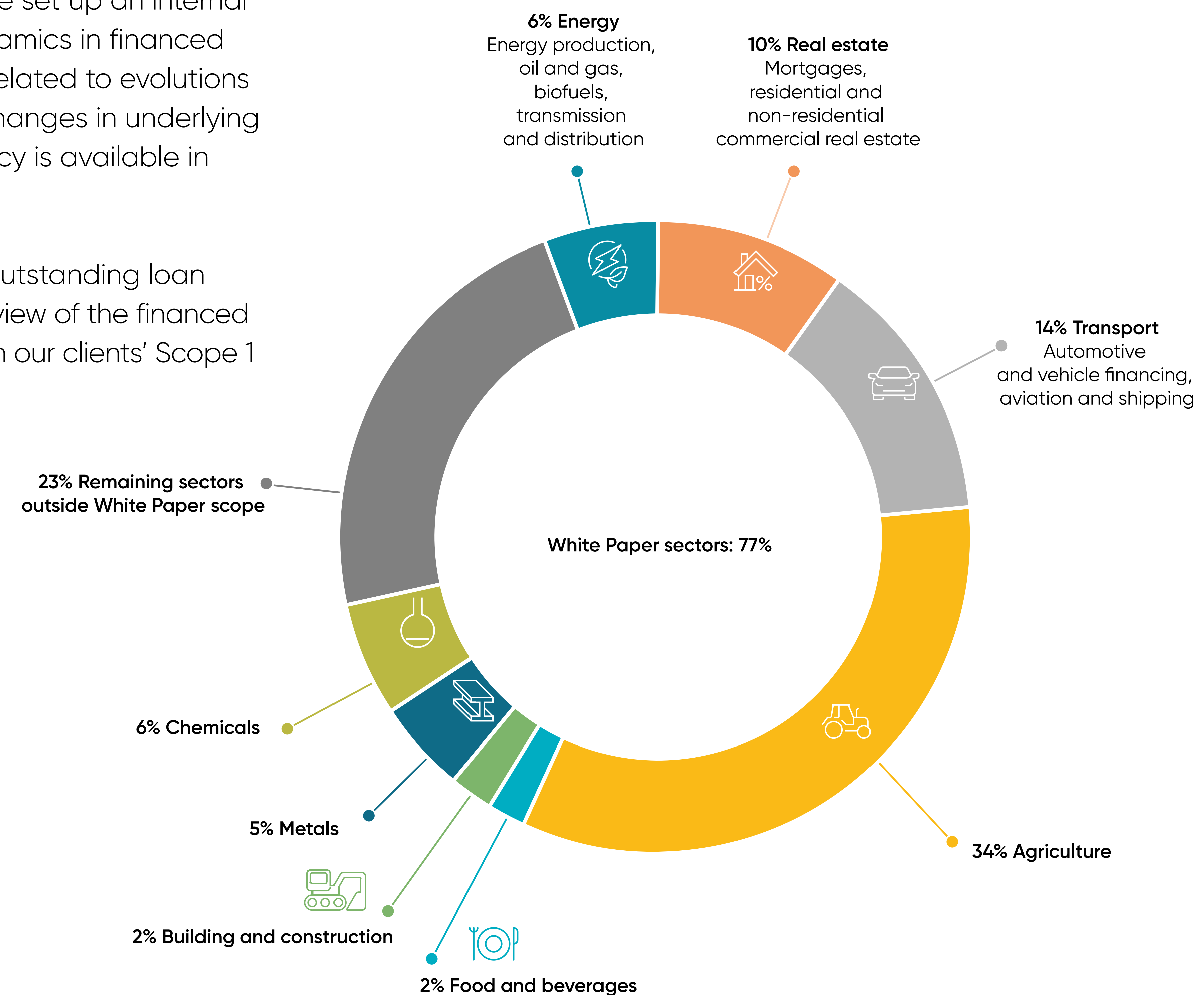
This is our third consecutive year of reporting on the financed emissions of our loan portfolio. Due to changes in data quality, reporting scope (e.g. the inclusion of KBC Bank Bulgaria) and portfolio evolutions comparing 2023 bottom-line financed emissions with previous reports should be undertaken with caution.

Nevertheless, financed emission calculations do not only serve disclosure purposes. For instance, from this year onwards the evolution of the emission intensity of our loan portfolio will be monitored as part of our general credit risk management practice (more information is available in [KBC's Risk Report](#)).

**The White Paper sectors and product lines represent around 77% of the total financed Scope 1 and 2 GHG emissions associated with our loan and lease portfolio.**

We aim to continuously improve the quality of the calculations to enable transparent reporting on the estimated indirect climate impact associated with our lending business. We set up an internal recalculation policy to prepare us for future dynamics in financed emission calculations. These dynamics can be related to evolutions in company consolidation, or methodological changes in underlying data. More information on our recalculation policy is available in the [appendix](#) of this report.

Figure 5.2 is a schematic representation of our outstanding loan portfolio in the White Paper sectors and an overview of the financed GHG emissions of KBC Group (i.e. associated with our clients' Scope 1 and 2 emissions).



**Figure 5.2: Financed Scope 1 and 2 GHG emissions expressed as a percentage of KBC Group's total financed Scope 1 and 2 GHG emissions.**

Most material climate-sensitive sectors and product lines (White Papers). Overview of the financed emissions distribution includes our clients' Scope 1 and 2 emissions. Loan book data is as per the end of September 2023 data. Operational vehicle leasing is not included in the total loan portfolio of KBC Group (financed emissions are based on the net book value of leased vehicles). The totals deviate from the sum of all categories due to rounding. More details are available in the ['Sustainability facts and figures'](#) section of this report.



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# 55%

of our total financed Scope 1 and Scope 2 emissions covered by climate targets

## Climate targets

### We have set targets for a subset of our White Paper (sub-)sectors.

The White Paper sectors and product lines represent around 77% of the total financed Scope 1 and 2 GHG emissions associated with our loan and lease portfolio. Moreover, they represent around 65% of KBC Group's total outstanding loan portfolio. The scope of **our existing climate targets currently covers about 55% of our total financed Scope 1 and 2 emissions**. In the 'Sustainability facts and figures' section we give a detailed overview of the climate target coverages, per sector.

### Currently, our climate targets are limited to our clients' Scope 1 and 2 GHG emissions. Many concerns remain with respect to the quality and reliability of our clients' Scope 3 emissions data.

In addition, **we have set targets for emission intensities rather than absolute financed emissions**. Only our thermal coal target is set on absolute financed emissions, namely zero emissions from direct coal-related lending. **The intensity approach is, at present, the most valuable one for the financial sector for a number of reasons.**

Physical emission intensities (e.g. t CO<sub>2</sub>/t produced material) can be compared and monitored with forward-looking sector information from the consulted climate scenarios.

Physical emission intensities have a stronger link to counterparty production decisions. In this way, they are helpful in engaging with clients on the specific drivers of their emissions.

Emission intensities help KBC monitor its influence on real emission reductions without merely shifting or lowering the exposure to certain sectors. This while targets based on absolute emissions could be achieved by merely pursuing an exposure strategy, which we have followed for our direct coal exposure. As such, working with emission intensities, rather than absolute emissions, incentivises transition finance as this contributes to an improvement of a company's relative carbon performance. Absolute emission targets currently do not allow incentivisation of much-needed transition

financing in carbon-intensive sectors because any additional financing would be categorised as financed emissions<sup>9</sup>.

It is important to note that there are limitations to our target-setting approach, which we explain in greater detail in the Technical Appendix of our [Climate Report](#). No changes have been made to our target setting methods and assumptions since then.

For some White Paper (sub-)sectors<sup>10</sup> no climate targets have been set, due to a lack of usable, climate-relevant data, non-existing or premature target-setting methodologies, lack of climate-scenario data or a combination of the above. Notwithstanding the lack of climate targets, these sectors are still part of our overall [White Paper approach](#). When and where possible, we will extend our target scope to these sectors as well.

<sup>9</sup> Sources: (i) Portfolio Alignment Team (2021). Measuring Portfolio Alignment, published at the TCFD hub and (ii) Science Based Targets Initiative (2022), Financial Sector Science-Based Targets Guidance, published at the SBTi website.

<sup>10</sup> This is specifically relevant for the automotive, building and construction (excluding cement producers), metals (excluding steel and aluminium producers) and chemicals sectors.

## READ MORE:

[More details on our target-setting approach KBC Group Climate Report](#)

[Detailed portfolio and financed GHG-emissions data 'Sustainability facts and figures'](#)



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This report includes our **second annual progress report with respect to our emission reduction targets for our lending portfolio**. Figure 5.3 outlines our approach for measuring progress.

The progress report consists of:

- **Calculations of 2023 emission intensities or reduction rates** for the sectors and products in scope. We outline our 2023 portfolio emission intensities or reduction rates in [Table 5.9](#) under the 'KBC portfolio value' heading.
- **A measurement of our portfolios' climate alignment**. Here, we compare 2023 emission intensities and reduction rates against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways (KBC benchmark value) for that same year. This information can be found in [our climate progress dashboard](#) through our alignment indicators. In our climate progress dashboard, the alignment indicator is visualised in green, amber or red. Here, green indicates that the KBC portfolio value is currently at or below the scenario-based benchmark. Amber means that the KBC portfolio is currently at a maximum of 5% higher than this benchmark. Finally, red indicates that the KBC portfolio value is currently more than 5% above this benchmark.
- For all targets we use the scenario-based sectoral decarbonisation pathways to inform ourselves about how well we are progressing towards our goals. The result of this assessment is expressed in the above colour-coded alignment indicators. However, our electricity and vehicle financing 2030 targets are more ambitious compared to the relevant scenario-based benchmark. So, to provide a full and comprehensive picture on progress and evolution of these targets, we also report the theoretical linear progress line as a supplement to the expressed alignment indicator.

**READ MORE**

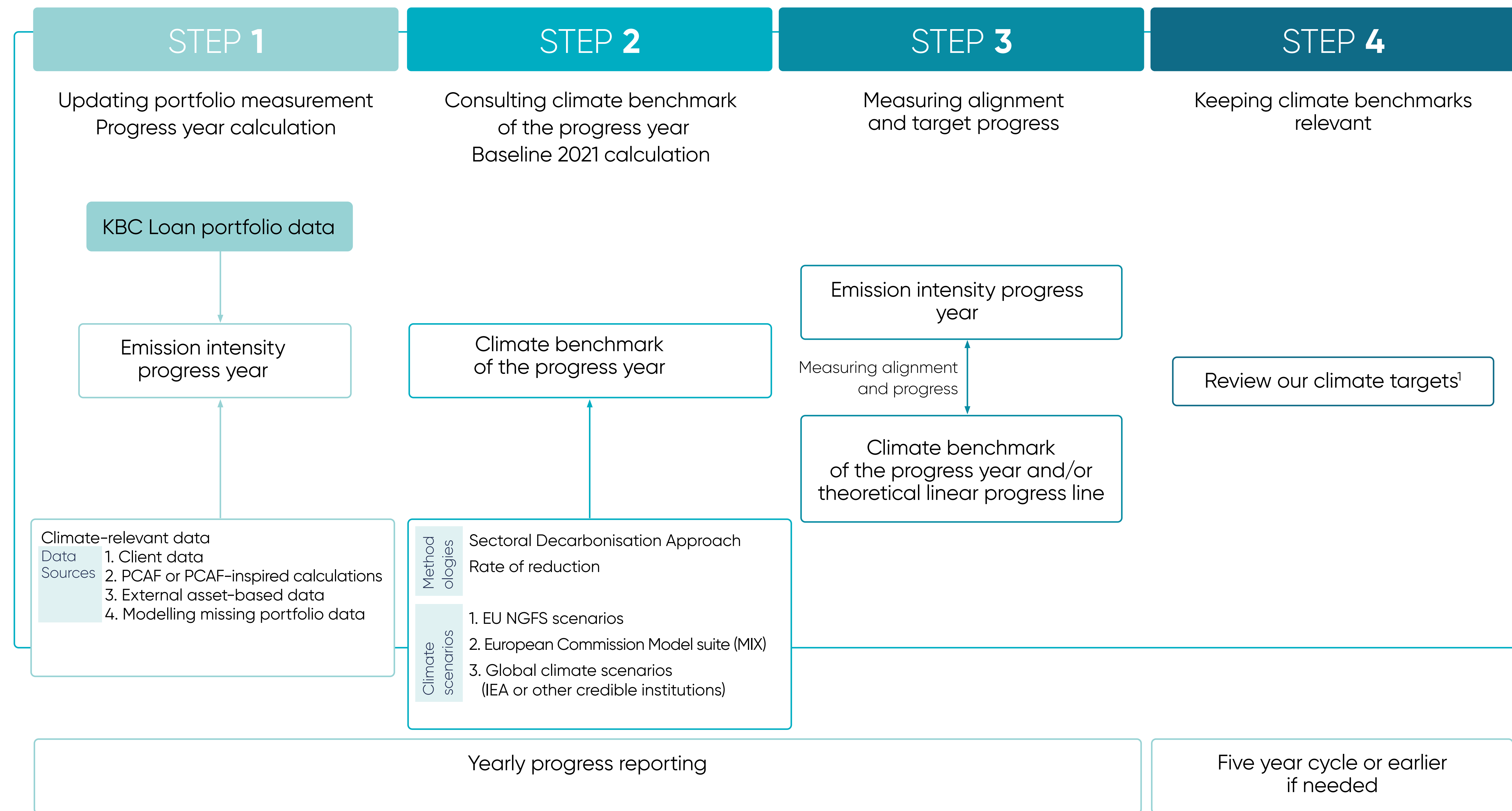
More information on our target-setting approach: climate-scenario choices, 2021 baseline calculations and methodologies used [KBC Group Climate Report](#)

Details on the data and measurement choices of our progress measurement ['Methodologies explained: Climate target setting'](#)

Please keep in mind that our climate targets are directed towards a convergence with 2030 and 2050 goals. Intermediate and short-term fluctuations in our progress (measurements) cannot be excluded, given the many uncertainties related to the climate transition and the developments within the portfolios. For each sector or product line in scope, we provide further details regarding our climate performance, progress and plans in the White Paper parts of this section. The ['Methodologies explained'](#) appendix of this report provides more details about our progress measurement.

**Figure 5.3: Overview of KBC's progress reporting approach**

<sup>1</sup> The [UNEP FI Guidelines on Climate Target Setting](#) stipulate that targets are to be reviewed every five years.



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Table 5.9: Overview of our climate targets, methodologies and progress

Data independently verified by PwC (limited assurance) as part of this progress report are expressly earmarked with the adjoining symbol.

White Paper sectors	(Sub)sector within scope of target setting	Scope1	Scenario/Pathway (if applicable)	Data measurement methodology	Financial exposure in scope in m euros <sup>2</sup>	Metric	Baseline 2021 portfolio value	2023 KBC portfolio value	2023 versus baseline	2030 target	2050 target	
Energy	Energy <sup>3</sup> (whole sector)	1 + 2	Not applicable	PCAF	4 694	t CO <sub>2</sub> e/m euros outstanding	453	253	-44%	-34%	-82%	
	Electricity <sup>3</sup>	1	Below 2°C (NGFS Phase 2)	PCAF	2 520	kg CO <sub>2</sub> e/MWh	210	130	-38%	-39%	-77%	
Real Estate	Commercial real estate and mortgages (whole sector excl. pure commercial development)	1 + 2	Not applicable	PCAF inspired <sup>4</sup>	83 625	t CO <sub>2</sub> e/m euros outstanding	27	25	-10% <sup>5</sup>	-38%	-72%	
	Mortgages and commercial residential real estate	1 + 2	Below 2°C (NGFS Phase 2)	PCAF inspired <sup>4</sup>	74 884	kg CO <sub>2</sub> e/m <sup>2</sup> /year	50	46	-8% <sup>5</sup>	-43%	-85%	
Transport	Vehicle loans and financial lease	Passenger cars	Net Zero 2050 (European Commission MIX)	PCAF inspired <sup>4</sup>	3 533	g CO <sub>2</sub> /km	139	129	-7%	-42%	-100%	
		Light commercial vehicles		1	PCAF inspired <sup>4</sup>		851	208	205	-1%	-30%	-84%
	Vehicle operational lease	Passenger cars		1	PCAF inspired <sup>4</sup>		1 365	133	104	-22%	-81%	-100%
		Light commercial vehicles		1	PCAF inspired <sup>4</sup>		71	196	191	-3%	-33%	-90%
Agriculture	Agriculture (whole sector)	1 + 2	Below 2°C (NGFS Phase 2)	PCAF	5 367	t CO <sub>2</sub> e/m euros outstanding	1 405	1 340	-5%	-21%	-34%	
Building and construction	Cement producers	1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	134	t CO <sub>2</sub> /t cement	0.69	0.69	+1%	-16%	-68%	
Metals	Steel producers	1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	795	t CO <sub>2</sub> /t steel	1.34	1.53	+15%	-14%	-56%	
	Aluminium producers	1 + 2	Below 2°C (TPI)	Client information	22	t CO <sub>2</sub> e/t aluminium	0.59	0.60	+2%	Stay well below the global sectoral intensity climate benchmark		

The baseline emission intensities of our targets reflect the Scope 1 and 2 GHG emissions associated with our lending to the sector. More details about this are available in the 'Methodologies explained' appendix of this report. Due to still-limited, non-financial data availability across various sectors, clients and assets, the financed emissions for our baselines and progress measurement may deviate from the stricto-sensu definition of the GHG Protocol and PCAF Global Standard (for all sectors except the cement and steel sectors, as well as the electricity sub-sector), which requires us to measure the share of the emissions from an asset, or the activities of any company financed by KBC. While the loan value was known and leveraged in our calculations, the asset value could not always be retrieved and was therefore not taken into account in such cases. In these instances, we use the term 'PCAF inspired'. Please note that the full financed-emissions calculation, as included in the 'Sustainability facts and figures' section of this report, is fully based on the PCAF Global Standard. The PCAF emission factors used in our calculations are identical to those used in last year's progress measurement calculations. Kindly refer to the 'Methodological limitations and data constraints' section of the 'Methodologies explained' appendix.

<sup>1</sup> Client emissions in scope of target: Scope 1 or Scope 1 + 2

<sup>2</sup> Financial exposure reflects the outstanding exposure as of 30 September 2023. For the cement, steel and aluminium sectors, the financial exposures reflect the granted exposure as of 30 September 2023. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2023.

Reported outstanding exposures may differ from those appearing in other sections of this report, due to differences in scope of sub-sectors.

<sup>3</sup> For the 2023 emission intensity calculations, there may be a discrepancy between the data collection year for Scope 1 and 2 emissions and company value (debt + equity). This may lead to an overestimation or underestimation of the final emission intensity.

<sup>4</sup> More information is available in the 'Methodologies explained' appendix of this report.

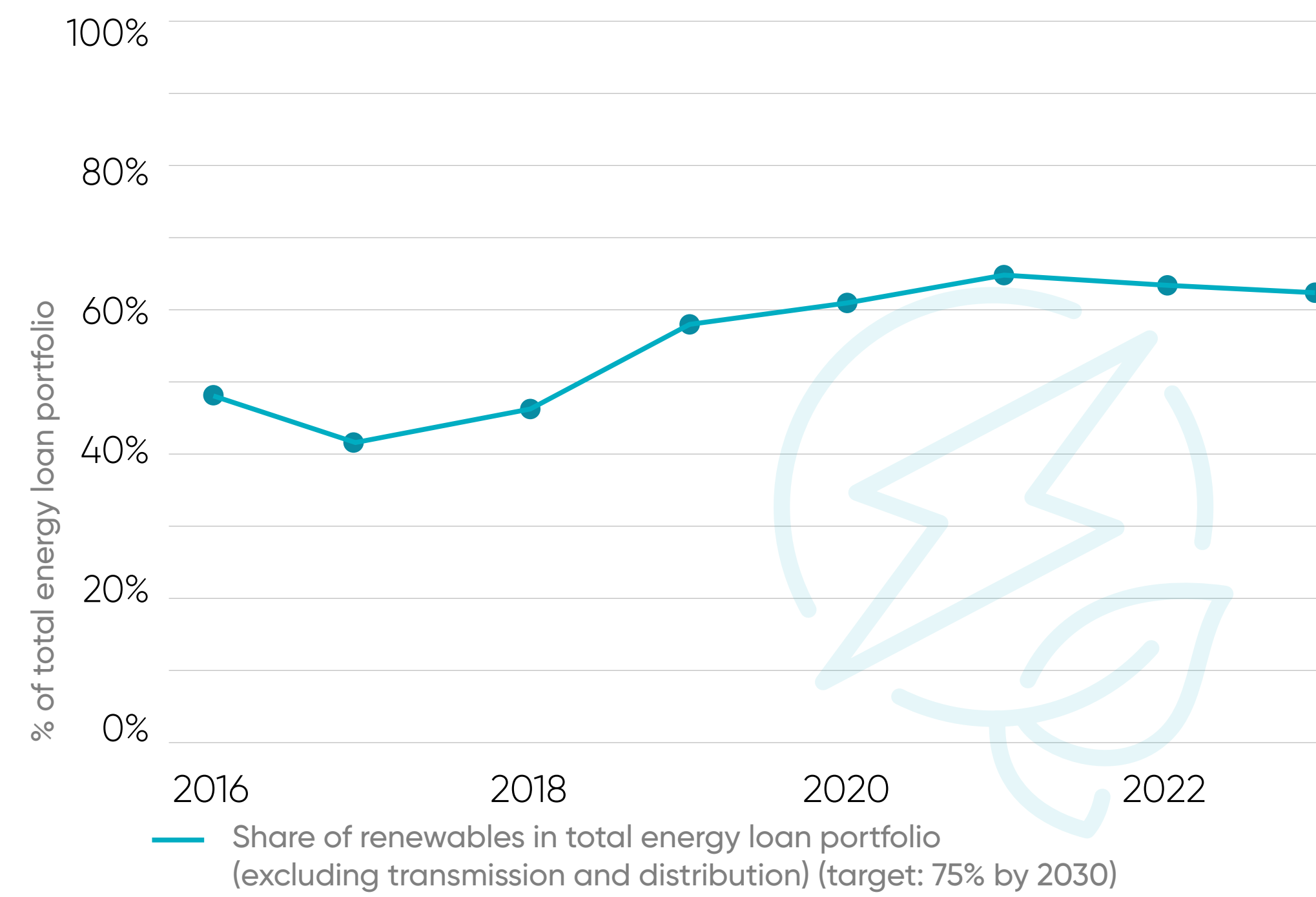
<sup>5</sup> Changes to the intensity are not solely due to improvement in KBC's portfolio performances, but also to methodological choices and data-quality improvements.



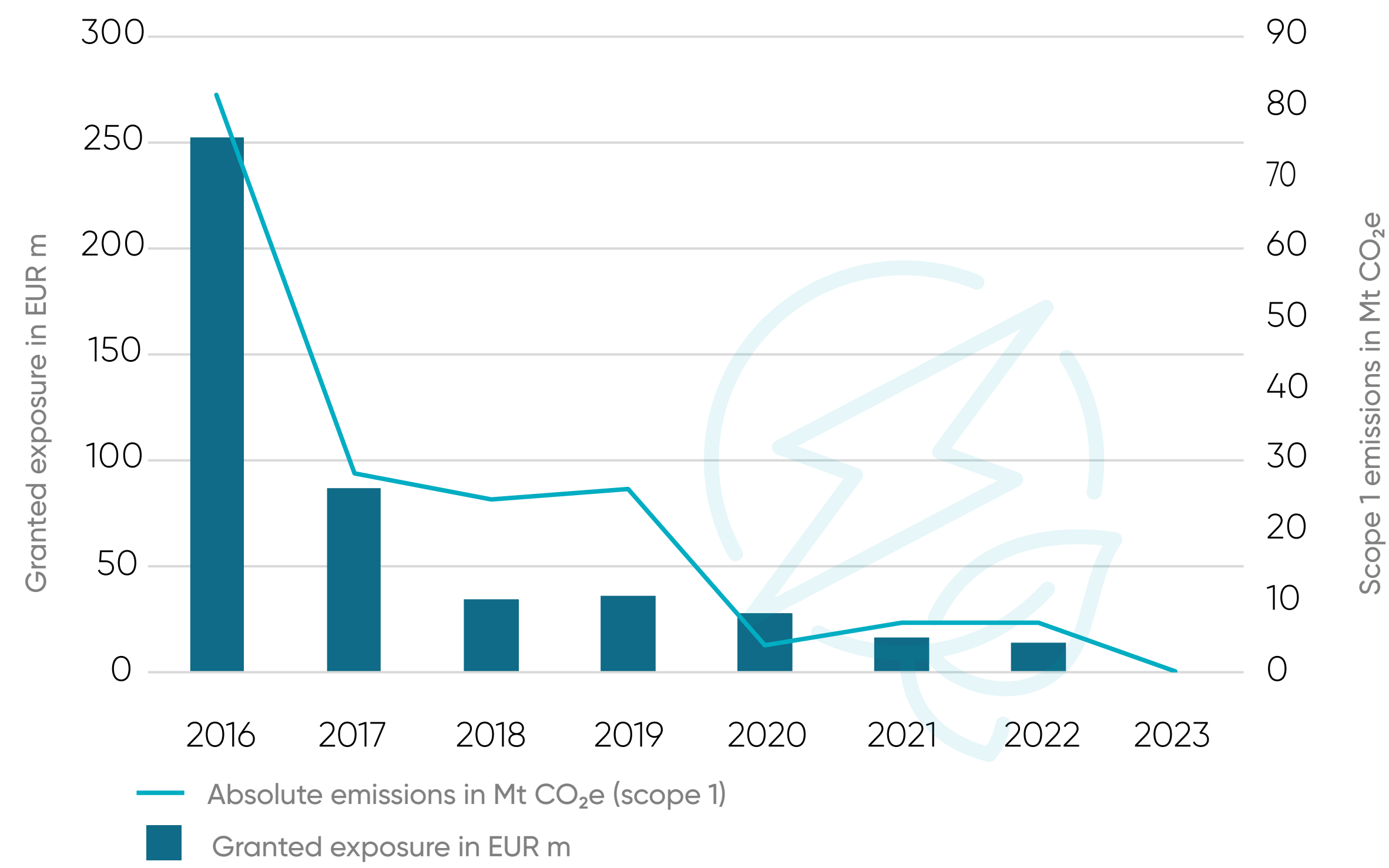
## KBC's climate progress dashboard

### ENERGY

#### Renewable energy financing

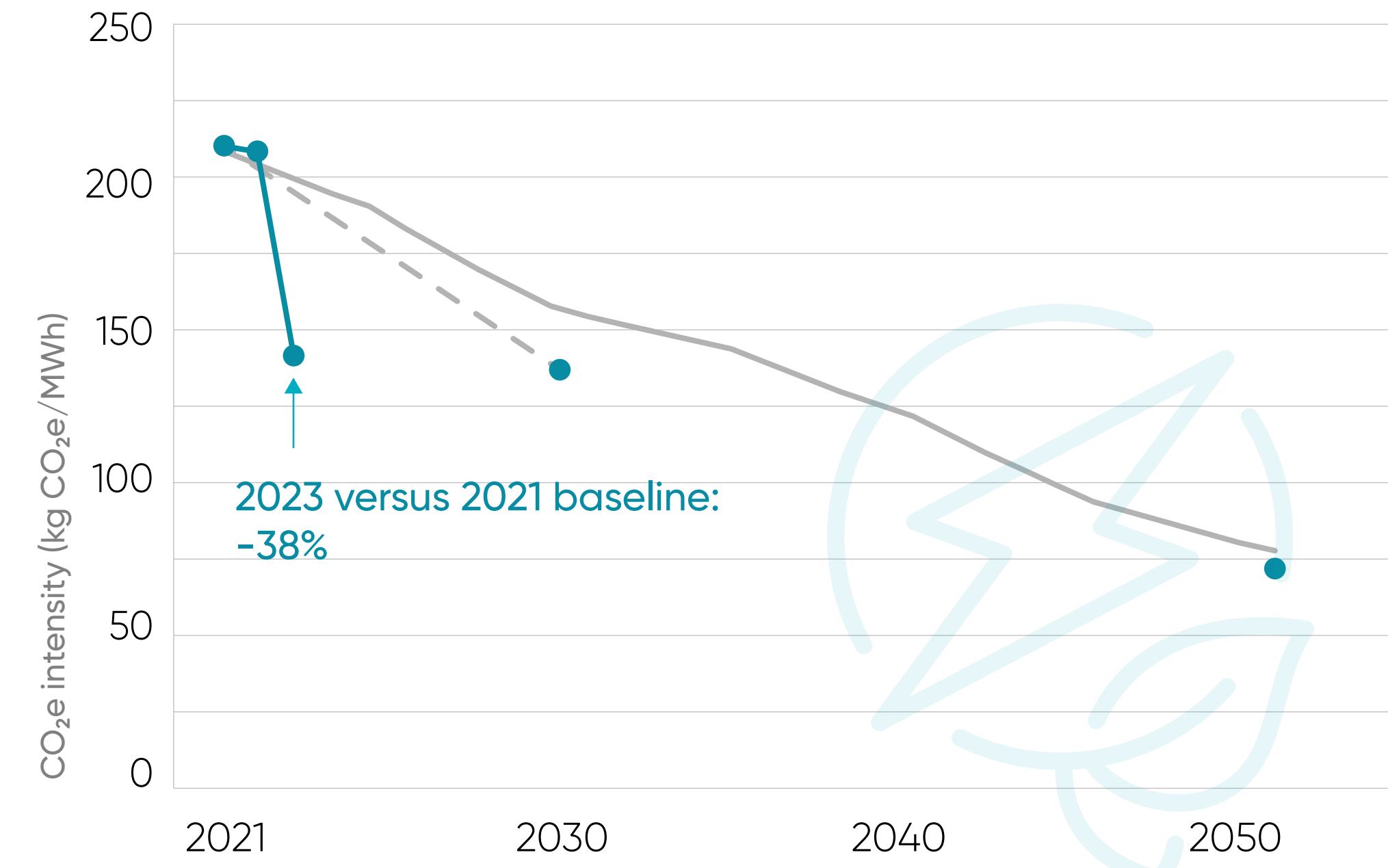


#### Direct coal exposure

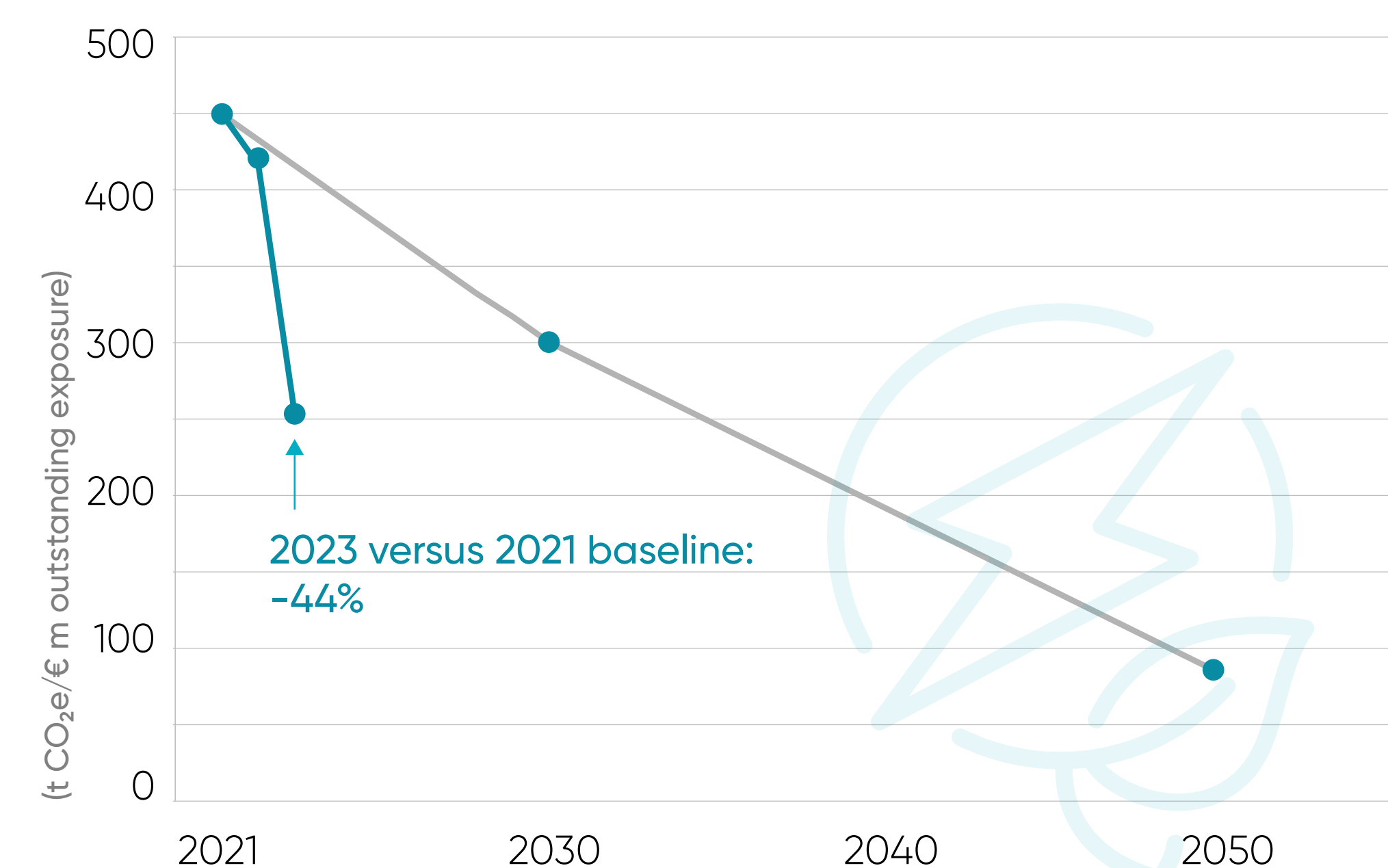


Emissions reflect the absolute emissions of the underlying companies financed in scope of the exposure target. For more information see the 'White Paper sectors: Energy' section.

#### Electricity sector portfolio



#### Energy sector portfolio CO<sub>2</sub>e intensity



Progress measurement and KBC Targets  
Linear 2030 target progress line

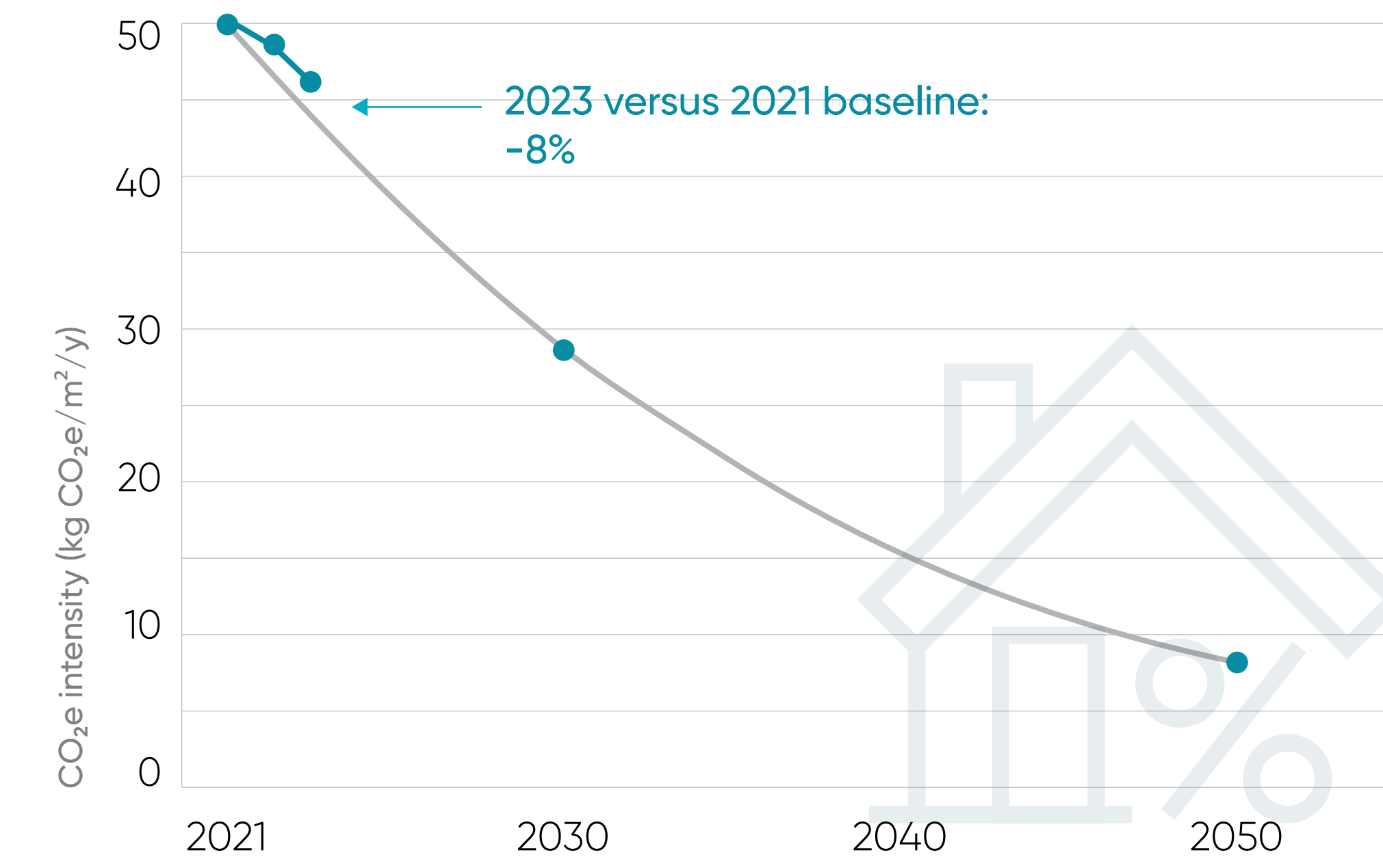
KBC's portfolio climate alignment is measured by comparing the 2023 emission intensities and reduction rates (dots) against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways (lines) for that same year. The result of this assessment is expressed in following colour-coded alignment indicators:

- KBC portfolio value is currently at or below the scenario-based benchmark
- KBC portfolio value is currently maximum 5% higher than the scenario-based benchmark
- KBC portfolio value is currently more than 5% above the scenario-based benchmark

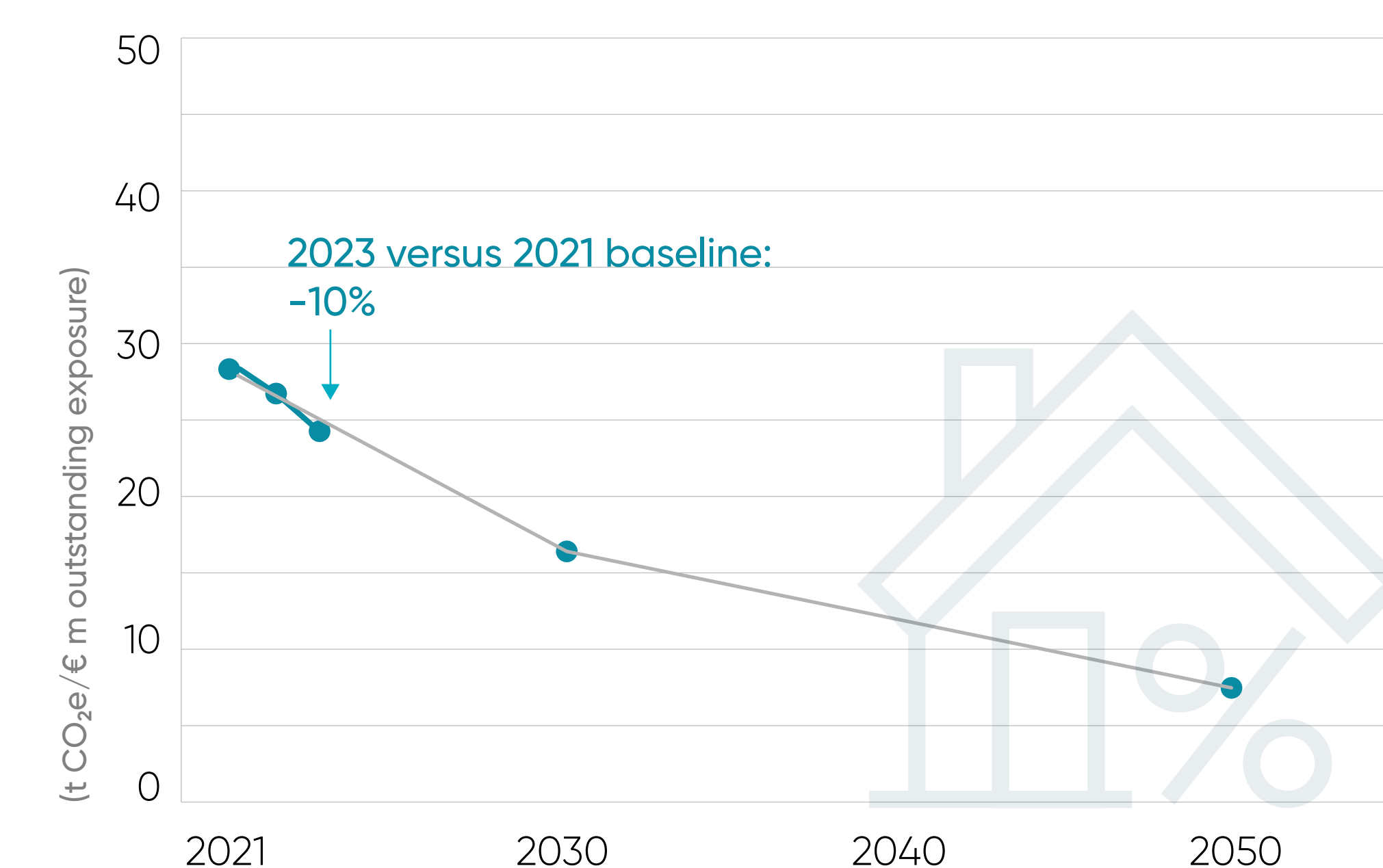
Our electricity and vehicle financing 2030 targets are more ambitious compared to the relevant scenario-based benchmark. So, a theoretical linear progress line is added as a supplement to our alignment indicator to provide a full and comprehensive picture on progress and evolution.

### REAL ESTATE

#### Residential Real Estate sector portfolio



#### Real estate sector portfolio CO<sub>2</sub>e intensity



Climate alignment scenario benchmark



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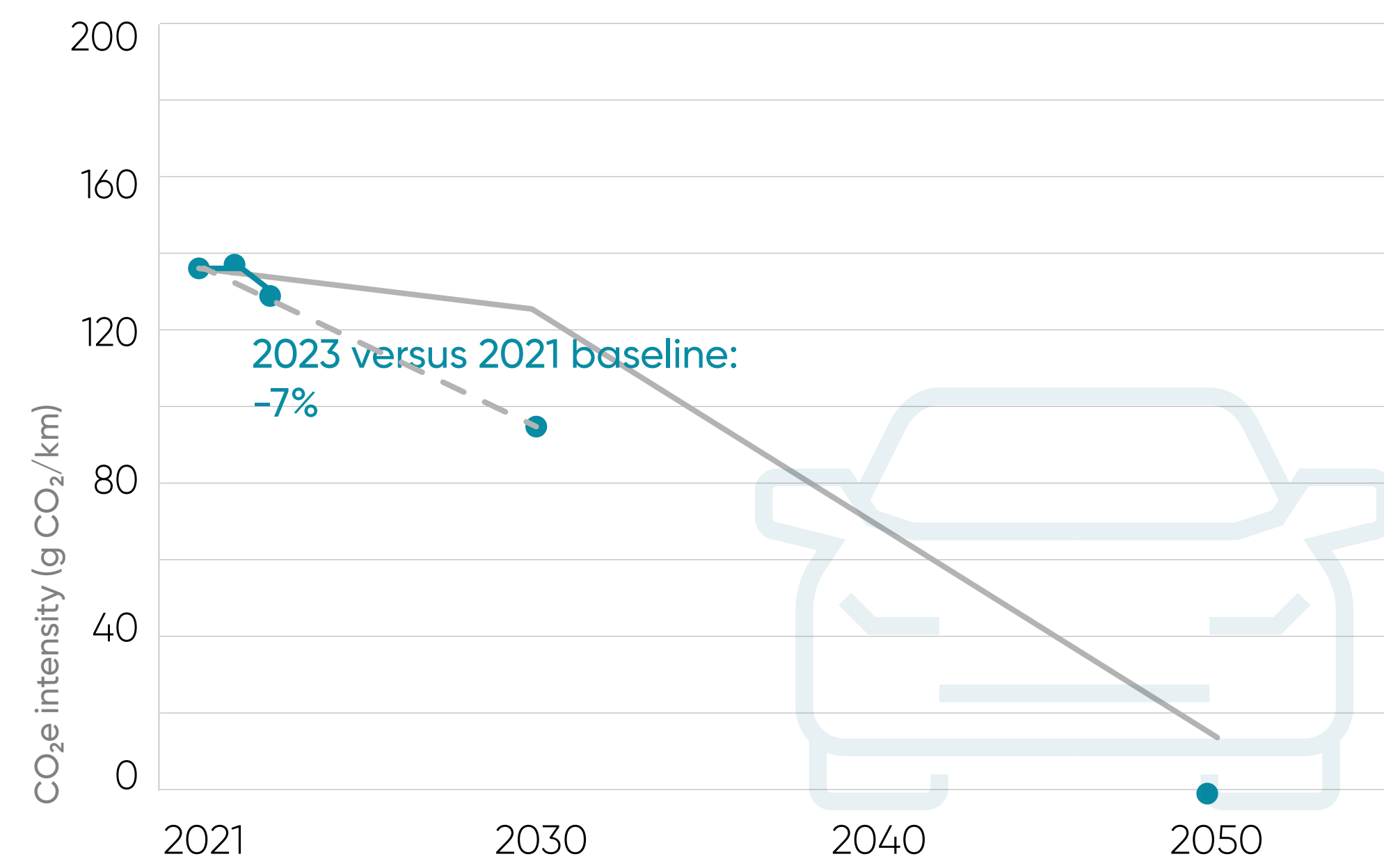
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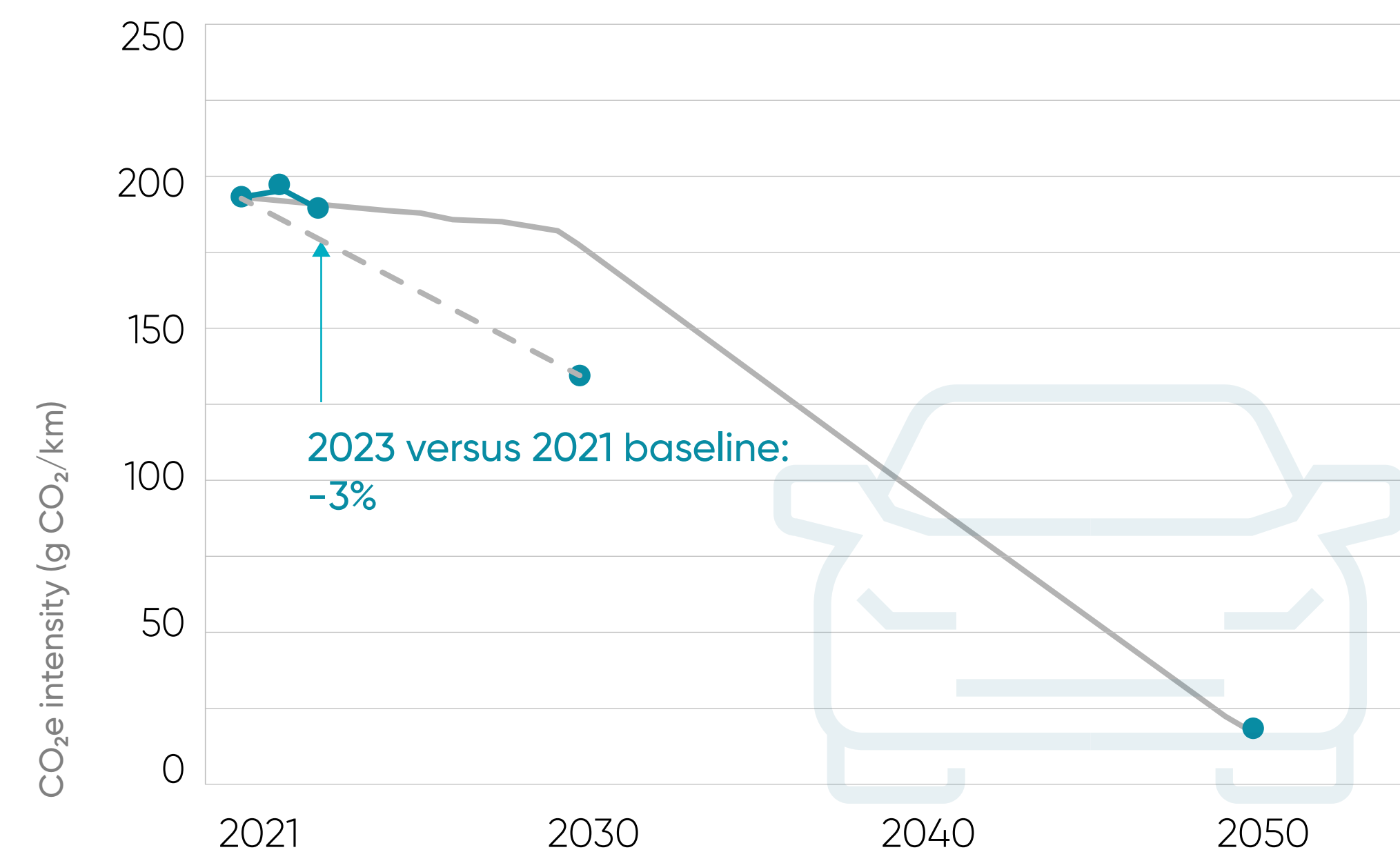
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## TRANSPORT

Passenger cars financial lease and loan portfolio

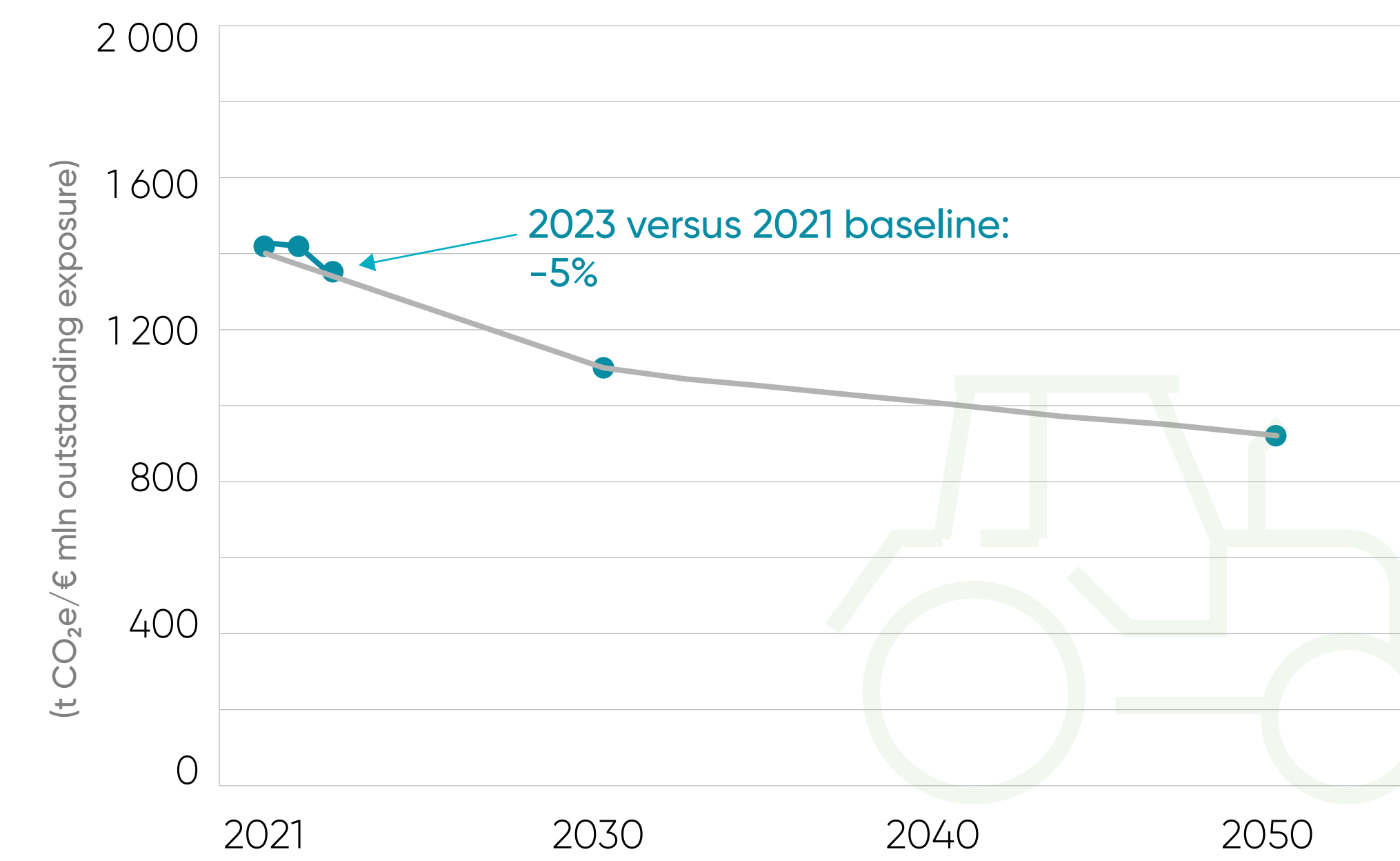


Light commercial vehicles operational lease portfolio



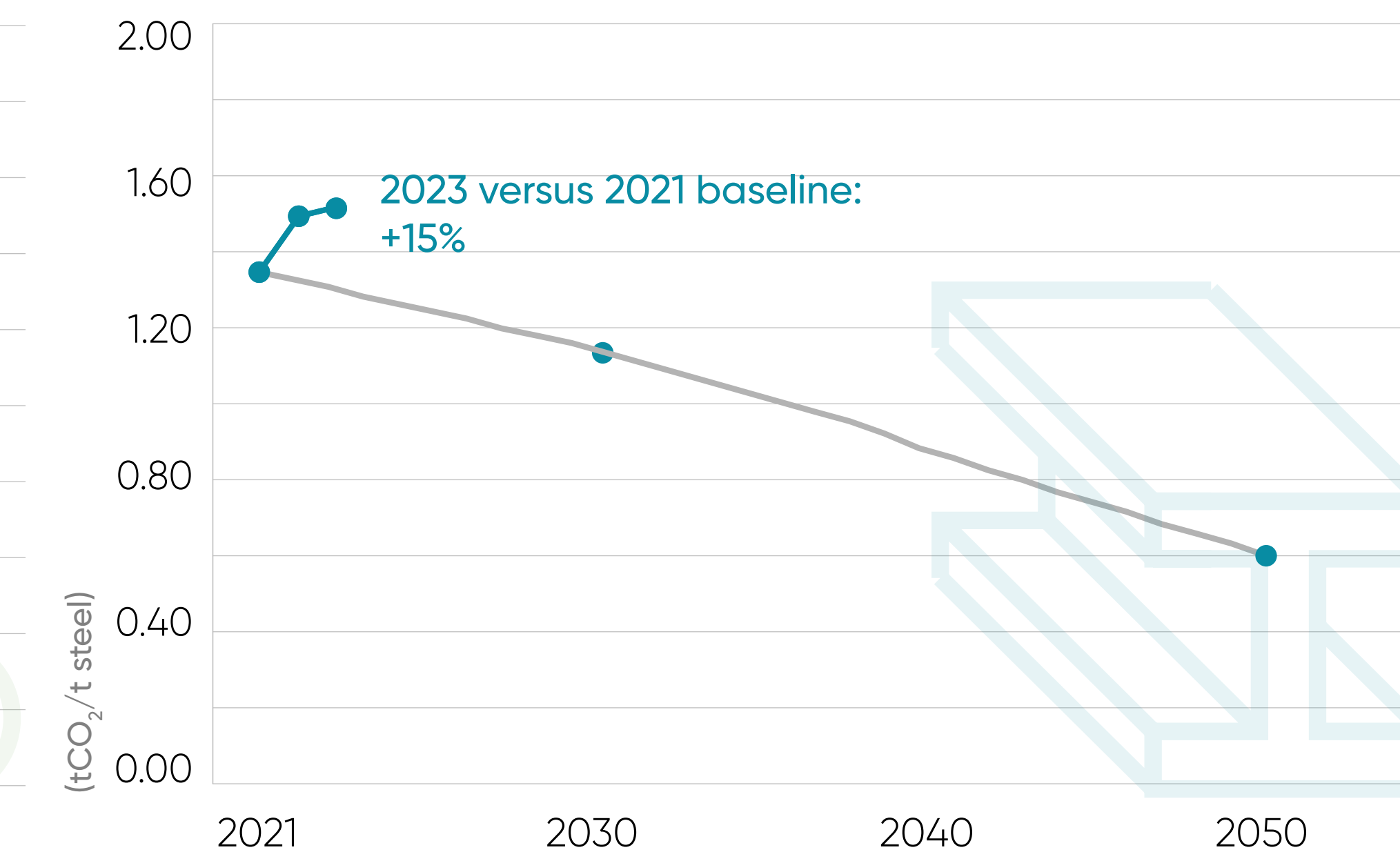
## AGRICULTURE

Agriculture sector portfolio CO<sub>2</sub>e intensity

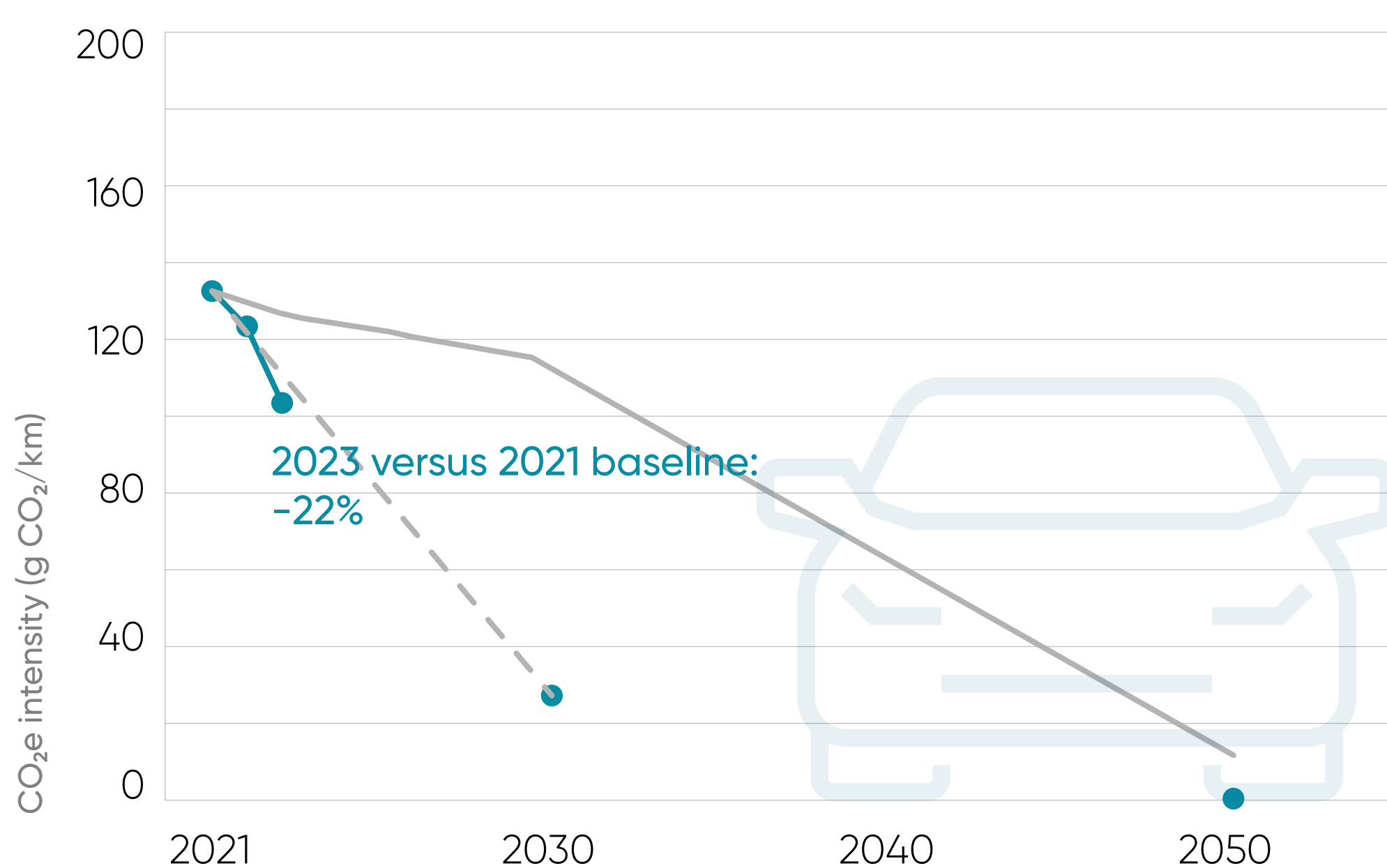


## METALS

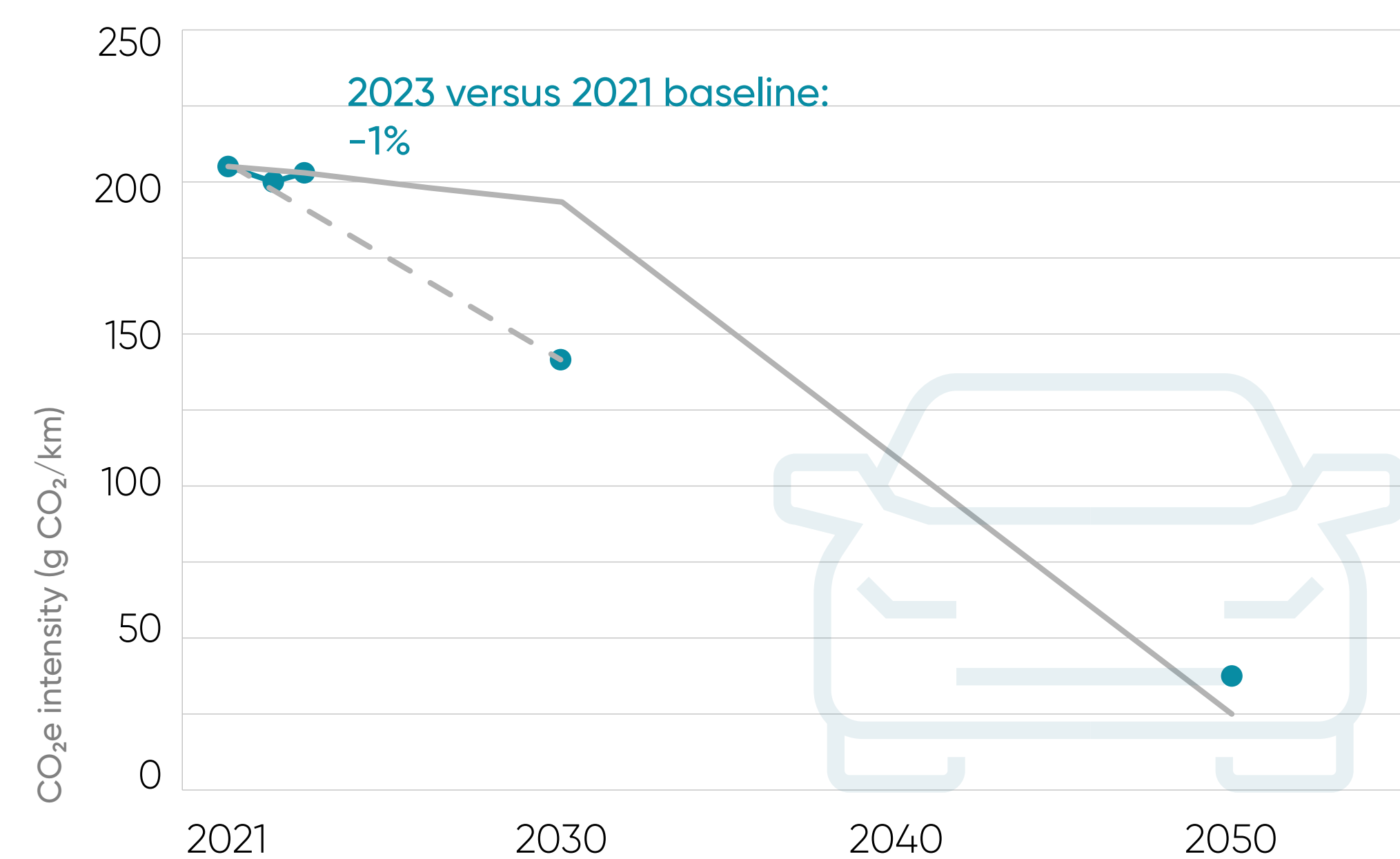
Steel sector portfolio CO<sub>2</sub> intensity



Passenger cars operational lease portfolio

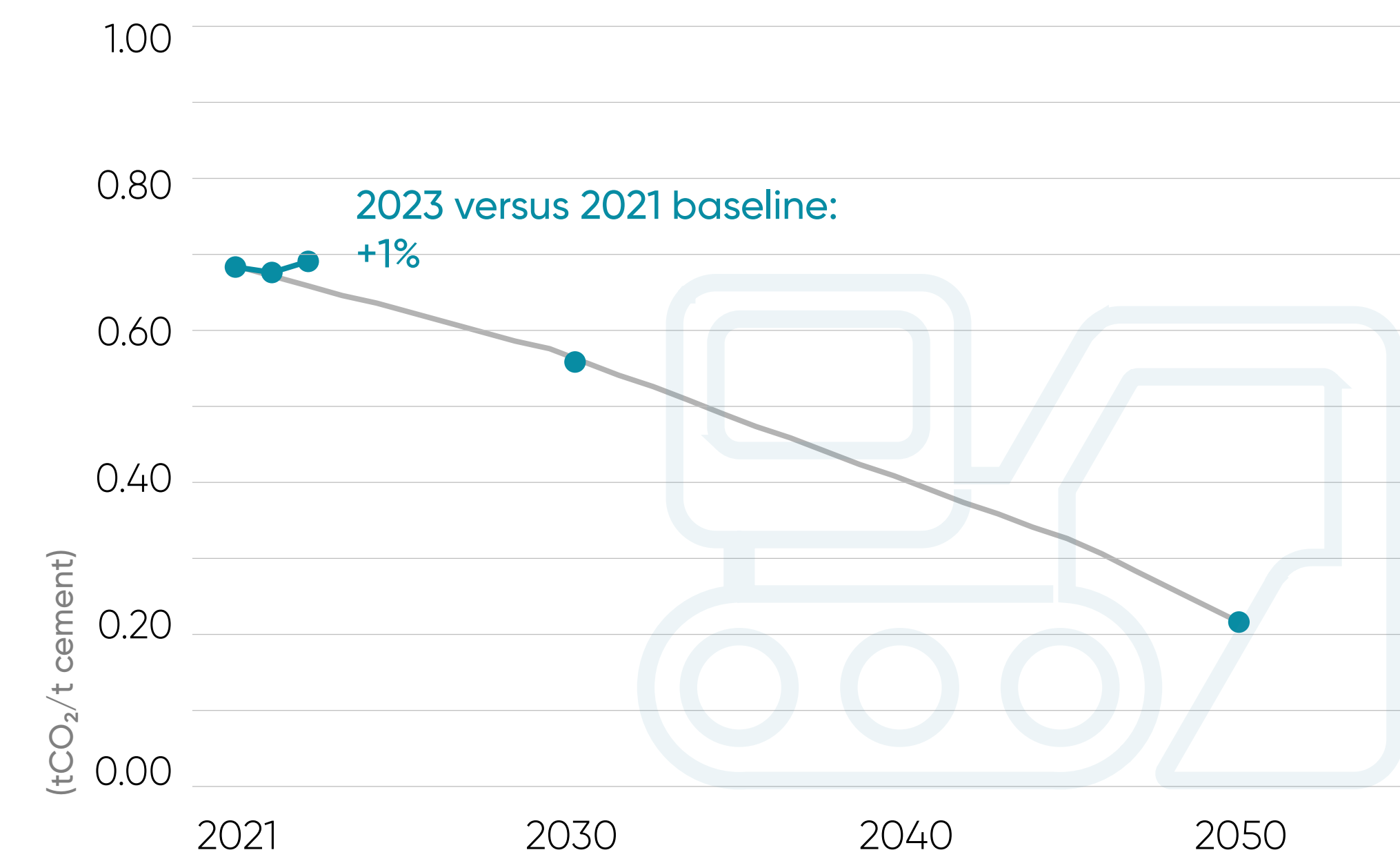


Light commercial vehicles financial lease and loan portfolio

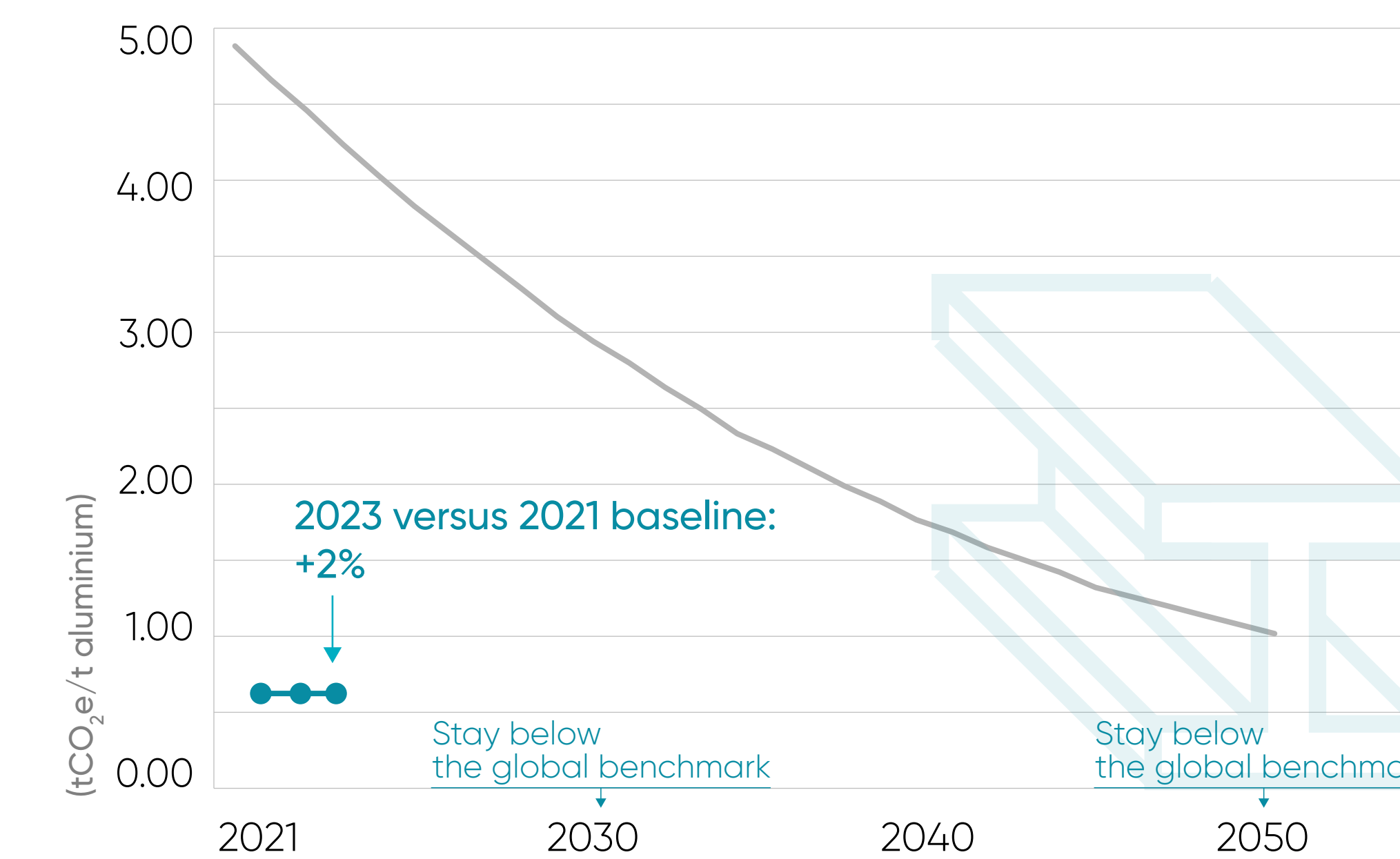


## BUILDING AND CONSTRUCTION

Cement sector portfolio CO<sub>2</sub> intensity



Aluminium sector portfolio CO<sub>2</sub>e intensity



● Progress measurement and KBC Targets  
● Climate alignment scenario benchmark  
--- Linear 2030 target progress line




KBC's portfolio climate alignment is measured by comparing the 2023 emission intensities and reduction rates (dots) against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways (lines) for that same year. The result of this assessment is expressed in following colour-coded alignment indicators:

- KBC portfolio value is currently at or below the scenario-based benchmark
- KBC portfolio value is currently maximum 5% higher than the scenario-based benchmark
- KBC portfolio value is currently more than 5% above the scenario-based benchmark

Our electricity and vehicle financing 2030 targets are more ambitious compared to the relevant scenario-based benchmark. So, a theoretical linear progress line is added as a supplement to our alignment indicator to provide a full and comprehensive picture on progress and evolution.



## White Paper sectors

Our environmental initiatives focus on the eight most carbon-intensive sectors. We use a symbol  to indicate which sectors we have set climate-related targets for. Our initial focus was on climate change . For some sectors, we widened the scope to include biodiversity, pollution, water and/or circularity . We elaborate on our strategic approach for each sector and our progress towards targets, where relevant.

### ENERGY



-  Renewable energy financing
-  Direct coal exposure
-  Electricity
-  Energy (whole sector)



### REAL ESTATE



-  Residential real estate
-  Real estate (whole sector)



### TRANSPORT



-  Passenger cars financial lease and loans
-  Light commercial vehicles financial lease and loans
-  Passenger cars operational lease
-  Light commercial vehicles operational lease



### AGRICULTURE



-  Agriculture and farming

### FOOD AND BEVERAGES



### BUILDING AND CONSTRUCTION



-  Cement

### METALS



-  Steel
-  Aluminium

### CHEMICALS





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Electricity  
**-38%**

versus 2021 baseline  
 target: -39% by 2030 (kg CO<sub>2</sub>e/MWh)

Energy  
**-44%**

versus 2021 baseline  
 target: -34% by 2030 (tonne CO<sub>2</sub>e/m euros outstanding)

**Energy** Energy production, oil and gas, biofuels, transmission and distribution

Energy supply is the single largest global source of GHG. In the EU, it accounts for around 25% of total emissions<sup>1</sup>. Decarbonising the energy sector is one of the key measures to curb global GHG emissions. KBC does its part in this transition by increasingly limiting its exposure to fossil fuels. For instance, from 2021 onwards KBC stopped financing the exploration and extraction of all new oil and gas fields. In addition, vertically integrated energy companies that operate in the field of oil and gas extraction are subjected to additional requirements.

<sup>1</sup> This includes international aviation. [2023 European Environmental Agency \(EEA\) data.](#)

**Portfolio overview (target scope)**

Our energy loan portfolio scope includes power production, oil and gas, biofuels, transmission and distribution. At the end of September 2023, our outstanding loan volume to the energy sector was 5.4 billion euros, representing 3% of the lending portfolio. **This portfolio also accounts for around 6% of our total financed Scope 1 and 2 GHG emissions (1.3 Megatonnes CO<sub>2</sub>e) at group level.**

**Table 5.10: Exposure and financed emissions (scope of existing climate targets) per 30 September 2023<sup>1</sup>**

Sector	Sub-sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO <sub>2</sub> e
Energy		4 694	1 185 920
	Electricity generation	2 520	635 030 <sup>2</sup>
	Oil and gas	380	166 510
	Transmission and distribution	1 722	362 887
	Biofuels	72	21 492

<sup>1</sup> There may be differences between the reported outstanding exposures and other sections of this report. This is mainly due to differences in the scope of sub-sectors (e.g. energy trading companies are not within the scope of our climate targets).

<sup>2</sup> The financed emissions for the electricity generation sectors only cover Scope 1 emissions.

**Portfolio climate targets**

**Targets**

**Energy sector climate targets and progress**

Renewable energy	Baseline 2021	2023 progress	2030 target		
Share of renewables in total energy loan portfolio (excluding transmission and distribution)	63%	62%	Minimum 75%		

Electricity	Baseline 2021 (kg CO <sub>2</sub> e/MWh)	2023 progress (kg CO <sub>2</sub> e/MWh)	2023 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	210	130	199	127	49
% change		-38%		-39%	-77%

Energy whole sector	Baseline 2021 (t CO <sub>2</sub> e/m euros)	2023 progress (t CO <sub>2</sub> e/m euros)	2023 KBC pathway value <sup>1</sup>	2030 target	2050 target
Aggregated KBC Group target	453	253	419	300	82
% change		-44%		-34%	-82%

The financial targets are not inflation adjusted.

<sup>1</sup> The KBC pathway value reflects the 2023 value in the linear reduction path between our 2021 baseline and our first intermediate (2030) target.



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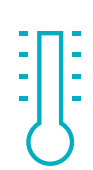
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**We have several targets in place for this sector.** We had already set an absolute exposure target for direct coal-related activities in 2016 and eliminated our remaining direct exposure of 14 million euros to a single international, legacy coal file in early 2023. For the first time, we have translated this exposure target into absolute emissions. The evolution of both exposure and associated absolute emissions is available in our 'Climate progress dashboard'<sup>12</sup>.

We also set GHG-emission reduction targets for both the electricity generation subsector and the entire energy sector. For the renewable energy sector, **we set an ambitious target based on the share of our loan portfolio. Our goal is to achieve a minimum of 75% renewables in our total energy portfolio by 2030.** Finally, for the sub-sector of electricity generation, we set targets specifically based on the physical GHG-emission intensity.

**The GHG-emission intensity of our electricity portfolio decreased by 38% since the base-year of 2021.** There are three reasons for this large decrease. First, we financed new renewable energy assets. Second, existing renewable energy assets became operational as of this year, which means that the attribution of their zero emissions has been included in the calculation. Third, we decreased our exposure to fossil fuel power production, including through the accelerated wind-down of two of our international legacy files.

**The financed emission intensity of our overall energy portfolio decreased by 44% compared to our 2021 baseline.** This decrease was mainly driven by the before-mentioned reduction in financed emissions within our electricity portfolio. Additionally, most countries are decreasing their exposure to the upstream oil and gas sub-sector. They are also shifting their exposure in this sector to lower-emission activities such as the storage, transmission and distribution of oil, gas and electricity.

**This year-on-year positive evolution in our energy climate targets should therefore be considered with care. We remain committed to support the energy transition plans in our home countries. However, there may be volatility in our energy target progress over the course of next few years.** The continued, foreseen role of natural gas in the national energy transition plans of, for instance, Belgium, Hungary and Czech Republic (often as back-up capacity for renewable energy and/or as a transitional measure), may also impact the intermediate climate performance of our energy portfolio in the coming years. Our efforts regarding 2030 target values will remain unaffected.

Lastly, absolute amounts of financing of renewables increased in 2023. This was not, however, reflected in our share of renewables target. This was caused by a temporary, short-term financing of gas storage in one of our core countries. This financing was linked to an additional gas storage requirement of the relevant government to safeguard the energy supply during the winter of 2022 and 2023. If this additional financing is excluded from the actuals, the share of renewables in the total energy portfolio, excluding transmission and distribution, increases to 67%.



### Financing renewable energy projects

In 2023, KBC participated in the financial close of the Moray West Scottish Offshore Wind Farm Project in the UK. Moray West is an offshore wind project in Scotland with a projected capacity of 860 MW. The project was developed by Ocean Winds, a joint venture between EDP Renewables and ENGIE. The wind farm comprises 60 turbines with a 14 MW capacity each. Moray West will be generating full power by 2025, supporting UK and Scottish renewable energy targets. It will provide the equivalent of 1.33 million households with affordable, low carbon electricity. KBC functioned as the Mandatory Lead Arranger in closing the deal. This underlines KBC's determination to reach its renewable energy targets and strengthens KBC's ambitions to be an important lender in the international offshore wind energy sector.

<sup>12</sup> The GHG emissions outlined on the graph in our 'Climate progress dashboard' are estimations of the absolute emissions associated with the underlying companies financed. They do not give any representation of KBC's share in those emissions through financing these companies. The 2016 GHG emissions associated with the direct financing were calculated based on following sources (in order of appearance these sources supply high to lower quality GHG emissions):

- EU ETS registry with 2016 verified GHG emissions (10% of 2016 granted exposure);
- coal production (in tonnes) and coal-fired power plants (in MW) information from the PACTA physical asset-level dataset of 4Q19 (5%);
- 2018 coal production (in tonnes) information from the European Association for Coal and Lignite (84%);
- for non-EU ETS derived GHG emission data, physical units were converted to associated CO<sub>2</sub> emissions by using the GEM 4 factor formula's for [coal mining](#) and [power companies](#). These factor formulas contain several assumptions and proxies.

Absolute emissions from 2017-2020 are estimations based on the reductions achieved in granted exposure in this period.



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## Portfolio actions and portfolio steering

KBC supports the swift transition to a renewable energy system. In support of EU Green Deal ambitions and the execution of the 'Fit for 55' package, we use the local energy transition plans in all our home countries as a guiding compass. Furthermore, we mainly steer our energy portfolio based on the input from dialogues with our clients and from our yearly PACTA-analysis.

### In all our customer segments, we stimulate lower energy consumption and a transition towards a low-carbon economy.

#### We do this in several ways:

- We offer financing for energy efficiency improvements.
- We encourage the decarbonisation of the energy system through financing renewable energy capacity additions.

The 62% of our energy sector financing going to renewable energy is testimony of this. We are also deeply committed to addressing the remaining gap of our existing 2030 business target of 75%.

- We are currently a leading bank in financing offshore wind farms in Belgium. Last year we also began providing financing to clients increasing wind energy capacity in the United Kingdom, Germany and the Netherlands.
- We provide assistance to our clients in corporate and SME segments with their energy optimisation strategy.
- We help our retail clients if they seek energy efficient solutions for their homes.

We will continue to focus on supporting the shift to a renewable energy system. Our approach includes:

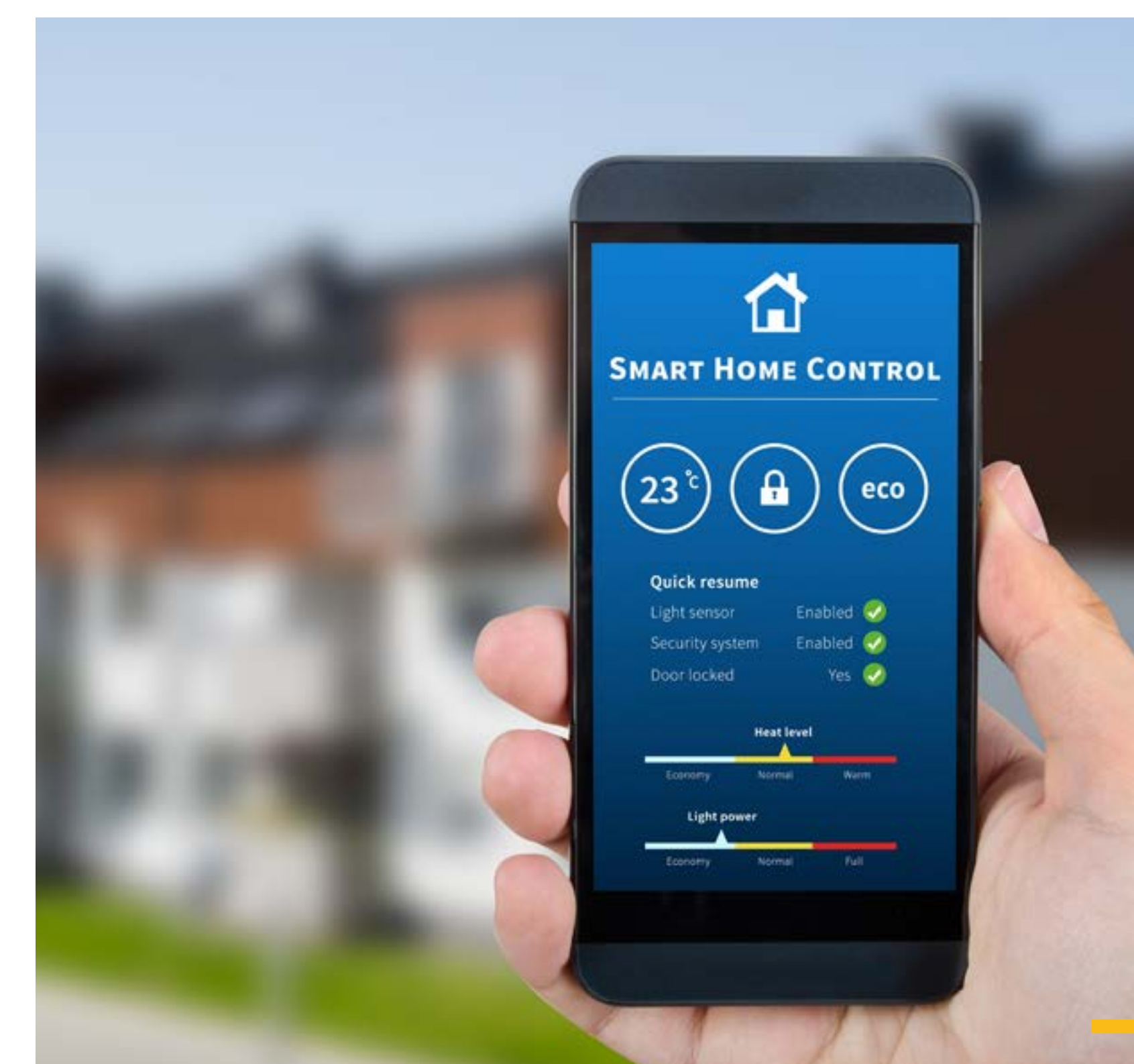
- **Increasing our positive climate impact**, i.e. through our existing 75% renewable energy financing target;
- **Reducing our negative climate impact**, i.e. through our emission intensity targets and financing policies for the electricity and energy sector. Our exit from the thermal coal sector, our policy to stop financing the exploration and extraction of all new oil and gas fields as well as our setting of strict financing requirements for vertically integrated energy companies that operate in the field of oil and gas extraction are testimony of this.

**We offer digital applications that support our clients in reducing energy usage at home and finding tailored green energy solutions.**

Moreover, KBC decided to allow the financing of renewable energy projects by integrated energy companies. We are doing this even where our current restrictions on thermal coal capacity are not met, but on the condition that these projects are strictly and fully ring-fenced. This enables us to support the much-needed transition to renewable energy sources even more.



UBB and ČSOB Czech Republic successfully closed the financing of the building of two solar power plants in Southern Bulgaria. Together, the plants will have an installed capacity of 26 MWp and will generate 41 000 MWh annually. They will supply approximately 11 000 households with renewably sourced electricity. The potential environmental and social risks of this project are determined, assessed and managed according to the Equator Principles.



We further mobilised our beyond bank-insurance digital solutions. Our digital apps provide smart and informative energy solutions to our clients, including the opportunity to receive customised advice regarding energy-efficient renovations. Moreover, our KBC Mobile and ČSOB Smart apps provide our retail clients with more insights into their energy consumption and energy costs.



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## Residential real estate

**-8%**

versus 2021 baseline target: -43% by 2030 (kg CO<sub>2</sub>e/m<sup>2</sup>)

## Real estate

**-10%**

versus 2021 baseline target: -38% by 2030 (tonnes CO<sub>2</sub>e/m euros outstanding)

### Real Estate Mortgages, residential and non-residential commercial real estate

The real estate sector accounts for 40% of total energy consumption in the EU and is responsible for around 13% of total EU GHG emissions<sup>13</sup>. As the majority of the existing European building stock is highly energy inefficient, the potential energy savings in this sector are tremendous.

<sup>13</sup> European Commission (2020) and 2023 data European Environmental Agency (EEA).

#### Portfolio overview

**Real estate is responsible for around 10% of KBC's total financed Scope 1 and 2 GHG emissions.** This sector represents 44% of our total outstanding loan exposure, with an outstanding loan volume of 84 billion euros at the end of September 2023. Hence, we are strongly motivated to use our leverage to take great steps in decarbonising this sector. The main challenge is improving older building stock, as regulators are already imposing high standards on newly built real estate.

**Table 5.11: Exposure and financed emissions (scope of existing climate targets) per 30 September 2023<sup>1</sup>**

Sector	Sub-sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO <sub>2</sub> e
Real estate			
	Residential real estate – mortgages	72 305	1 575 569
	Residential real estate – commercial	2 579	52 769
	Non-residential real estate – commercial	8 742	421 967

<sup>1</sup> There may be discrepancies between the reported outstanding exposures and other sections of this report. This is mainly due to differences in the scope of sub-sectors (e.g. real estate development is not within the scope of our climate targets).

#### Portfolio climate targets

For this sector, we set two separate reduction targets:

- A financial GHG-intensity target for the entire real estate sector;
- A GHG intensity per financed m<sup>2</sup> per year for privately and commercially financed residential properties.

### Targets

#### Real estate climate targets and progress

Residential real estate	Baseline 2021 (kg CO <sub>2</sub> e/m <sup>2</sup> )	2023 progress (kg CO <sub>2</sub> e/m <sup>2</sup> )	2023 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	50	46	45	29	7
% change		-8%		-43%	-85%
Real estate (whole sector)	Baseline 2021 (t CO <sub>2</sub> e/m euros)	2023 progress (t CO <sub>2</sub> e/m euros)	2023 KBC pathway value <sup>1</sup>	2030 target	2050 target
Aggregated KBC Group target	27	25	25	17	8
% change		-10%		-38%	-72%

The financial targets are not inflation adjusted.

<sup>1</sup> The KBC pathway value reflects the 2023 value in the linear reduction path between our 2021 baseline and our first intermediate 2030 target.



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**In 2023, the financed emission intensity of the overall real estate portfolio decreased by 10% compared to the 2021 baseline.** This is largely explained by the 8% reduction of the emission intensity of the residential portion of the real estate portfolio.

The main reason for the decrease in emission intensity of the residential real estate portfolio is that newly granted mortgage loans had, on average, better EPC (Energy Performance Certificate) labels and lower habitable surface areas per million euro financed.

Yet, despite this decrease, the residential real estate target itself is not yet fully in line with the 2023 KBC pathway value of 45 kg CO<sub>2</sub>e/m<sup>2</sup>. We expect the decrease to continue to accelerate in coming years, as certain government as well as our own measures, will only take effect with a certain time delay.

#### Portfolio actions and portfolio steering

In KBC, we steer our real estate portfolio through a diverse set of measures and incentives. **First, we provide our clients with information and support on sustainable construction and renovation.** For example, we work together with partners that can provide tailored energy advice to our clients. We also give guidance on subsidy schemes.

**Second, we incentivise clients,** for example, through adjusted pricing for mortgages, depending on the EPC label of the real estate. This may refer either to the current EPC label, or to the label after renovation and within a certain timespan. Moreover, **we are gradually tightening our acceptance criteria,** especially for commercial real estate buildings, by requiring renovation commitments where there is low energy efficiency.

However, we believe that our incentive packages and restrictions will not be sufficient to stimulate the much-needed renovation wave. Government schemes need to be sufficient for supporting our targets as well as progress in general. We are therefore closely monitoring the evolution of the European and national regulatory frameworks that impact the real estate sector. Yet, in some of our core countries, governmental incentive schemes still provide insufficient stimulus for the energy efficiency improvements required in this sector.

**Since 2023, KBC Belgium mortgage clients have been able to receive a discount on their mortgage when financing an energy efficient home. This discount can be claimed during the mortgage term, which incentivizes clients with non-energy efficient homes to renovate as well and as fast as possible.**

#### Sustainable Renovation of Euregio Business Center

In 2023, CBC Insurance financed and insured the sustainable renovation of Liège's Hôtel de Maître. The total budget of the project was three million euros. And the building dates back to 1888.

The overall renovation is based on a 'Work and Feel Good' concept, where work and mental welfare come together in one environment. Based on this, the goal was to keep the cultural value of the building and its surroundings during the renovation, while at the same time integrating sustainability features.

During the renovation, historical architectural details, like marble mosaics, 150-year-old oak floors and cobblestones, were preserved and restored as much as possible. At the same time, the latest sustainability and ecological features were implemented. For instance, the semi-passive construction includes 100 photovoltaic panels and five 5 000-litre cisterns to collect rainwater for toilets and plantations. There is now also a controlled air and humidity system for optimal heating, and there are six electric vehicle charging stations for public use. A planted garden with pond reinforces the biodiversity around the structure.



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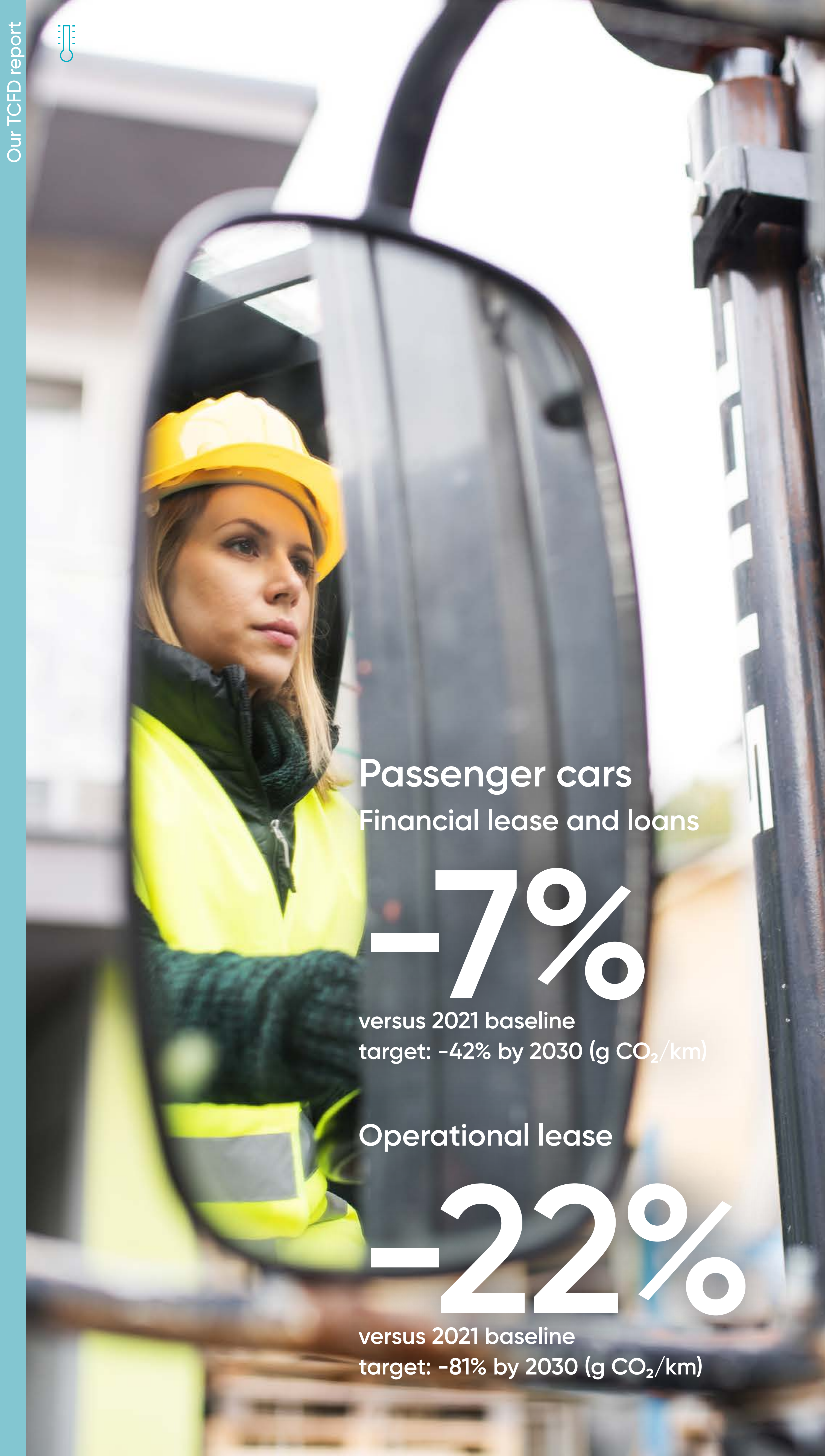
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Nejdražší položkou při zateplování jsou řemeslné práce, ne samotný izolant.  
Na tloušťce izolace nešetřete, jinak budete v zimě modří jako já.

ČSOB Czech Republic developed an energy savings simulation tool for energy efficient housing. The tool offers recommendations for energy saving solutions for clients' home renovations. The solution ranges from cost optimisation to technical proposals on energy savings, and from potential subsidies to loan financing solutions.

Mortgage clients from ČSOB Slovakia with the best EPC labels receive a refund of one instalment. If they also have the DOMOS insurance product, they receive 10 000 euros of additional insurance cover for ecological reconstruction in the event of a natural disaster incident. Finally, clients who fulfil the conditions of the Slovak State reconstruction scheme can receive an advantageous interest rate for co-financing reconstruction with a consumer loan.





Passenger cars  
Financial lease and loans

**-7%**

versus 2021 baseline  
target: -42% by 2030 (g CO<sub>2</sub>/km)

Operational lease

**-22%**

versus 2021 baseline  
target: -81% by 2030 (g CO<sub>2</sub>/km)

**Transport** Automotive and vehicle financing, aviation and shipping

The transport sector is responsible for around a quarter of the EU-27 total GHG emissions. Road transport accounts for the majority of these emissions, reaching up to three quarters of total transport emissions, most of which (roughly 71%) relate to passenger cars and light commercial vehicles<sup>14</sup>. We therefore currently predominantly focus our target scope on the finance portfolios of passenger cars and light commercial vehicles. The automotive industry is facing a major transition due to upcoming electrification. We therefore follow developments in this sector. Finally, this year, we included shipping and aviation in our white paper portfolio analysis, given these sectors' indisputable impact on global warming and contribution to the EU total carbon emissions<sup>15</sup>.

<sup>14</sup> Source: EEA Transport and Environment Report 2022  
<sup>15</sup> Source: European Parliament (2022)

**Portfolio overview**

**Road transport**

Overall, vehicle financing accounts for around 6% of our total financed Scope 1 and 2 GHG emissions (1.3 Megatonnes CO<sub>2</sub>e). As of end September 2023, the amount of outstanding vehicle loans (loans and financial leasing) reached 5.4 billion euros. The outstanding book value of operational vehicle leases amounted to 1.5 billion euros.

**Table 5.12: Exposure and financed emissions (scope of existing climate targets) per 30 September 2023**

Product type	Sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1) in t CO <sub>2</sub> e
Loans and financial leasing	Passenger cars	3 533	276 360
	Light commercial vehicles	851	132 579
Operational leasing <sup>1</sup>	Passenger cars	1 365	145 354
	Light commercial vehicles	71	22 337

<sup>1</sup>Exposure reflects the net book value of the leased vehicles

**Shipping and aviation**

Shipping and aviation together only represented around 1% of our total loan portfolio at end of September 2023. As of then, the outstanding amount for shipping reached 1.5 billion euros and for aviation 321 million euros. In terms of emissions, shipping and aviation together account for around 6% of our total financed Scope 1 and 2 GHG emissions (1.3 Megatonnes CO<sub>2</sub>e).

KBC Group's credit exposure to these sectors is mainly to sea and coastal transporters, cargo handling seaport operators, airports and aviation operators. **The majority of this portfolio is concentrated in a relatively limited number of clients, for which we have started engagement discussions about their current and future transition plans without formulating a concrete target at this point in time.**



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### Portfolio climate targets

**KBC has set physical emission intensity targets on the loans, financial and operational leasing of passenger cars and light commercial vehicles.** For the time being we have not set climate targets for the aviation and shipping sectors as our direct outstanding exposure to respectively airline and ship operators corresponds to only around 0.3% of our total loan portfolio. No targets have been set for the automotive industry either. The reason for this is that our exposure is mostly concentrated in the automotive supplier segment, for which emission intensity is a less relevant metric. However, we monitor the switch from internal combustion engines to electric engines for our largest clients closely.

### Targets Transport climate targets and progress

Passenger cars and light commercial vehicles		Baseline 2021 (g CO <sub>2</sub> /km)	2023 Progress (g CO <sub>2</sub> /km)	2023 KBC pathway value (EC MIX scenario) (g CO <sub>2</sub> /km)	2030 target	2050 target
Passenger cars loan and financial leasing	Aggregated KBC Group target	139	129	136	81	0
	% change		-7%		-42%	-100%
Light commercial vehicle loan and financial leasing	Aggregated KBC Group target	208	205	205	145	33
	% change		-1%		-30%	-84%
Passenger cars operational leasing	Aggregated KBC Group target	133	104	130	25	0
	% change		-22%		-81%	-100%
Light commercial vehicle operational leasing	Aggregated KBC Group target	196	191	193	132	19
	% change		-3%		-33%	-90%

**The emission intensity of passenger car portfolio is structurally decreasing compared to our base year 2021.** The biggest decrease is in our operational lease portfolio, where we record a reduction of 22% compared to our 2021 base year. We observe different speeds of electric vehicle (EV) adoption across the countries in KBC Group. Nevertheless, **10% of all new vehicles financed in KBC Group is an EV. This is in line with our 2030 targets.** In the light commercial

vehicle portfolio this decrease is more gradual (-2% compared to base year 2021) and mainly due to limited commercial availability of electrified vans.

### Portfolio actions and portfolio steering

As a leading bank in our core markets, KBC has an important role to play in financing road transport activities. Consequently, our role affords us an important lever to support the decarbonisation of this sector.

**In our core markets, we take practical portfolio actions by stimulating clients to shift to electric vehicles.** We do this mainly by offering advantageous financing schemes. We also support our clients in making informed choices for their shift from a combustion engine to electric vehicle.

Concerning road freight transport, KBC no longer finances trucks that do not meet Euronorm VI, at a minimum, in Europe.

Road transportation is a fast-evolving topic. We therefore closely monitor the sector in terms of technological developments, trends and regulatory changes. If necessary, we update our approach and roadmap accordingly. For example, we are closely monitoring the developments in drive train technologies for heavy-duty vehicles and the needed infrastructure. Once technological progress is mature enough, we foresee offering the essential support and financing to our clients for these low-carbon alternatives.

In 2023, we also started the collection of climate-relevant data from our clients from the shipping and aviation sub-sectors (including port and airport infrastructure). We also analysed the physical and transition risks for these sectors, in order to be better equipped to support to our clients in their transition efforts.



In Belgium, KBC Autolease supports drivers that are considering shifting to electric cars. Through their 'Guide to Driving Electric Vehicles', KBC Autolease shares explanatory videos, clear information and a comprehensive FAQs list to support clients in their first electrical driving experience. The interactive simulator helps drivers to find out which car fits their profile and what their electric driving journey could look like.



ČSOB in Czech Republic established a strategic partnership with E.ON, one of the largest energy providers in the country. Through this partnership, ČSOB clients receive a discount for the purchase of EV charging stations.



UBB Interlease in Bulgaria and ČSOB Insurance in Slovakia introduced new products specifically addressing electric vehicles. These products include a.o. specific additional insurance coverage for electric vehicles (e.g. road assistance in case of battery depletion and electric vehicle replacement solutions).



The shift to electric mobility creates new challenges in terms of roadside assistance and safety. Our road assistance service provider VAB invested some years ago in new vehicles to meet up to the standards of road assistance for electric vehicles. Also, through a newly developed lifting robot, VAB's subsidiary 'Depannage 2000' created a solution for the safety challenge of removing burning electric vehicles from garages.



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## Agriculture

# -5%

versus 2021 baseline  
target: -21% by 2030  
(tonnes CO<sub>2</sub>e/m euros outstanding)



## Agriculture

Around 11% of the total GHG emissions in Europe originates from the agricultural sector<sup>16</sup>. The sector is unique in the sense that most emissions result from biological processes. Also, the sector is particularly vulnerable to climate change, and at the same time a major source of GHG emissions.

<sup>16</sup> 2023 data European Environmental Agency (EEA).

### Portfolio overview

In KBC, our outstanding loan exposure for the agricultural and forestry<sup>17</sup> sector amounts to 5.8 billion euros, representing around 3% of the total loan portfolio as of end September 2023. Although it has a relatively small share in our loan portfolio, **the total associated financed Scope 1 and 2 emissions represent a significant 34% (7.2 Megatonnes CO<sub>2</sub>e) of our total financed Scope 1 and 2 emissions.** The majority of our portfolio is composed of mixed, arable and cattle farming.

**Table 5.13: Exposure and financed emissions (scope of existing climate targets) – data as per 30 September 2023**

Agriculture	Outstanding loan exposure (in m euros) <sup>1</sup>	Financed emissions (scope 1 + 2) in t CO <sub>2</sub> e
	5 367	7 192 282

<sup>1</sup> There may be discrepancies between the reported outstanding exposures and other sections of this report. This is mainly due to differences in the scope of sub-sectors (e.g. forestry is not within the scope of our climate targets but is included in the overall agriculture sector segmentation of the loan portfolio).

### Portfolio climate targets

We have many constraints in terms of the availability of non-financial data for our agricultural portfolio. Yet, we have set a financial intensity target for this sector. We have done so because of the climate relevance of the agricultural sector and the materiality in our overall portfolio in terms of associated financed GHG emissions. In the meantime, we are working continuously to improve emission data quality, particularly for the most emission-intensive sub-sectors in our agriculture loan portfolio.

<sup>17</sup> This includes forestry, hunting, fishing and landscape service activities which are not included in our target scope.

## Targets

### Agriculture climate targets and progress

Agriculture	Baseline 2021 (t CO <sub>2</sub> e/m euros)	2023 progress (t CO <sub>2</sub> e/m euros)	2023 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	1 405	1 340	1 338	-21%	-34%
% change		-5%			

The financial targets have not been inflation adjusted.

As the (PCAF) emission factors for agriculture did not change over the year, the changes of the emission intensity are purely the result of portfolio evolutions. This was primarily due to the acquisition of KBC Bank Bulgaria and increased exposures in other central and eastern European entities. In Belgium, however, business development (especially in livestock farming) drastically decreased, mainly due to the lack of legislative framework on nitrogen emission reductions in Flemish agriculture, which in turn had a positive effect on the overall portfolio emission intensity. Overall, the outstanding amount increased most significantly in the arable farming subsector. The outcome was a higher increase in the outstanding amount than in the associated financed emissions, which explains the drop in the emission intensity. Based on these estimations, we are closer to the target reduction path than last year.



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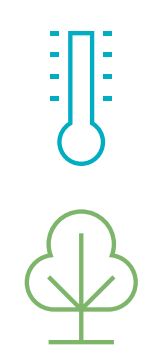
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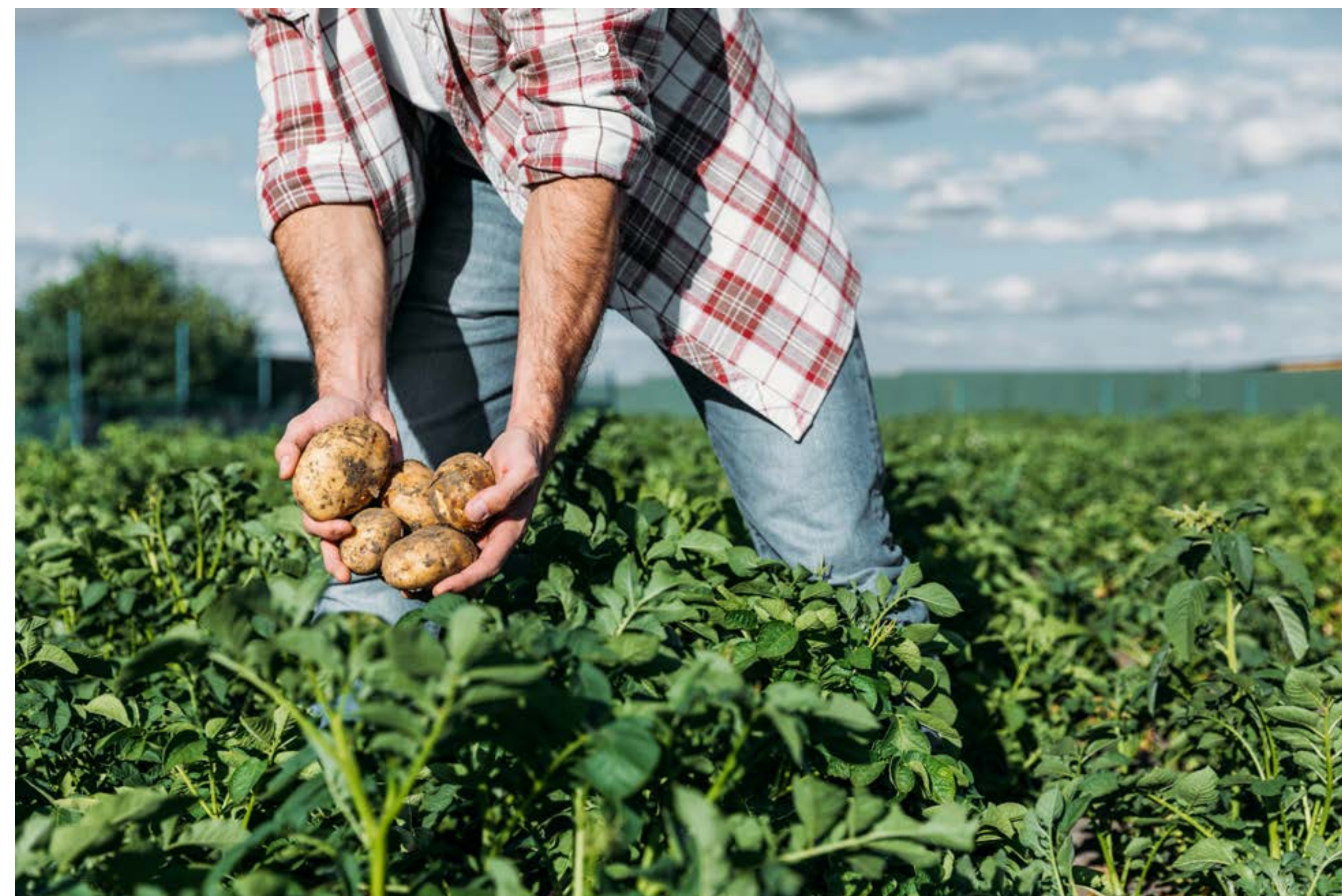
## Portfolio actions and portfolio steering

We focus on increasing the resilience of the agricultural sector against the effects of climate change. Furthermore, we aim to steer this portfolio in the direction of reducing our climate impact.

Agriculture is immediately impacted by extreme weather conditions such as floodings, droughts, storms and extreme heat. For this reason, we want to increase the awareness among farmers via one-to-one dialogues.

Through our conversations, we receive firsthand input from our clients on their farming facilities. **The carbon-footprint calculators we have developed in some countries are excellent tools that allow clients to gather insights on the emissions of their activities. They also receive suggestions about how to reduce their carbon footprint.** In a subsequent step, we support our clients in adopting renewable energy production systems and provide more insight in the way to implement these in their facilities.

Finally, in these discussions we focus on other relevant topics, like climate-related physical risks and other environmental issues such as enteric emissions of cattle.



### KBC and WatchITgrow work together for comprehensive weather insurance

Extreme weather conditions due to climate change have several potential negative impacts on the agricultural sector. In Belgium, KBC offers a comprehensive weather insurance which insures farmers in case of damage to crops caused by extreme weather events. KBC Belgium works together with WatchITgrow. This is an online tool that uses various data sources including satellite images, weather, soil data and other user data to generate information about crop growth and health. Farmers can use the tool to report crop damage to their insurance agent. Moreover, WatchITgrow can create task maps that allow farmers to take timely action or make adjustments as needed and improve their harvests in a sustainable way.

Apart from its climate impact, agriculture has a substantial impact on other environmental domains. Our White Paper analysis therefore also includes several challenges other than climate change.

This year, we explored the challenges created by nitrogen emissions, water withdrawals and pesticides. Nitrogen emissions, mostly from cattle farming, have a significant negative impact on human health, land and aquatic ecosystems. In Flanders, where the majority of KBC's agricultural portfolio is located, this impact led to the development of additional regulation on farmers. We discuss the implications of this new regulation with our clients and strive to assist them where needed.

We also assessed the opportunities of regenerative farming practices. Given the advantages of regenerative agriculture in mitigating drought risk and improving soil quality, we aim to promote the adaptation of these practices, for instance through our comprehensive weather insurance.

In 2023, KBC supported Halnet, an energy cooperative consisting of 30 citizens and 19 farmers. Together, they form an energy community. The farmers have fitted their roofs with solar panels and share their surplus renewable energy with the other participants in the community. In this way, local energy production and consumption are aligned. This increases energy efficiency and, subsequently, reduces the participants' energy bills.



"I find it fascinating to support Halnet, an energy cooperative, and to guide the pioneers to make their innovative projects a reality. It is important that clients know they can come to KBC for such projects."

Caroline Verhoeven, Relationship manager Agriculture at KBC Group



For new agricultural leasing contracts, K&H gives away Phacelia seeds. Phacelia can be used for soil protection and as a substitute for fertilisers. On top of that, it also supports biodiversity by providing nectar for pollinators and protecting soil life.



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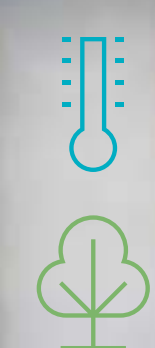
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Food and beverages

2%

of our total financed  
Scope 1 and 2 GHG emissions

## Food and Beverages

The food and beverages sector is highly diverse as it accommodates all types of manufacturing processes from basic agricultural products to packaged food, bottled beverages, dairy, meat, fish and bakery products. The whole food and beverages sector requires a considerable amount of energy. The increasing energy prices have triggered the sector to optimise process efficiency. Moreover, the food and beverages sectors are vulnerable to climate-related physical risks due to their high dependency on agriculture. Indeed, failures in the agriculture supply chain create interruptions in the whole food production and processing industry.

### Portfolio overview

KBC's portfolio for this sector represents around 2% of the total loan portfolio. As of end September 2023, the amount of outstanding loans amounted to 4.2 billion euros. In terms of emissions, **food and beverages account for around 2% of our total financed Scope 1 and 2 GHG emissions (490 kilotonnes CO<sub>2</sub>e).**

For the time being we have not set climate targets for the food and beverages sector. The reason for this is that the heterogeneity of the sector does not allow for the definition of a consistent and uniform climate-relevant metric.

### Portfolio actions and portfolio steering

Within KBC's general approach of promoting and supporting energy solutions (renewable energy and energy-saving technology), we also support our clients in this sector in the domain of energy optimisation. Also, because of the sector's dependency on agriculture, we are closely monitoring climate-related physical risks (e.g. water stress or extreme heat) in the agrifood sector and the potential impacts these can have on our clients in the food and beverages sector. **Our ultimate goal is to serve as a partner in our clients' transition journey and support them in creating a resilient and sustainable business model.**



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### Sustainability Linked Loans are on the rise

At KBC, we witness more and more companies opting for Sustainability Linked Loans (SLL). In an SLL, a link is made between a company's sustainability objectives and the charged interest rate. Whether or not a company achieves these sustainability objectives determines whether it receives a discount or pays a premium on the interest rate. In this way, a financial incentive to reach their sustainability goals is provided. For clients, the discounted interest rate is an affirmation of a sound sustainability strategy and an appreciation of their efforts on this front.

One of the clients that chose this type of financing is Greenyard, a world leader in fruit and vegetables in the food and beverage sector. Greenyard already had concrete sustainability goals in place. Based on this, the company decided to embed its sustainability goals in its bank loans.

After a thorough materiality analysis, Greenyard defined the following ambitious goals to complete by 2025:

- Reduce emissions by 50%;
- Only use recyclable packaging;
- Reduce water consumption by 10%;
- Reduce food waste by half;
- Obtain 100 % certified suppliers in high-risk countries.

In our role as a sustainability coordinator, we guided the company in the selection of these goals. These targets will be evaluated annually. The discount on the interest rate will be based on this analysis.

**Finally, the food and beverage sector plays a key role in combatting deforestation and food waste.** In view of this, we assessed these two important domains during our 2023 White Paper exercise. In response to deforestation issues, KBC expanded its biodiversity policy with additional restrictions on financing of the production and trade of forest commodities (see '[Our sustainability policies](#)'). At the same time, KBC aims to support its clients in the food and beverage sector with the transition to a more sustainable supply chain through, for example, SLLs. We also help them to comply with the EU Deforestation regulation<sup>18</sup>. For the topic of food waste, we will investigate the trade-off with plastic packaging in our White Paper cycle of 2024. During this exercise, we will balance the benefits of plastic packaging, in terms of reducing food waste, with its pollution and carbon emission impact.



"Sustainable cultivation, corporate social responsibility in all links of the chain and further reducing our footprint are part of our strategy. Those objectives are an integrated element in all our decisions, at all levels. Extending that to our loans was actually a logical decision."

Florens Slob, Director of Sustainability and Innovation of Greenyard.

<sup>18</sup> Many of the commodities that drive deforestation are important ingredients in food production. Palm oil, coffee, cacao or soy are all commodities grown in the tropics, often at the expense of tropical rainforests. Sourcing sustainably grown commodities can therefore limit the negative impacts of deforestation on climate and biodiversity. The EU Regulation on deforestation-free products highlights the need for a sustainable and transparent supply chain.



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## Cement

# +1%

versus 2021 baseline  
target: -16% by 2030  
(tonne CO<sub>2</sub>e/t cement)

## Building and Construction

The European building and construction sector contributes to an estimated 5-12% of national GHG emissions. This comprises activities such as material extraction, manufacturing of construction materials, as well as construction and renovation of buildings<sup>19</sup>. Within the building and construction sector, the production of cement forms the single largest source of emissions. The direct emissions from the cement production are approximately 27% of industrial emissions worldwide<sup>20</sup>.

### Portfolio overview

KBC's portfolio for the building and construction sector represents around 4% of the total loan portfolio. As of end September 2023, outstanding loans amounted to 9.1 billion euros. In terms of emissions, the building and construction sector accounts for around 2% of our total financed Scope 1 and 2 GHG emissions (335 kilotonnes CO<sub>2</sub>e). **Our exposure to cement producers represents only 0.01% of KBC Group's total outstanding loan portfolio. However, based on the September 2023 data, around 0.4% to the financed Scope 1 and 2 GHG emissions<sup>21</sup>, or 80 kilotonnes of CO<sub>2</sub>e originates from this sub-sector.**

**Table 5.14: Exposure and financed emissions (scope of existing climate targets) – per 30 September 2023**

Sector	Sub-sector	Granted exposure (in m euros) <sup>1</sup>	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO <sub>2</sub> e
Building and construction				
	Cement <sup>2</sup>	134	12	79 923

<sup>1</sup>We base our targets for this sub-sector on granted exposure considering the small size of the loan portfolio.

<sup>2</sup>We only take into account corporate industrial counterparties, excluding SME portfolios.

<sup>19</sup> European Commission (consulted December 2023).

<sup>20</sup> IEA (consulted December 2023).

<sup>21</sup> The main GHG released from the cement production is CO<sub>2</sub>. Also, emissions measured in tonnes of CO<sub>2</sub> and tonnes of CO<sub>2</sub>e are roughly the same. Therefore, we use the terms CO<sub>2</sub>, CO<sub>2</sub>e and GHG interchangeably in this section of the report. Our targets are expressed in t CO<sub>2</sub>/t cement, in line with the alignment metric of the underlying climate scenario benchmark.

## Portfolio climate targets

KBC has a relatively small and concentrated lending exposure to the cement sector. Yet, we have set a physical GHG-intensity reduction target for this sector given its unequivocal climate impact. For the time being, we have not set climate targets for the remaining portion of the building and construction sector. The reason for this is that the heterogeneity of sub-sectors does not allow for the definition of a consistent and uniform climate-relevant metric.

## Targets

### Cement climate targets and progress

Cement	Baseline 2021 (t CO <sub>2</sub> /t cement)	2023 progress (t CO <sub>2</sub> /t cement)	2023 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO <sub>2</sub> /t cement)	2030 target	2050 target
Aggregated KBC Group target <sup>1</sup>	0.69	0.69 <sup>2</sup>	0.66	0.58	0.22
% change		+1%		-16%	-68%

<sup>1</sup> We only take into account corporate industrial counterparties, excluding SME portfolios.

<sup>2</sup> Data source: Asset Impact physical asset-level data. We compare these data with publicly and/or bilaterally disclosed data from our clients. In the event of discrepancies between both sources, we request accurate and up-to-date data from Asset Impact and our clients.

The cement sector is one of the hard-to-abate industries. This is reflected in our updated portfolio CO<sub>2</sub> intensity, which shows a stubborn stability compared to our 2021 baseline. In order to steer our cement portfolio in the right direction, we are focusing our efforts on client transition plans and climate action strategies.



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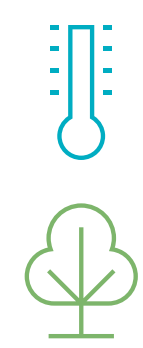
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## Portfolio actions and portfolio steering

**KBC uses its climate targets to steer customer engagement discussions and to benchmark existing clients' GHG-reduction progress. From last year onwards, new clients are only onboarded if their transition plans are in line with our climate target.**

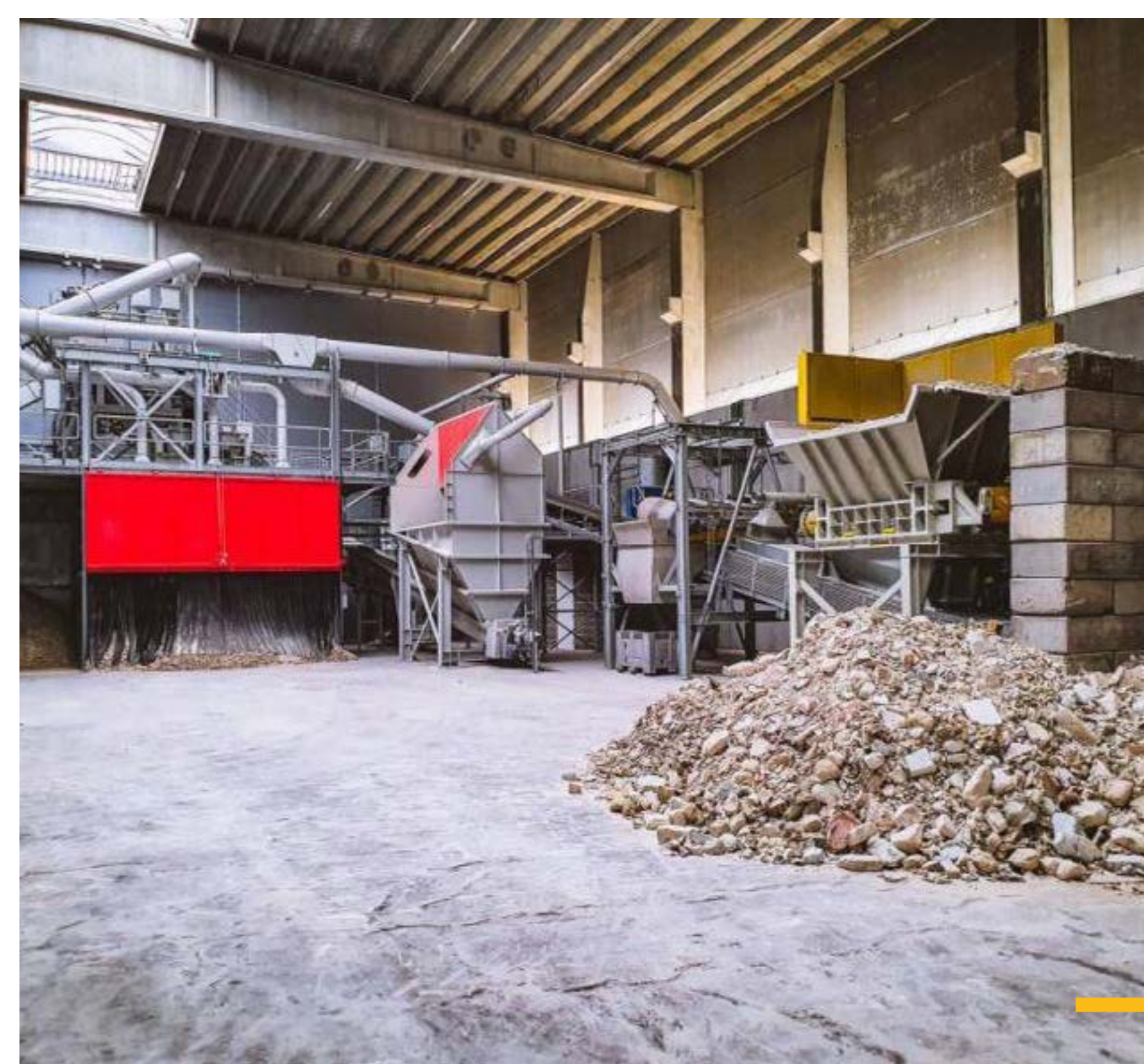
Our White Paper mainly focuses on the cement sub-sector. In addition, we also focused this year on other building and construction sub-sectors such as contractors, construction companies and finished building material producers. For these sub-sectors, the integration of circularity principles forms one of the main decarbonisation routes.

To obtain a better understanding of our largest clients' circularity strategy, we are preparing a data collection roadmap. And based on the data provided by our clients, we will then plan the development of a customer engagement approach.

The construction sector carries a potential deforestation risk through the use of wood materials. We therefore plan to start a dialogue with the relevant clients on the risks of deforestation and the impact of the EU Deforestation Regulation on their business. At the same time, we also updated our biodiversity policy to include requirements on the trade of wood outside the EU on top of the existing requirement on wood production (See '[Our sustainability policies](#)').



In 2023, KBC provided an SLL to Deceuninck to build a new recycling facility in their Belgian production site. Deceuninck designs and manufactures PVC and aluminium window and door profiles and already uses 15% recycled material in their products. With the new recycling facility, the company intends to increase their recycled material capacity up to 40 000 tonnes. This will help the company to reach its SBTi Scope 3 CO<sub>2</sub> emissions reduction target of 52% per tonne production by 2030.



Cogetrina Logistics, a Dufour Group entity, collects, sorts and recycles municipal and industrial waste in Belgium and Northern France. The company plans to expand its business to pursue opportunities in the circularity domain of the building and construction sector. CBC granted a loan to Cogetrina Logistics to extend its recycling facility with a product recovery unit to upcycle materials. Assisted with solar and wind power, the facility will have a reduced climate impact.



AGC Glass Europe produces flat glass for the building, construction and automotive sector. KBC has recently granted them a Sustainability Linked Loan. One of the KPIs incentivizes the increased use of recycled glass cullets. This fits into the company's strategy of collecting end-of-life windows and partnering with cullet recycling companies in order to process this waste as usable raw materials. This will help reduce their dependency on the use of virgin materials, their carbon emissions and their waste generation. It will also contribute to the circularity of their business.



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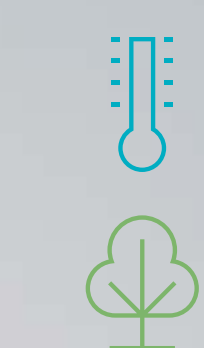
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## Steel

# +15%

versus 2021 baseline  
target: -14% by 2030 (tonnes CO<sub>2</sub>e/t steel)

## Aluminium

# +2%

versus 2021 baseline  
target: stay well below the global market climate benchmark (tonnes CO<sub>2</sub>e/t aluminium)

## Metals

Within the metals sector, we focus on two sub-sectors: steel and aluminium. The manufacturing process of steel generates about 29% of global industrial emissions<sup>22</sup> and 8% of global energy system CO<sub>2</sub> emissions<sup>23</sup>. The aluminium sub-sector contributes around 3% of the world's direct industrial CO<sub>2</sub> emissions<sup>24</sup>.

### Portfolio overview

KBC's portfolio for the metals sector represents around 2% of the total loan portfolio. As of end September 2023, the amount of outstanding loans amounted to 3.2 billion euros. In terms of emissions, **the metals sector accounts for around 4% of our total financed Scope 1 and 2 GHG emissions (993 kilotonnes CO<sub>2</sub>e).**

### Steel sector

KBC's outstanding exposure in the steel sub-sector at group level is 0.2% of the loan portfolio, contributing around 3% of the total financed Scope 1 and 2 GHG emissions<sup>24</sup>. This corresponds to 581 kilotonnes of CO<sub>2</sub>e based on available September 2023 data.

### Aluminium sector

Our loan exposure to the aluminium sub-sector is minor. It represents approximately 0.01% of KBC Group's total outstanding loan portfolio. The total financed Scope 1 and 2 GHG emissions from this sub-sector amount to around 0.1%. This corresponds to approximately 14 kilotonnes of CO<sub>2</sub>e in 2023.

<sup>22</sup> IEA (consulted December 2023).

<sup>23</sup> IEA (consulted December 2023). Data includes 10% of indirect emissions from electricity generation.

<sup>24</sup> The main GHG released from the steel production is CO<sub>2</sub>. Also, emissions measured in tonnes of CO<sub>2</sub> and tonnes of CO<sub>2</sub>e are roughly the same. Therefore, we use the terms CO<sub>2</sub>, CO<sub>2</sub>e and GHG interchangeably in this section of the report. Our targets are expressed in t CO<sub>2</sub>/t steel, in line with the alignment metric of the underlying climate scenario benchmark.

Table 5.15: Exposure and financed emissions (scope of existing climate targets) – per 30 September 2023

Sector	Sub-sectors	Granted exposure (in m euros) <sup>1</sup>	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO <sub>2</sub> e
Metals				
	Steel <sup>2</sup>	795	399	580 974
	Aluminium <sup>2</sup>	22	15	13 505

<sup>1</sup> We base our targets for these sub-sectors on granted exposure considering the small size of the loan portfolio.

<sup>2</sup> We only take into an account corporate industrial counterparties, excluding SME portfolios.

### Portfolio climate targets

Despite KBC's relatively small and concentrated lending exposure, we have set targets for the steel and aluminium sub-sectors, given their climate impact. For the steel sector, we set a physical GHG intensity-reduction target. For the aluminium sector we have currently only a qualitative target in place. For the time being we have not set climate targets for the remaining portion of the metals sector. The reason for this is that the heterogeneity of sub-sectors does not allow for the definition of a consistent and uniform climate-relevant metric.

## Targets

### Steel climate targets and progress

Steel	Baseline 2021 (t CO <sub>2</sub> /t steel)	2023 progress (t CO <sub>2</sub> /t steel)	2023 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO <sub>2</sub> /t steel)	2030 target	2050 target
Aggregated KBC Group target <sup>1</sup>	1.34	1.53	1.29	1.15	0.59
% change		+15%		-14%	-56%

<sup>1</sup> We only take into an account corporate industrial counterparties, excluding SME portfolios.

### Aluminium climate targets and progress

Aluminium	Baseline 2021 (t CO <sub>2</sub> e/t aluminium)	2023 progress (t CO <sub>2</sub> e/t aluminium)	2030 target	2050 target
Aggregated KBC Group target <sup>1</sup>	0.59	0.60 <sup>2</sup>	Stay well below the global sectoral intensity climate benchmark	
% change		+2%		

<sup>1</sup> We only take into an account corporate industrial counterparties, excluding SME portfolios.

<sup>2</sup> Data source: Asset Impact physical asset-level data. We compare these data with publicly and/or bilaterally disclosed data from our clients. In the event of discrepancies between both sources we contact Asset Impact and our clients to obtain accurate and up-to-date data.



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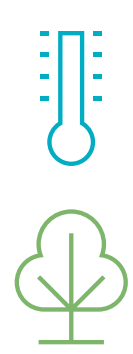
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**Our calculated carbon emission intensity of our aluminium portfolio is far lower than that of the global market.** In 2023, t CO<sub>2</sub>e emission per aluminium production marginally increased. This evolution was entirely due to a slight change in the involved counterparties' exposure proportions and not to an evolution in their CO<sub>2</sub>e intensity (i.e. no updated emissions data was available compared to our 2022 progress report).

**In our last internal progress assessment, we identified that the group level emission intensity of our steel loan portfolio increased by 13% in 2022.** This was mainly due to an observed change in emission intensity of one corporate group which affected our overall portfolio emission intensity. **In 2023, the observed emission intensity of this corporate group remained stable, but as our exposure increased, the increasing portfolio emission intensity trend continued. This corporate group has a net zero action plan in place which integrates a steel production technology roadmap and associated capital expenditure impacts.** This plan is subject to engagement discussions to support them in their overall transition journey.

### Portfolio actions and portfolio steering

The steel and aluminium sectors both belong to the hard-to-abate industries. We base ourselves on client transition plans and climate action strategies to steer our steel and aluminium portfolios in the right direction. **KBC uses its climate targets to steer customer engagement discussions and to benchmark existing clients' GHG-reduction progress. From last year onwards, new clients are only onboarded if their transition plans are in line with our climate target.**

KBC continues to pursue its climate targets in the steel and aluminium sectors. We do this mainly through [our lending policy](#) and through customer engagement. For that reason, we are closely following technological evolutions and decarbonisation routes in the sector and assess how our clients navigate these.

Also, as circularity is a key measure to support carbon emission reduction in the sector, **this year's White Paper exercise on the metals sector included an impact assessment specifically addressing the sector's circularity challenges. The findings of this assessment are used to engage with clients and sector organisations in our core countries.**



ALCOMET JSC is one of the largest manufacturers of aluminium rolled and extruded products in Bulgaria. In 2023, UBB granted an investment loan to ALCOMET for the installation of solar panels in the company's production facilities. The total capacity of these solar panels is 2.1 MW. The loan will therefore help to reduce Alcomet's Scope 2 carbon footprint.



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## Chemicals

6%

of our total financed Scope 1 and 2 GHG emissions

### Chemicals

The chemical sector plays a critical role in the climate transition as it provides a wide range of raw materials and commodities for other industries. It is the largest industrial energy consumer and the third-largest industrial sub-sector in terms of direct global CO<sub>2</sub> emissions<sup>25</sup>. Also, in other industry supply value chains the chemical sector is indirectly responsible for generating impacts on the environment through the use and disposal of chemical products.

#### Portfolio overview

KBC's outstanding loan exposure to the chemical sector amounts to 2.7 billion euros, which accounts for 1% of KBC's lending portfolio. As such, **the associated financed Scope 1 and 2 GHG emissions represent around 6% (or 1.2 Megatonnes of CO<sub>2</sub>e) of KBC's total financed Scope 1 and 2 GHG emissions.**

Around 60% of our loan portfolio relates to basic chemical producers, like fertilizers, paints, plastics, cosmetics or dyes. The remaining 40% is composed of various sub-sectors, such as primary chemical producers, raw material processing or pharmaceuticals.

For the time being, we have not set climate targets for the chemical sector. The reason for this is that the heterogeneity of the sector, as well as its widely differing production-based emission intensity characteristics, does not allow for the definition of a sufficiently consistent and uniform climate-relevant metric.

### Portfolio action and portfolio steering

As mentioned earlier, our portfolio in the chemical industry is quite diverse, including several sub-sectors. Existing sectoral decarbonisation pathways for the chemical sector are not designed to address this type of heterogeneity, which makes portfolio steering a challenging exercise.

Yet, there are several decarbonisation routes the industry can follow. **KBC stands ready to support its clients through engagement dialogues and financing schemes in integrating this sort of solutions into their processes.**

Some examples of potential solutions are shifting to alternative feedstocks, like hydrogen or biomass, or operating with renewable energy sources. Other options are adopting carbon capture and storage technologies or integrating circularity principles. Another potential solution may be to integrate businesses in 'chemical hubs.' Here companies share infrastructure, such as utility supply and site services to obtain economies of scale. Such hubs improve access to renewable energy solutions and lower entry levels to innovative carbon reduction technologies.

**In 2023, we initiated a data collection exercise to gain insights on the range of climate-relevant metrics that are used within the sector.** We are currently at the stage of contacting the fore-runner clients in our portfolio and collecting their relevant GHG emission data.

This year's White Paper exercise also included an impact assessment of circularity and pollution as these domains are both relevant to the sector. In the context of circularity, we focused on and engaged with the plastic and packaging producers in our client base. Specifically, we paid attention to the efforts they make in terms of plastic recyclability improvement, and how new technologies such as advanced recycling fit into their business roadmaps. Concerning pollution, we particularly investigated the business, litigation and reputation risks of PFAS pollution for producers and users. PFAS is expected to be banned from several chemicals and products as of 2027. It is thus important to monitor developments in this field.

<sup>25</sup> IEA (consulted December 2023). Direct CO<sub>2</sub> emissions include energy and process emissions. Primary chemicals include ethylene, propylene, benzene, toluene, mixed xylenes, ammonia and methanol.



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Corporate investees in Responsible funds managed by KBC AM

**-75%**

versus 2019 benchmark target: -50% by 2030 (tonnes CO<sub>2</sub>e/million USD revenue)

Equity and corporate bonds portfolio of KBC Insurance

**-66%**

versus 2019 baseline target: -40% by 2030 (tonnes CO<sub>2</sub>e/million USD revenue)

### Investment portfolio assessment

KBC also aims to reduce its indirect climate impact by reducing the carbon intensity of its investment portfolios. This is true for the investments we make on behalf of our clients and our own investments. To track our progress on this goal, we have assessed the carbon intensity of our investment portfolios since 2020 using the Trucost data and methodology.

In this section, we discuss the main outcomes. Specifically, we do so for the investment products offered by KBC Asset Management, the own investments of KBC Insurance and the investments of *Pensioenfond*s KBC. For each of these portfolios we discuss the equity, corporate and government bond portfolios, comparing our own portfolios to predefined benchmarks<sup>26</sup>.

A more elaborate description of the methodologies and results can be found in the 'Methodologies explained: Trucost' appendix of this report. The findings presented here should be interpreted with a certain nuance, as our experience with the methodology and datasets continue to be under development.

<sup>26</sup> The calculations take into account Scope 1 (direct emissions) and Scope 2 emissions (e.g. purchased electricity). These data points are the most reliable at this point in time. Many concerns still exist over Scope 3 emissions. We therefore do not yet include them in our calculations.

#### READ MORE

[Investment products offered by KBC Asset Management 'Responsible Investing on behalf of our clients'](#)

[Own investments of KBC Group 'Sustainability in our own investments'](#)

[Details on the results and methodology to map the climate impact of our investment portfolios 'Methodologies explained: Trucost'](#)

### Investment products offered by KBC Asset Management

#### Equity and corporate bonds:

In 2022, KBC Asset Management updated its Responsible Investing (RI) methodology. At the same time, we also set a new target for lowering the (Scope 1 + 2) carbon intensity of the corporate investees in Responsible Funds by 50% by 2030, compared to the end-of-2019 reference values. For more details on the target and methodology, please refer to the part on '[Responsible Investing on behalf of our clients](#)' and the '[Methodologies explained: Trucost](#)' appendix of this report.

#### Target

##### Responsible funds climate targets and progress

Indicator	2019 benchmark	Baseline 2021	2023 <sup>1</sup>	2025 target	2030 target
Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds (t CO <sub>2</sub> e/million USD revenue)	196	-	48 (-75%) <sup>2</sup>	-	98 (-50% versus 2019 benchmark) <sup>3</sup>

<sup>1</sup> End-of-year data

<sup>2</sup> This figure has not been adjusted for inflation.

<sup>3</sup> The RI methodology introduced in 2022 assigns a 50% carbon intensity reduction target to Responsible funds versus their specific reference portfolio value at year-end 2019 (target being 98 t CO<sub>2</sub>e/million USD revenue). The aggregated reduction target for Asset Management combines the specific targets of these funds under the assumption of a neutral asset allocation. We note that at year-end 2023, as in 2022, the Responsible Funds' combined score on carbon intensity was already below its target of a 50% reduction by 2030 versus 2019. Please note, however, that potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at that point. Substantial changes in this allocation may also occur due to a significant change in the product mix offered to our clients and may lead to a restatement of the target by 2030.

The carbon intensity of our equity and corporate bonds investments has decreased since 2019. Furthermore, we benchmarked our funds and mandates with broad benchmarks such as MSCI World AC and Iboxx EUR corporates. **The benchmarking exercise showed that our funds and mandates have lower carbon intensity measures than these benchmarks.**

**KBC's RI funds have generally recorded lower weighted average carbon intensity scores compared to our conventional funds.** This is attributed to our new RI methodology incorporating ESG portfolio targets such as a carbon intensity reduction target in the so-called Responsible Funds, and to an even stricter policy regarding fossil fuels (excluding the extraction and burning of fossil fuels to produce electricity).



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## Government bonds

The assessment of our government bond portfolio suggests that the carbon intensity of our aggregated portfolio is higher than the EMU benchmark. This outcome was expected due to high exposure to emerging market sovereigns and to countries with relatively higher GHG intensity scores, such as Belgium, the Netherlands and the USA.

**The carbon intensities of our RI funds are lower compared to all funds investing in government bonds, reflecting the relative carbon target at the portfolio level, our exclusion policies, and the fact that these funds are mainly geared to lower carbon intensity eurozone sovereigns.**

## Own investments of KBC Insurance

We have calculated the weighted average carbon intensity of KBC Insurance NV's own (standalone) investments since 2021. **In 2023, we formulated targets on the Scope 1 and 2 emission intensity of the portfolio of KBC Insurance's own investments for the first time.** The scope of the targets includes the combined equity and corporate bond portfolio of KBC Insurance consolidated. KBC Insurance consolidated represents all insurance entities within KBC Group: KBC Insurance NV and its subsidiaries Group Re, ČSOB Pojišťovna Czech Republic, ČSOB Poistovňa Slovakia, DZI and K&H Insurance.

In practical terms, we aim to achieve a 25% reduction in carbon intensity of the equity and corporate bond portfolio of KBC Insurance consolidated by 2025, compared to the 2019 level. Moreover, we aim to achieve a 40% reduction by 2030 compared to 2019.

An overview of the targets, and our progress towards our targets can be found in the table. The table is based on the results from the Trucost calculations.

## Target

### Climate targets for the equity and corporate bond portfolio of KBC Insurance consolidated and progress

Indicator	Baseline 2019	2022	2023	2025 target	2030 target
Carbon-intensity (Scope 1 + 2) of equity and corporate bonds portfolio (tCO <sub>2</sub> e/million USD revenue)	113	48	39	85	68
% change versus baseline		-58%	-66%	-25%	-40%

**Our calculations show that since 2019, we have made a consistent progress towards our targets.** This is the result of different actions and the sustained execution of our carbon reduction strategy. For example, we excluded new investments in thermal coal and fossil fuel. Also, since 2023, a large part of the portfolio consists of Responsible Investments. This led to an extra decrease in emission intensity.

**The calculations show that the combined equity and corporate bond portfolio of KBC Insurance consolidated is substantially lower than its combined benchmark** (MSCI World AC is the benchmark for the equity portfolio and Iboxx EUR Corporates for the corporate bond portfolio). The 2023 carbon intensity of the combined equity and corporate bond portfolio is 71% lower than the benchmark portfolio.

At the same time, we are aware that this decreasing trend will not necessarily continue nor remain linear. Our current asset allocation is heavily overweighted in investments in financial institutions compared to the asset allocation in the benchmark. This means that future changes in asset allocation may result in strong fluctuations in carbon intensity even if best-in-class corporates are selected. We, however, do remain strongly committed to the predetermined reduction targets.

In the following paragraphs, we comment on the detailed calculations of the carbon intensity of our equity, corporate bonds and government bonds portfolio of KBC Insurance NV. To facilitate comparison with the data of previous years, these detailed analyses refer only to the data of KBC Insurance NV, our Belgian

insurance company. The investments of KBC Insurance NV represent 88% of all investments of KBC Insurance consolidated. Moreover, in the coming years, we will start reporting on the carbon intensity of the portfolios of KBC Insurance consolidated to measure progress on our targets.

## Equity portfolio

In 2019, the carbon intensity of our equity portfolio was still comparable with the MSCI World AC benchmark. However, the **carbon intensity of our equity portfolio decreased much faster than the benchmark** (-68% versus -26% in the benchmark). This difference can be explained by the rapid implementation of the updated Investment Policy – including the additional exclusion criteria – since 2021. The exclusion policy mainly related to fossil fuels, including thermal coal-related activities and had the largest impact on carbon intensity levels.

## Corporate bond portfolio

**The emission intensity of our corporate bond portfolio also strongly decreased since 2019, by 73%.** Similar to some of our other portfolios, **it performs better than other benchmarks in terms of emission intensity.** Our corporate bond portfolio has an overweight position on financials with a low-carbon intensity compared to the benchmark. However, the introduction of the additional exclusion criteria, especially relating to fossil fuels, also resulted in a decrease as early as 2020 (maturing bonds within the energy sector were replaced by bonds with lower carbon intensity). In 2023, we observed a continuing improvement of the carbon intensity of the corporate bond portfolio.

## Government bonds

As a Belgian insurance company, KBC Insurance is traditionally overweighted in Belgian government bonds. These bonds – including those of Flanders, Brussels and Wallonia – make up 40% of the total government bond portfolio. Belgium's carbon intensity score is very high. Consequently, **the carbon intensity of our government bond portfolio is higher than the benchmark.**



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## Pensioenfond's KBC investments

*Pensioenfond's KBC* manages the supplementary pensions of our Belgium-based staff. Our calculations show that, overall, the carbon intensity of its investments continue to decline.

### Equities

**The carbon intensity of the equities within the portfolio of *Pensioenfond's KBC* is significantly lower than its benchmark:**

around 40% of the MSCI World AC benchmark. Moreover, their level of carbon intensity has declined by an annual average of 18%, since 2019. This is due to the implementation of the updated [KBC Group Investment Policy](#).

### Corporate bonds

**The carbon intensity of *Pensioenfond's KBC's* corporate bonds is also significantly lower than its benchmark:** 36% of the Iboxx EUR Corporates benchmark. Since 2019, the carbon intensity of this portfolio has seen an annual average decline of -12%.

### Government bonds

Finally, **the government bond portfolio of *Pensioenfond's KBC* performed slightly worse than its benchmark.** At the end of 2023, it stood at 121% of the JPM EMU government bond benchmark. Since 2019, however, the carbon intensity of this portfolio has declined by an annual average of -7.1%. This high carbon intensity compared to benchmark is due to the bond themes within the portfolio (Emerging Market Bonds and High Interest Bonds), as well as some higher emitting government bonds in the LDI portfolio (Poland, Slovenia, Belgium, Netherlands, Austria).

## Assessment of the insurance underwriting portfolio

**In 2023, we calculated the emissions of part of our insurance portfolio for the first time.** We used the PCAF guidelines for insurance-associated emissions to do so. In particular, we calculated the insurance-associated emissions of our 'personal motor lines insurance' and 'commercial lines'<sup>27</sup> portfolios. We chose these sectors since these are the only guidelines that are currently available.

The personal motor lines insurance portfolio of KBC Group covers all private cars, motorcycles, motorhomes and private, light-commercial vehicles. In total, this portfolio consisted of 2 705 495 vehicles at the end of September 2023. According to the PCAF methodology, this represents 324 413 tCO<sub>2</sub>e of insurance-associated emissions.

The total insurance-associated emissions for the commercial lines in KBC Group's insurance portfolio stands at 152 202 t CO<sub>2</sub>e. Table 5.16 also clearly shows that the agricultural sector stands for the most important part of our insurance-associated emissions for this portfolio.

**Table 5.16 Insurance-associated emissions percentage per sector for the commercial lines insurance portfolio**

Sector	Percentage of the insurance-associated emissions of the sector versus the total commercial lines portfolio
Agriculture, Farming and Fishing	37.5%
Services	8.6%
Water	4.9%
Electricity	4.5%
Building & construction	4.3%
Other sectors and unknown	40.2%

The results should, however, be interpreted with caution as there was limited data available for the calculations. Indeed, much of the needed information was unavailable. For example, information about companies' turnover is often not available to us. The current calculations are therefore largely based on estimates and proxies.

We provide more information on the methodology used in the '[Methodologies explained](#)' appendix of this report.

We also refer to the Annual Report 2023 where we published all information on the alignment of our insurance portfolios with the criteria of the EU Taxonomy for Climate Adaptation.



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<sup>27</sup> Commercial lines are all types of insurance purchased by companies.



# Sustainability facts and figures

Sustainability to us is not about making empty promises. We therefore aim to be transparent by sharing quantitative sustainability-related data about our own operations and our portfolios. We give an overview of the progress we have made, as well as the steps that are still to be taken on our sustainability journey.



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# SUSTAINABILITY FACTS AND FIGURES

This section of the report provides transparent information on sustainability-related data with respect to our own operations and our portfolios. We have collected our sustainability data through a group-wide process that involves strict, hierarchical validation. All KBC entities in our core countries report on the non-financial areas of human capital, direct footprint, our clients and community involvement. We gather climate-related data on our loan, insurance and investment portfolios. This is part of the [data and metrics project](#) established under the KBC Sustainable Finance Programme. We acknowledge that the data collection process is as yet incomplete. This is especially true for the granular, climate-related data of our business portfolios. We will therefore continue to improve data quality going forward. The reporting period is 1 October of the previous year until 30 September of the current year, unless otherwise stated.

## Direct economic value generated and distributed

### Suppliers

We connect with our suppliers on environmental and social topics during different stages of our engagement and procurement process:

- Sustainability criteria can be added to the initial request for proposal;
- Screening of potential suppliers against exclusion criteria;
- Potential suppliers are asked to fill out an ESG questionnaire;
- Selected suppliers are asked to sign our [KBC Group Code of Conduct for Suppliers](#).

	Note	Unit	2023	2022	2021
Operating costs	1	m euros	1 375	1 224	1 058

<sup>1</sup> FY data, see note 3.7 of the [2023 KBC Group Annual Report](#). Includes: general administrative expenses such as repair and maintenance expenses, advertising costs, rent, professional fees, utilities and other such expenses. IFRS 17 came into force in 2023 resulting in retroactive restatement of 2022 figures; the figures up to and including 2021 are therefore not fully comparable.

	Note	Unit	2023	2022 <sup>3</sup>	2021 <sup>3</sup>
Total number of suppliers	1		2 768	-	-
Number of suppliers that signed the KBC Code of Conduct for suppliers	1, 2	number	2 064	-	-
Percentage of suppliers with a signed KBC Code of Conduct for suppliers		%	75%	-	-

- <sup>1</sup> Only the targeted suppliers, managed by the central procurement department, with an active agreement in the reporting period and an annual spend > 25 000 euros are included.
- <sup>2</sup> Number of suppliers that have signed either the KBC Code of Conduct or an equivalent own alternative which has been screened by KBC. This number is underestimated, since signed, alternative codes of conduct cannot always be collected from the data systems.
- <sup>3</sup> New data gathered since 2023, therefore no comparison possible with 2022 and 2021.

### Employees

	Note	Unit	2023	2022	2021
Staff expenses	1	m euros	2 677	2 561	2 457

<sup>1</sup> FY data, see note 3.7 of the [2023 KBC Group Annual Report](#).

### Shareholders

	Note	Unit	2023	2022	2021
Net result	1	m euros	3 402	2 818	2 614
Gross dividend per share	2	euros	4.15	4.0	8.6

- <sup>1</sup> FY data, see 'Consolidated income statement' in the [2023 KBC Group Annual Report](#). IFRS 17 came into force in 2023 resulting in retroactive restatement of 2022 figures; the figures up to and including 2021 are therefore not fully comparable.
- <sup>2</sup> FY data, see 'Our employees, capital, network and relationships' in the [2023 KBC Group Annual Report](#).

### Clients

	Note	Unit	2023	2022	2021
Interest paid to clients (interest expense)	1	m euros	14 697	6 063	1 869

<sup>1</sup> FY data, see note 3.1 of the [2023 KBC Group Annual Report](#).

### Governments (tax)

For detailed country-by-country reporting on tax, please refer to the [2023 KBC Group Annual Report](#).

### Community

	Note	Unit	2023	2022	2021
Total corporate community investment	1, 2	m euros	20.3	18.3	13.0

- <sup>1</sup> Based on the [B4SI \(Business for Societal Impact\) Framework](#).
- <sup>2</sup> The total amount spent on corporate community involvement in 2022 and 2023 excludes spending by KBC Ireland.



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## Policy influence

We prohibit political involvement of any kind within the group. We remain impartial by adopting a strict policy of not expressing political convictions. Neither do we make financial or other contributions to political parties, government organisations, politicians or campaign events. Readers are referred to [KBC Group Corporate Public Affairs Policy](#).

	Note	Unit	2023	2022	2021
Annual total monetary contributions to trade associations, industry associations and business associations	1	m euros	5.25	5.03	5.00
<b>Largest contributions:</b>					
Febelfin (Belgium Financial Sector Federation)	1	m euros	1.96	1.81	1.84
Assuralia (Belgian Professional Association of Insurers)	1	m euros	0.98	0.94	0.90
Česká bankovní asociace (Czech Banking Association)	1	m euros	0.48	0.41	0.41
Česká asociace pojišťoven (Czech Association of Insurance Companies)	1	m euros	0.25	0.20	0.22
VOKA (Flanders' Chamber of Commerce and Industry)	1	m euros	0.20	0.19	0.19

<sup>1</sup> FY data

## Sustainable finance

### Sustainable investing

#### Responsible Investing (RI) on behalf of our clients

	Note	Unit	Target	2023	2022	2021
Total RI direct client money	1	bn euros		40.7	32.3	31.7
RI funds in % of total assets under distribution (AUD) (direct client money)	1		45% (2025) 55% (2030)	41	37	-
RI funds in % of total annual fund production (gross sales)	1, 2	%	65% (2030)	35	48	55
Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds	1, 3, 4	tCO <sub>2</sub> e/m USD revenue (%)	98 (-50% versus 2019 benchmark 196) (2030)	48 (-75%)	66 (-67%)	

<sup>1</sup> FY data

<sup>2</sup> The drop in the portion of RI funds within the total annual gross sales is the result of the success of non-RI funds in 2023 (more in particular capital protected and money market funds), in response to the specific situation of rising interest rates. In the second half of 2023 we extended our offer with RI alternatives for capital protected funds.

<sup>3</sup> This figure has not been adjusted for inflation.

<sup>4</sup> The RI methodology introduced in 2022 assigns a 50% carbon intensity reduction target to Responsible funds versus their specific reference portfolio value at year-end 2019 (i.e., 98 tCO<sub>2</sub>e/million USD revenue). The aggregated reduction target for Asset Management combines the specific targets of these funds under the assumption of a neutral asset allocation. We note that at year-end 2023, as in 2022, the Responsible funds combined score on carbon intensity is already below its target of a 50% reduction by 2030, versus 2019. However, potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at that point. Substantial changes in this allocation may also occur due to a significant change in the product mix offered to our clients and may lead to a restatement of the target by 2030.

### Our commitment concerning our social impact

#### Social impact finance

	Note	Unit	2023	2022	2021
Loan portfolio in healthcare and senior living sector (granted amount)	1	bn euro	6.23	6.20	6.06
Loan portfolio in education sector (granted amount)	1	bn euro	1.17	1.15	1.09

<sup>1</sup> FY data

#### KBC social bond

	Note	Unit	2023	2022	2021
<b>Current year</b>					
Total amount of social bonds issued	1	m euros	750	750	-
<b>Aggregated</b>					
Total amount of social bonds issued	1	m euros	1500	750	-

<sup>1</sup> FY data

### Financial inclusion and impact investing

#### BRS vzw

	Note	Unit	2023	2022	2021
Number of projects in the Global South	1	number	15	14	10
Number of countries	1	number	8	9	9
Financial support for projects	1	euros	293 698	145 005	161 904
Number of days of coaching and training (mainly by KBC staff volunteering for BRS)	1	number	491	408	236
Number of days of training via Microfact.org providing e-learning, onsite assistance and free tools for financial performance analysis and business planning	1	number	82	105	142
Budget spent on coaching and training	1	euros	241 489	101 983	74 044

<sup>1</sup> FY data



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BRS Microfinance Coop

	Note	Unit	2023	2022	2021
Cooperative share capital	1	m euros	21.8	22.2	22.3
Share of capital contributed by KBC		%	34.43	33.77	33.62
Outstanding balance (loans to microfinance institutions and investment in microfinance funds)	1	m euros	10.5	9.7	10.2
Number of microfinance institutions financed	1	number	3	6	8

<sup>1</sup> FY data

Our commitment to the environment

Financing contributing to environmental objectives

Lending portfolio contributing to environmental objectives per type of financed activity or asset

This overview provides a summary of the amounts of our loan portfolios that contribute to renewable energy, mortgages for energy-efficient housing and low carbon vehicles. To reflect trends of previous reports, this table uses the definitions we have used in past reporting. These are not aligned with EU Taxonomy criteria, but do give an accurate picture of the trends in sustainable lending in our portfolios over the years. Our EU Taxonomy reporting is explained in detail further in this section.

	Note	Unit	Target	2023	2022	2021
Loan portfolio in renewable energy and biofuel sector (granted amount)		bn euros		2.57	2.26	2.11
of which renewable energy project finance (granted amount)	1	bn euros		1.98	1.73	1.74
Avoided GHG emissions through renewable energy project finance	2	tonnes CO <sub>2</sub> e		769 893	601 368	447 460
Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio (excluding transmission and distribution)	3	%	75 (2030)	62	63	63
Mortgages for energy efficient housing (outstanding amount)	4	bn euros		15.2	11.7	9.5

	Note	Unit	2023	2022	2021
Low carbon vehicles financing (gross carrying amount)	5, 6	m euros	1 506	319	120
Exposure to coal-related activities: remaining direct coal-related financing (granted amount at year-end)		m euros	0 (2021)	0	14

<sup>1</sup> FY data, for KBC Bulgaria only new granted financing of 2023 included.

<sup>2</sup> Part of the new financed renewable assets are not yet in production.

<sup>3</sup> The absolute amounts of financing of renewables increased in 2023. This was not, however, reflected in our share of the renewables target. This is caused by a temporary, short-term financing of gas storage in one of our core countries. This financing was linked to an additional gas storage requirement of the relevant government to safeguard the energy supply during the winter of 2022 and 2023. If this additional financing is excluded from the actuals, the share of renewables in the total energy portfolio, excluding transmission and distribution, increases to 67%.

<sup>4</sup> Includes data for 2023 of Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia. The 2022 data do not include KBC Bank Bulgaria EAD. The 2021 data also include Ireland in addition to the 2022 and 2023 scope. The reported amounts correspond to dwellings with A and B energy performance labels, considered as energy-efficient housing. The data are based on actual EPC labels or on first approximation when no labels are available.

<sup>5</sup> Includes data on financial leasing, loans and operational leasing for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50g CO<sub>2</sub>/km and in alignment with substantial contribution criteria of the EU taxonomy, such as bicycles, motorbikes, passenger cars and light commercial vehicles).

<sup>6</sup> 2021 and 2022 data are outstanding amounts.

Sustainability-linked loans

	Note	Unit	2023
Sustainability-linked loans	1	m euros	927

<sup>1</sup> We report only 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

Loans aligned to the EU Taxonomy criteria and to criteria of other external frameworks

This table lists the loan volumes that we can align to a certain extent with EU Taxonomy criteria. In addition, we summarise the loans we have provided that meet the criteria of sustainable frameworks from other external parties such as the European Investment Bank, Loan Market Association (LMA) or local governments. Please note that the volumes we report in this table may partially overlap with those reported in the table on our 'Lending portfolio contributing to environmental objectives per type of financed activity or asset' as different methodologies were used. However, not all volumes reported in the above table are aligned with the EU Taxonomy criteria and therefore are not fully included in the table below.

	Note	Unit	2023
<b>Mandatory EU Taxonomy reporting</b>	1, 2, 3	m euros	406 <sup>3</sup>
<b>Voluntary EU Taxonomy reporting</b>	1, 2	m euros	3 750
EU Taxonomy-aligned loans to non-NFRD companies and Special Purpose Vehicles (SPVs) and subsidiaries of NFRD companies	1, 2	m euros	1 371
Estimated EU Taxonomy-alignment of our Belgian and Bulgarian mortgage portfolio	1, 2	m euros	2 379
<b>Others</b>	1, 2	m euros	3 055
Loans only complying with the Substantial Contribution criteria of the EU Taxonomy	1, 2	m euros	2 597
Loans that comply with other third-party sustainability frameworks	1, 2	m euros	458

<sup>1</sup> We report only 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

<sup>2</sup> Mandatory and Voluntary EU Taxonomy reporting are based on end-of-year figures. All other figures are based on 30 September 2023 figures.

<sup>3</sup> Mandatory reporting based on turnover KPI published by the NFRD counterparties.

Non-life insurance portfolio aligned with the EU Taxonomy criteria for climate change adaptation

	Note	Unit	2023
Non-life insurance (gross written premium (GWP))	1, 2	m euros	156

<sup>1</sup> We report only 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

<sup>2</sup> Gross written premium includes the total amount of premiums recognised for the whole period of coverage, provided by the insurance contract, regardless of the fact that such premiums may relate in whole or in part to a later financial year or accounting period and irrespective of premium payment conditions (e.g. monthly versus quarterly versus yearly premium payments).

Own investments of KBC Bank: Green Bonds and Sustainability Bonds

	Note	Unit	2023
Own investments in Green Bonds and Sustainability Bonds issued by governments, other financial institutions and corporates (nominal value)	1, 2, 3	m euros	1 476

<sup>1</sup> We report only 2023 figures in this table due to our use of a new methodology to categorise our contribution to environmental objectives in 2023. As a result, comparable historic figures are not available.

<sup>2</sup> Green Bonds (bonds of which the proceeds are used to (re)finance green assets or projects) in line with the ICMA Green Bond Principles (GBP).

<sup>3</sup> Sustainability Bonds (bonds of which the proceeds are used to (re)finance a combination of green and social assets or projects) in line with the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) as well as the Sustainability Bond Guidelines (SBG).





## KBC Green Bonds issued by KBC

	Note	Unit	2023	2022	2021
<b>Current year</b>					
Total amount of green bonds issued	1	m euros	0	0	750
<b>Aggregated</b>					
Total amount of Green Bonds outstanding at year end	1, 2	m euros	1 250	1 750	1 750
Total annual avoided emissions	1, 2	tonnes CO <sub>2</sub> e	252 286	279 862	298 789
Total renewable energy produced	1, 2	MWh	1 293 173	1 581 435	1 383 667
Total energy saved	1, 2	MWh	60 440	82 656	76 804

In November 2023, KBC amended its Green Bond Framework with updated eligibility criteria, and further aligned it with the EU Taxonomy Climate Delegated Act. From 2024 onwards, new KBC Green Bonds will be issued under this updated [KBC Green Bond Framework](#).

<sup>1</sup> FY data

<sup>2</sup> One of our three Green Bonds matured during 2023 and is no longer included in the impact reporting. This explains the decrease in avoided emissions, renewable energy produced and energy saved versus 2022.

## Advice provided by experts on sustainability-related matters in 2023 (end-of-year data)

When doubts exist about whether a transaction is in scope of a certain sustainability policy, KBC colleagues are instructed to request a specialist advice. If a transaction is deemed not to be within the scope of the policy, positive advice is the result.

Policy domain	Total	Conclusion of advice			Type of advice <sup>1</sup>		
		Positive	Positive with conditions	Negative	Related to lending	Related to insurance	Related to advisory services
Human rights	1	0	0	1	1	0	0
Controversial weapons (including nuclear and white phosphorous weapons)	10	8	0	2	8	2	0
Controversial regimes	15	9	2	4	13	2	0
Biodiversity	16	12	4	0	15	1	0
Soft commodity speculation	0	0	0	0	0	0	0

Arms-related activities with exception of controversial weapons	56	41	7	8	50	6	0
Energy	137	100	20	17	133	4	0
Gambling	9	6	0	3	3	6	0
Tobacco	24	8	2	14	21	3	0
Others	50	37	7	6	45	5	0
Total	318	221	42	55	289	29	0

In 2023, part of the expert advice function has shifted to local country level. In practical terms, this means that where the decision is taken locally, requests for advice related to our sustainability policies are also processed at a local level. Below is a breakdown of the advice, by level: Group Corporate Sustainability level or local, core country level.

	Note	Unit	2023	2022	2021
<b>Advices provided by</b>					
Group Corporate Sustainability		number	174	270	251
Belgium		number	49	-	-
Bulgaria		number	29	-	-
Czech Republic		number	43	-	-
Hungary		number	6	-	-
Slovakia		number	17	-	-
Total		number	318	270	251

## Equator Principles

We provide project financing or advisory services only when the borrower is willing to comply with the processes and policies of the [Equator Principles \(EP\)](#). Our central credit department reviews the environmental and social aspects of projects and works closely with EP coordinators appointed in the entities. Detailed EP reporting can be found in the table below.

	Note	Unit	2023	2022	2021
<b>Project finance, number of transactions</b>					
of which Category A transactions*	1	number	6	11	9
of which Category B transactions**	1	number	4	3	5
of which Category C transactions***	1	number	2	8	4
<b>Project-related corporate loans, number of transactions</b>					
of which Category A transactions*	1	number	0	0	0
of which Category B transactions**	1	number	2	0	0
of which Category C transactions***	1	number	13	13	8
<b>Project finance advisory</b>	1	number	0	0	0
<b>Project finance and project-related corporate loans, by sector</b>					
Real estate	1, 2	number	9	13	8
Infrastructure	1	number	2	2	2
Power	1	number	10	8	7
Other	1	number	0	1	0
<b>Project finance and project-related corporate loans, by region</b>					
Europe, Middle East and Africa	1	number	21	24	17
<b>Project finance and project-related corporate loans, designated country</b>					
Yes	1	number	15	18	17
No	1	number	6	6	0
<b>Project finance and project-related corporate loans, independent review</b>					
Yes	1	number	9	6	8
No	1	number	12	18	9

\* Category A projects are projects with potential significant adverse environmental and social risks and/or severe impacts.

\*\*Category B projects are projects with potential limited adverse environmental and social risks and/or impacts that are less severe.

\*\*\*Category C projects are projects with minimal risks and projects in legal compliance in the country of execution.

<sup>1</sup> FY data

<sup>2</sup> From 2020 onwards our Equator Principles reporting also includes large real estate development and real estate re-development projects, albeit confined to projects with investment costs exceeding 30 million euros.

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## UNEP FI Principles for Sustainable Insurance (PSI)

KBC became a signatory to the UNEP FI PSI in 2018. These principles serve as the global framework for insurance companies to better manage ESG risks and opportunities in their core business strategies and operations.

As a PSI signatory, we report on our progress in embedding the principles into all aspects of our operations. The reporting and self-assessment template outlines the activities we have undertaken to demonstrate our commitment to the UNEP FI PSI. The template is included in the 'Principles for Sustainable Insurance' appendix of this report.

## UNEP FI Principles for Responsible Banking (PRB)

KBC was a founding signatory of the UNEP FI PRBs in September 2019. The principles set out the framework for a sustainable banking system. They help embed sustainability at the strategic, portfolio and transactional levels, and across all business areas. In addition to this, they help us demonstrate how we make a positive contribution to society.

In 2023, we performed the fifth self-assessment of our progress towards implementing the UNEP FI PRBs. This assessment is included in the 'Principles for Responsible Banking' appendix of this report. Selected information within it was subjected to independent limited assurance by PwC.

## UN Principles for Responsible Investment (PRI)

We have been a signatory to the PRIs since 2016. As part of this engagement, we report on the actions taken each year in relation to the six principles for responsible investment. The report is available for consultation on the [UN PRI website](#).

## Entrepreneurship

	Note	Unit	Target	2023	2022	2021
Number of start-ups supported through Start it @KBC in Belgium	1	number		148	142	130
Female entrepreneurs selected (as a % of total entrepreneurs)	1, 2	%	50%	35%	34%	46%

<sup>1</sup> Scope: Start it @KBC in Belgium.

<sup>2</sup> Number of start-ups with a minimum of one female co-founder at the last pitch of the year (October).

## Anti-money laundering, anti-corruption, data protection and cyber security

	Note	Unit	2023	2022	2021
<b>Employees that have completed training in:</b>					
Anti-money laundering (as a % of target audience)	1	%	96	97	99
General Data Protection Regulation (GDPR) (as a % of target audience)	1	%	98	96	97
Anti-corruption	1	%	98	98	96
Cyber security		%	100	100	100

<sup>1</sup> Based on the average employee coverage as a % of target audience at all entities rather than the employee coverage as a % of target audience at the group level.

## Employees<sup>1</sup>

### Number of employees

	Note	Unit	2023	2022	2021
Full-time equivalents (FTE)	1, 2	number	38 786	39 215	37 244
Headcount	1, 2	number	41 447	41 873	40 088
Full-time equivalents (FTE) excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	38 645	39 081	37 091
Headcount excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	40 666	41 071	39 025

<sup>1</sup> FTE and headcount figures include flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia while no other people indicators include flexible DPP and DPC contracts. Only basic data about our people have been gathered for some small entities (together representing less than 1.5% of FTE) located outside the core countries, and which are not corporate branches of KBC Bank NV. This is also the case for the remaining entities in Ireland, which is no longer considered as a core country. These entities have therefore not been included in the employees' indicators (except for headcount, FTE, gender and employee categories).

<sup>2</sup> The increase in number of FTEs and headcount in 2022 is explained mainly by the acquisition of the Bulgarian operations of Raiffeisen Bank International.

### Non-employee workers

	Note	Unit	2023	2022	2021
Non-employee workers	1, 2	number	3 257	3 342	-

<sup>1</sup> Scope: This includes external employees in the category of 'Capacity Services Belgium' and the KBC and CBC independent, affiliated insurance agents in Belgium (including their employees).

<sup>2</sup> The KBC and CBC insurance agencies qualify as independent, affiliated insurance agents. In performing their insurance distribution activities, they act as commercial agents in the name and on behalf of their principal, KBC Insurance NV. The KBC and CBC insurance agencies, their directors and their staff members do not act in any way as employees of KBC Insurance NV or, by extension, of any other entities of the KBC Group.

<sup>1</sup> 1 FTE and headcount figures differ from the figures reported in the 2023 KBC Group Annual Report and on p. 8 of this report due to a difference in reporting period. See 2023 KBC Group Sustainability Report: 'About this report'.



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### Employees, by country

	Note	Unit	2023	2022	2021
Belgium		%	38.7	38.2	40.4
Bulgaria		%	16.0	15.9	10.7
Czech Republic		%	25.5	24.9	25.9
Hungary		%	9.9	9.3	9.7
Ireland	1	%	-	2.6	3.0
Slovakia		%	7.9	8.1	9.3
Rest of the world	1	%	2.0	1.0	1.0

<sup>1</sup> Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.

### Employees, by age group

	Note	Unit	2023	2022	2021
<b>Total employees</b>					
< 30 years		%	15	14	14
30-50 years		%	55	56	57
> 50 years		%	30	30	29
<b>Board of Directors</b>					
< 30 years		%	0	0	0
30-50 years		%	6	12	6
> 50 years		%	94	88	94
<b>Executive Committee</b>					
< 30 years		%	0	0	0
30-50 years		%	14	28	14
> 50 years		%	86	72	86

### Employees, by employment type

	Note	Unit	2023	2022	2021
Permanent		%	96	95	95
Temporary		%	4	5	5
Full-time		%	84	84	83
Part-time		%	16	16	17

### Employees, by employment type, by gender

	Note	Unit	2023		2022		2022	
			Men	Women	Men	Women	Men	Women
Permanent		%	44	56	44	56	-	-
Temporary		%	37	63	33	67	-	-
Full-time		%	47	53	47	53	48	52
Part-time		%	24	76	24	76	24	76

### Employees, by employment type, by country

	Note	Unit	2023	2022	2021
<b>Belgium</b>					
Permanent		%	99.5	99.6	98.9
Temporary		%	0.5	0.4	1.1
<b>Bulgaria</b>					
Permanent		%	97.4	97.1	96.6
Temporary		%	2.6	2.9	3.4
<b>Czech Republic</b>					
Permanent		%	89.5	89.4	89.8
Temporary		%	10.5	10.6	10.2
<b>Hungary</b>					
Permanent		%	99.7	99.2	99.5
Temporary		%	0.3	0.8	0.5
<b>Ireland</b>	1				
Permanent		%	-	97.7	96.0
Temporary		%	-	2.3	4.0
<b>Slovakia</b>					
Permanent		%	87.6	85.3	88.1
Temporary		%	12.4	14.7	11.9
<b>Rest of the world</b>	1				
Permanent		%	97.6	98.9	94.5
Temporary		%	2.4	1.1	5.5

<sup>1</sup> Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.

### Employees, by function classification

	Note	Unit	2023	2022	2021
Senior management (Top 300)		%	0.6	0.5	0.5
Middle and junior management		%	42.1	40.8	40.3
White and blue collar		%	57.3	58.7	59.2

### New employees and employee turnover

	Note	Unit	2023	2022	2021
New employee hires, total headcount		number	5 166	5 120	3 799
Employee turnover, total headcount	1, 2, 3	%	13.1	15.3	14.5
Proportion of voluntary leavers		%	81.2	89.2	80.5
Internal mobility	4	%	21.1	14.6	24.4
Average seniority		years	13	13	13

<sup>1</sup> Employee turnover is the total number of leavers (excluding internal mobility within a specific legal entity but including the staff moving between different legal entities within the group) divided by total headcount at the end of the reporting period.  
<sup>2</sup> The figure reported in 2022 excludes the employees migrated from KBC Group to KBC Global Services in 2022. This migration of employees is part of a larger project to comply with the subordination requirement for MREL (Minimum Requirements for own funds and Equity Liabilities), as defined by the Single Resolution Board and applicable from January 2024, and hence not is considered employee turnover.  
<sup>3</sup> In 2023, we reached the lowest turnover rate in the past three years. We refer to the following table for more information on per-country employee turnover.  
<sup>4</sup> Internal mobility is the internal mobility divided by the total headcount at the end of the reporting period.



## New employee hires and employee turnover, by country

	Note	Unit	2023	2022	2021
<b>New employee hires</b>					
Belgium		number	1 163	1 156	723
Bulgaria		number	1 318	1 392	809
Czech Republic		number	1 395	1 394	1 130
Hungary		number	769	694	646
Ireland	1	number	-	16	53
Slovakia		number	488	417	410
Rest of the world	1	number	33	51	28
<b>Employee turnover</b>					
	2				
Belgium	3	%	9	11.5	10.1
Bulgaria	4	%	19.7	23.5	17.7
Czech Republic		%	13.8	13.9	17.7
Hungary		%	14	18.7	18.8
Ireland	1	%	-	11	21.4
Slovakia	5	%	16.7	18.4	14.9
Rest of the world	1	%	15.7	13.8	8.5

<sup>1</sup> Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.

<sup>2</sup> Turnover rates vary between our core countries due to differences in labour market dynamics, economic conditions and job opportunities.

<sup>3</sup> The figure reported in 2022 excludes the employees migrated from KBC Group to KBC Global Services in 2022. This migration of employees is part of a larger project to comply with the subordination requirement for MREL (Minimum Requirements for own funds and Equity Liabilities), as defined by the Single Resolution Board and applicable from January 2024.

<sup>4</sup> The increased turnover in Bulgaria in 2022 was mainly due to the merger with the Bulgarian operations of Raiffeisen Bank International and staff anticipation of expected, structural changes.

<sup>5</sup> The increased turnover in Slovakia in 2022 was mainly due to the merger with OTP Bank taking full effect.

## New employee hires, by age

	Note	Unit	2023	2022	2021
< 30 years		%	47.6	45.5	47.0
30-50 years		%	45.7	45.1	46.2
> 50 years		%	6.7	9.4	6.8

## New employee hires, by gender

	Note	Unit	2023	2022	2021			
			Men	Women	Men	Women		
New employee hires	%		42.5	57.5	40.2	59.8	39.9	60.1

## Diversity and inclusion

	Note	Unit	2023	2022	2021
<b>Employees by gender</b>					
Male		%	43	43	44
Female		%	57	57	56
Women promoted as a % of total promotions	1	%	62	59	59
Women in non-managerial functions	2	%	59	60	-
Women in IT & Engineering	3	%	31	28	-

<sup>1</sup> Restatement of the 2021 figures 'Women promoted as a % of total promotions'.

<sup>2</sup> We define women in non-managerial functions as women working directly in a team as an individual contributor and with no responsibility as a manager to others.

<sup>3</sup> We define women in IT & Engineering as women working in functional roles in the Information Technology, Transformation and Data departments.

## Gender diversity, by management level

	Note	Unit	2023	2022	2021			
			Men	Women	Men	Women		
Board of Directors		%	69	31	62	38	62	38
Group Executive Committee	1	%	86	14	86	14	86	14
Senior management	2	%	75	25	76	24	76	24
Middle and junior management		%	57	43	57	43	59	41
White and blue collar		%	33	67	33	67	33	67

<sup>1</sup> We aim to achieve a more balanced gender representation on our Executive Committee. For more information, please refer to our [Corporate Governance Charter](#).

<sup>2</sup> To support gender diversity in the higher levels of our organisation – where women at KBC currently remain underrepresented – we have set a goal of having one female candidate and one male candidate for every new senior management nomination.

## Diversity of nationalities<sup>1</sup>

	Note	Unit	2023	2022	2021		
			Senior management	Middle management	Junior management	Senior, middle and junior Management	
Belgian	%		43	45	42	37	-
Czech	%		29	30	31	24	-
Slovak	%		8	8	9	9	-
Bulgarian	%		10	5	2	16	-
Hungarian	%		8	10	13	9	-
Other	%		2	2	3	5	-

<sup>1</sup> For details on the diversity of nationalities of our Group Executive Committee and our Board of Directors, please refer to the 2023 KBC Group Annual Report.

## Health and workplace

	Note	Unit	2023	2022	2021
Sick leave (days)		number	8.0	9.0	8.0
Sick-leave rate (share of working days)		%	3.8	4.2	3.8
Lost-time injury frequency rate (LTIFR) (per million hours worked)	1, 2	number	1.75	1.91	1.98
Employees entitled to workplace flexibility options (as a % of total headcount)		%	99	99	80
Employees able to control and/or vary the start or end times of the working day or working week (as a % of total headcount)		%	99	99	99
Employees able to control and/or vary the location where they work (as a % of total headcount)		%	99	99	99

<sup>1</sup> LTIFR is the number of injuries as a result of work-related injury/number of hours worked x 1 000 000.

<sup>2</sup> Restatement of the 2021 LTIFR.



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## Inclusive culture

	Note	Unit	2023					
			Belgium	Bulgaria	Czech Republic	Hungary	Slovakia	Rest of the world
Number of weeks of fully paid maternity leave for employees in the core countries across the group		number	15	19	28	24	34	6
Number of weeks of fully paid paternity leave for employees in the core countries across the group		number	4	2	2	1	28	1
Employees with access to on-site lactation rooms		%	94	0	94	94	99	62

## Labour relations

	Note	Unit	2023	2022	2021
Employees covered by collective bargaining agreements	1	%	86	77	82
Employees covered by employee representation structures	2, 3	%	65	74	79

<sup>1</sup> The number of employees covered by collective bargaining agreements decreased in 2022 compared to 2021. This is due to the acquisition of the Bulgarian operations of Raiffeisen Bank International.

<sup>2</sup> The number of employees covered by employee representation structures decreased in 2022 compared to 2021. This is due to the acquisition of the Bulgarian operations of Raiffeisen Bank International.

<sup>3</sup> The number of employees covered by employee representation structures decreased in 2023 compared to 2022. This is due to the exclusion of our employees covered by employee representation structures in Ireland in 2023.

## Competence, learning and development and engagement

### Highest educational level achieved

	Note	Unit	2023	2022	2021
Master's degree and higher		%	37.9	38.4	36.9
Bachelor's degree		%	35	34.4	35.6
Secondary education certificate		%	26.9	27	27.3
Primary education certificate		%	0.2	0.2	0.2

### Learning and development

	Note	Unit	2023	2022	2021
<b>Total time spent on learning and development per FTE</b>	1, 2	days	5.4	4.0	4.0
Training to female employees		%	50.4	-	-
Training to male employees		%	49.6	-	-
<b>Employees participating in (top) talent development programmes (end-of-year data)</b>	3, 4	number	23	24	331
Male		number	13	11	217
Female		number	10	13	114
<b>KBC University Programme</b>					
Total time spent by top management and top talent on KBC University training programmes and events	3, 5	days	452	408	123

<sup>1</sup> This excludes KBC University training programmes completed by top management and top talent, as these are reported separately.

<sup>2</sup> Learning and development data include only training courses for which there is a formal registration in the local learning management system. On-the-job learning and knowledge sharing amongst employees is often not formally registered, while – based on relevant literature – it is assumed that employees spend up to one third of their working hours on informal learning activities. Formally registered training courses therefore only cover a small part of total learning activities, and it is fair to assume that the actual time spent on learning and development is much higher than the figure reported in the table above.

<sup>3</sup> FY data

<sup>4</sup> The number of employees participating in (top) talent development programmes decreased in 2022 compared to 2021. In 2022 the Top Talent in Action programme focused on a specific, customised, action-oriented development approach with a smaller target group.

<sup>5</sup> A gradual increase of the total time spent by top management and top talent on KBC University training programmes and events was again recorded in 2022 and 2023.

## Group employee survey

	Note	Unit	2023		2022		2021	
			2nd half year	1st half year	2nd half year	1st half year	2nd half year	1st half year
Response rate <sup>1</sup>								
Belgium		%	80	81	77	75	64	69
Bulgaria	2	%	76	72	78	76	75	64
Czech Republic	2	%	77	73	80	74	-	31
Hungary		%	85	84	87	85	84	85
Slovakia		%	80	85	43	50	45	44
Group Services branches Czech Republic and Bulgaria		%	98	94	88	88	83	78

<sup>1</sup> For more information on the employee engagement survey, please refer to the 'Our people' part of this report.

<sup>2</sup> Excluding KBC's own shared service centers in Czech Republic and Bulgaria, which are reported separately.

	Note	Unit	2023		2022		2021	
			2nd half year	1st half year	2nd half year	1st half year	2nd half year	1st half year
Engagement score <sup>1</sup>								
Belgium		%	77	76	72	69	68	72
Bulgaria	2	%	64	69	65	70	69	70
Czech Republic	2	%	75	76	76	73	-	74
Hungary		%	65	68	68	64	55	62
Slovakia		%	65	65	58	62	67	59
Group Services branches Czech Republic and Bulgaria		%	74	74	70	66	71	71

<sup>1</sup> For more information on the employee engagement survey, please refer to the 'Our people' part of this report. The engagement score is the sum of the engaged and strongly engaged employees. This represents the sum of the employees who – on a 6-point scale going from strongly disagree to strongly agree – gave a score of 4.5 or higher, on average, for the three defined engagement questions (i.e., feeling proud, motivated and committed).

<sup>2</sup> This excludes KBC's own, shared service centres in the Czech Republic and Bulgaria, which are reported separately.



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## Community involvement

We support various projects and activities that contribute to the needs of the local communities where we are active. KBC community involvement is not centralised in one department but is rather situated in the various countries and aligned with local priorities and strategies.

For more information please refer to the [KBC Group Community Involvement Policy](#) and to the local Reports to Society published on [our corporate website](#). These reports also outline examples of ways in which we are involved in the communities in which we operate.

	Note	Unit	2023	2022	2021
<b>Total corporate community investment</b>	1, 2	m euros	20.3	18.3	13.0
<b>By country</b>					
Belgium		m euros	14.6	13.0	9.8
Bulgaria		m euros	0.2	0.1	0.1
Czech Republic		m euros	4.2	4.3	1.8
Hungary		m euros	0.5	0.5	0.4
Ireland	2	m euros	-	-	0.5
Slovakia		m euros	0.8	0.4	0.4
<b>By type of contribution</b>					
Cash contributions		m euros	10.5	9.5	6.4
Time: employee volunteering during paid working hours		m euros	7.4	5.6	4.0
In-kind giving: product or service donations, projects/partnerships or similar		m euros	0.5	0.8	0.6
Management overheads		m euros	1.9	2.4	2.0
<b>By motivation for contribution</b>					
Charitable donations		m euros	3.4	4.3	1.8
Community Investments		m euros	15.4	12.4	9.5
Commercial activities		m euros	1.5	1.6	1.7
Employee volunteering hours (estimated number)		number	30 000	20 000	12 000

<sup>1</sup> Based on the B4SI (Business for Societal Impact) Framework.

<sup>2</sup> The total amount spent on corporate community involvement in 2022 and 2023 excludes spending by KBC Ireland.



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# Environmental data and emissions

## Scope and boundary of KBC Group total GHG emissions

We report on our direct and indirect GHG emissions. In order to be as comprehensive as possible, we report on KBC Group's Scope 1, Scope 2 and Scope 3 emissions. The table below provides a schematic overview of the scope and boundary of KBC Group's GHG emissions and the respective data quality of the GHG emissions calculations.

We use different methodologies for different reporting purposes. The reporting of our direct emissions is in accordance with the requirements of the [GHG protocol corporate standard](#). As regards financed emissions (loan and lease portfolio) and insurance-associated emissions (insurance underwriting portfolio), we apply the methodology outlined in the [Global GHG Accounting and Reporting Standard for the Financial Industry](#) developed by the Partnership for Carbon Accounting Financials (PCAF). Finally, we apply the [Trucost data and methodology](#) to our asset management and our own investments. For further reading on these methodologies, please refer to the relevant, respective parts within this sustainability report and the 'Methodologies explained' part in the Appendices.

We report detailed GHG emissions and activity data on the following pages.

	Source of GHG emissions	Scope and boundary KBC Group GHG emissions	Data quality <sup>1</sup>	Third party external verification <sup>2</sup>
DIRECT Scope 1	Fuel combustion	Includes emissions from fuel combustion in all company-owned or controlled, groupwide operations	Score 1	👁️
	Company-owned or controlled vehicle fleet	Includes emissions from company owned or -controlled vehicle fleet of all groupwide operations <sup>3,4</sup>	Score 1	👁️
	Refrigeration and air-conditioning equipment	Includes fugitive emissions from refrigeration and air conditioning equipment in all groupwide operations	Score 1	👁️

INDIRECT	Scope 2		Score	👁️	
	Source of GHG emissions	Scope and boundary KBC Group GHG emissions			
INDIRECT	Purchased electricity, steam, heating and cooling for own use		Score 1	👁️	
	Purchased goods and services (Category 1)		Score 1	👁️	
	Capital goods (Category 2)		Not relevant or not material to KBC Group as a financial services company		
	Fuel- and energy-related activities (Category 3)		Not relevant or not material to KBC Group as a financial services company		
	Upstream Scope 3	Upstream transportation and distribution (Category 4)		Not relevant or not material to KBC Group as a financial services company	
		Waste generated in operations (Category 5)		Score 1	👁️
		Business travel (Category 6)		Score 1	👁️
	Employee commuting (category 7)		Score 1	👁️	
	Upstream leased assets (category 8)		Not relevant or not material to KBC as a financial service company		
	Downstream Scope 3	Downstream transportation and distribution (Category 9)		Not relevant or not material to KBC Group as a financial services company	
		Processing of sold products (Category 10)		Not relevant or not material to KBC Group as a financial services company	
		Use of sold products (Category 11)		Not relevant or not material to KBC Group as a financial services company	
		End-of-life treatment of sold products (Category 12)		Not relevant or not material to KBC Group as a financial services company	
		Downstream leased assets (Category 13)		Emissions from KBC Group's operational lease portfolio (Scope 1) included in category 15	
		Franchises (Category 14)		Not relevant or not material to KBC Group as a financial services company	
Investments (Category 15)		Emissions from KBC Group's loan (Scope 1, 2 and 3) and lease (Scope 1) portfolio	Score ranges from 1-5 (detailed scores are available in the 'Indirect environmental impact' section of this chapter)		
		Emissions from KBC Group's insurance underwriting portfolio (Scope 1 and 2) <sup>5</sup>	Score ranges from 2-5 (detailed scores are available in the 'Indirect environmental impact' section of this chapter)		
		KBC Group's own investments are excluded <sup>6</sup>			

<sup>1</sup> Scope 3 Category 13 and Category 15, data quality scores are in accordance with the PCAF data quality scoring method as specified in [The Global GHG Accounting and Reporting Standard for the Financial Industry](#). A score of 1 reflects the highest data quality and a score of 5 the lowest data quality. We note here that the data collection process related to climate-related data of our business portfolios is incomplete and we will continue to improve the data quality going forward.

<sup>2</sup> KBC Group's direct environmental footprint has been externally verified in accordance with [ISO 14064-3](#).

<sup>3</sup> As from reporting year 2023 we include GHG emissions from KBC's total own fleet. This means that we include not only the GHG emissions from commuter and business travel with KBC's own fleet, but also the GHG emissions from the private use of KBC's own fleet by its employees.

<sup>4</sup> The GHG emissions of KBC's own electric vehicle fleet are included in KBC's direct footprint GHG inventory. More specifically, in accordance with the GHG Protocol, the purchased electricity that is consumed by KBC's own electric vehicle fleet is included in Scope 2 emissions.

<sup>5</sup> We report only on the part of the insurance underwriting portfolio that is in scope of the PCAF guidance, which currently only covers personal motor lines and commercial lines.

<sup>6</sup> For the third time, we conducted an analysis of the climate-related impact for the majority of KBC Insurance's own investments, as managed by Group Treasury as well as the investments of *Pensioenfond KBC*, based on the Trucost data and methodology. The results of this analysis can be found in the 'Methodologies explained' appendix of this report. Please note that debt securities (such as bonds) of KBC Bank, also managed by Group Treasury, are included in the KBC Group's loan portfolio.



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## Summary of KBC Group's total GHG emissions

	Note	Unit	Target	2023	2022 recalculated <sup>5</sup>	2022
<b>Scope 1</b>						
Energy		tonnes CO <sub>2</sub> e		9 170	11 107	11 236
Refrigerants		tonnes CO <sub>2</sub> e		1 222	1 109	1 124
Company-owned or controlled vehicle fleet (non-electric)	1			18 655	21 041	9 235
<b>Total Scope 1</b>		tonnes CO <sub>2</sub> e		29 047	33 257	21 596
<b>Scope 2 (market based)</b>						
Energy	2	tonnes CO <sub>2</sub> e		3 394	3 484	3 483
Charging of company-owned electric fleet outside own premises	3	tonnes CO <sub>2</sub> e		601	0	0
<b>Total Scope 2 (market based)</b>		tonnes CO <sub>2</sub> e		3 995	3 484	3 483
<b>Scope 3</b>						
Employee commuting (excluding own fleet)	4	tonnes CO <sub>2</sub> e		16 663	14 368	14 472
Employee business travel (excluding own fleet)	4	tonnes CO <sub>2</sub> e		3 531	1 773	1 785
Paper consumption		tonnes CO <sub>2</sub> e		1 252	1 533	1 542
Water consumption		tonnes CO <sub>2</sub> e		101	107	107
Waste generation		tonnes CO <sub>2</sub> e		789	895	896
<b>Total Scope 3 excluding portfolio data</b>		tonnes CO <sub>2</sub> e		22 336	18 677	18 803
<b>Total own operational footprint (Scope 1 + Scope 2 + Scope 3 excluding portfolio data)</b>		tonnes CO <sub>2</sub> e		55 377	55 417	43 882
% Change compared to base year (2015)	5	%	-80% (2030)	-68%	-68%	
Carbon credits purchased to offset our own operational footprint for the relevant year		Carbon credits	Net climate-neutrality (2021)	56 000	-	44 000
<b>Emissions from leasing and lending portfolios</b>	6, 7	tonnes CO <sub>2</sub> e		56 058 787	-	56 194 945
<b>Total Scope 3 including portfolio data</b>	7	tonnes CO <sub>2</sub> e		56 081 123	56 213 622	56 213 748
<b>Total Scope 1 + Scope 2 + Scope 3 including portfolio data</b>	7	tonnes CO <sub>2</sub> e		56 114 164	56 250 362	56 238 827
<b>Emissions from insurance underwriting portfolio</b>	8	tonnes CO <sub>2</sub> e		476 615	-	-

<sup>1</sup> Scope 1 emissions for company owned- or controlled vehicle fleet include business travel, commuter travel and private use for non-electric vehicles. The charging of electric vehicles is included in Scope 2 – energy.

<sup>2</sup> Location-based Scope 2 emissions are reported on p. 107.

<sup>3</sup> Emissions for travel by own fleet – electric vehicles, were reduced in 2022 by purchasing Guarantees of Origin. As from 2023, we no longer reduce the emissions from electric vehicles in the company's own vehicle fleet by purchasing Guarantees of Origin. This to avoid double counting as in most cases we have no information on the source of electricity used to charge the vehicles, being an unknown mix of renewable and non-renewable electricity. Thus, we calculate the emissions using a country-specific grid mix.

<sup>4</sup> A post-COVID effect is still visible in business- and commuter travel. Travel has normalised compared to the pre-COVID period (2019).

<sup>5</sup> As for KBC Group's total own operational footprint (Scope 1 + Scope 2 + Scope 3 excluding portfolio data), the 2015 base year and 2022 year have been recalculated in accordance with the KBC Group Recalculation Policy. They reflect structural changes in the reporting organisation in 2023 (further divestment of KBC Ireland) as well as methodological changes (the inclusion of private use for our company-owned or -controlled vehicle fleet).

<sup>6</sup> For detailed emissions data per sector and the calculation methodology, please refer to the part on 'Indirect environmental impact: Scope 3 GHG emissions from leasing and lending portfolio' in this section and the 'Methodologies explained: PCAF' appendix of this report.

<sup>7</sup> Reported 2022 emissions in this table have been corrected compared to previous report. Our 2022 Sustainability Report included an incorrectly adopted figure of 56 206 657 tonnes of emissions from leasing and lending portfolios, while this should have been the total financed Scope 1, 2 and 3 financed emission figure of 56 194 945, as presented on page 102 of our 2022 Sustainability Report. The totals were corrected accordingly.

<sup>8</sup> We calculated our insurance-associated emissions for KBC Group for the first time in 2023. This includes only part of the insurance underwriting portfolio, i.e., the portfolio in scope of the PCAF guidance, being personal motor lines and commercial lines. The PCAF methodology requires that insurance-associated emissions and financed emissions are reported separately. The insurance-associated emissions are a supplementary accounting note and are not part of the aggregated total GHG emissions.

## Direct environmental footprint

KBC Group's own operational footprint has been externally verified in accordance with ISO 14064-3 by an independent third party.

**Vinçotte has verified KBC Group's GHG assertion of 55 377 tonnes of CO<sub>2</sub>e to a level of reasonable assurance and concluded that KBC Group's reported GHG emissions for 2023 are reliable and fairly stated.** Data independently verified by Vinçotte are expressly earmarked with the symbol . View the verification statement [here](#).

Our **direct footprint emissions** include:

- **Scope 1:** Direct emissions from fuel combustion and refrigerant gases in our office buildings and from our own non-electric company car fleet (including business travel, commuter travel and private use);
- **Scope 2:** Indirect emissions from purchased energy (i.e. electricity, heat, cooling and steam consumption) and electricity used to charge company owned- or controlled electric vehicles;
- **Scope 3:** Indirect emissions from business travel and commuter travel and emissions from sources over which we have direct operational control (i.e. paper and water consumption and waste generation).

The system boundaries for GHG emissions were determined by operational control and aligned with the financial consolidation scope of KBC Group. In addition, to further delineate the inventory boundary of KBC Group's direct footprint, we considered the 'business context: industry sector(s)' factor, as stipulated in the GHG Protocol. This means that we exclude operational activities from our inventory boundary in case they are not representative for the substance and economic reality of KBC Group's business relations and business logic in terms of our direct footprint. Hence, we exclude entities without FTE or entities with activities outside our traditional bank-insurance activities from our scope.

Entities located outside our core countries are out of scope of the non-financial, environmental data gathering. For these entities, we have extrapolated GHG emissions, based on average GHG emissions per FTE. The GHG emissions calculated by extrapolation account for about 2% of total GHG emissions in 2023. Other hypothetical approaches and estimations were only used for limited



activities. The greenhouse gases included were CO<sub>2</sub>, N<sub>2</sub>O, CH<sub>4</sub> and refrigerant gases.

The calculation of our 2023 direct GHG emissions contain **two important changes compared to previous years. The first is further divestment of KBC Ireland. The second is the methodological change to start including private use of company-owned or controlled vehicles. These changes have a material impact on our emission calculations. In accordance with the GHG protocol guidance on the recalculation of base-year emissions, we have restated our 2015 baseline. Moreover, to facilitate year-on-year comparison, we have recalculated 2022 data accordingly.** The tables including direct footprint data therefore report two numbers for 2022. On the one hand, we include our emissions as reported last year. On the other hand, we report a recalculated number that reflects the two material changes described above.

## Direct footprint, by scope

### Direct footprint, overview per scope

	Note	Unit	2023	2022 recalculated <sup>2</sup>	2015 recalculated <sup>2</sup>
Full-time equivalents (in number)	1	number	37 468	37 302	40 327
FTE coverage (in %)		%	100%	100%	100%

	Note	2023		2022 recalculated <sup>2</sup>		2015 recalculated <sup>2</sup>	
		tonnes CO <sub>2</sub> e	tonnes CO <sub>2</sub> e/FTE	tonnes CO <sub>2</sub> e	tonnes CO <sub>2</sub> e/FTE	tonnes CO <sub>2</sub> e	tonnes CO <sub>2</sub> e/FTE
Scope 1		29 047	0.78	33 257	0.89	76 054	1.89
Scope 2 (market-based)		3 995	0.11	3 484	0.09	61 662	1.53
Scope 3		22 336	0.60	18 677	0.50	33 019	0.82
<b>Total Scope 1+2+3</b>		<b>55 377</b>	<b>1.48</b>	<b>55 417</b>	<b>1.49</b>	<b>170 735</b>	<b>4.23</b>

<sup>1</sup> The FTEs covered differ from FTE figures reported under people indicators. This is because the system boundaries for GHG emissions were determined by operational control and aligned with the financial consolidation scope of the KBC Group (see p. 106). Some entities have therefore not been included in the environmental data even though they are included in employee information.

<sup>2</sup> The 2015 base year and 2022 reporting year have been recalculated in accordance with the [KBC Group Recalculation Policy](#). They reflect structural changes in the reporting organisation in 2023 (further divestment of KBC Ireland) as well as methodological changes (the inclusion of private use for our company-owned or controlled vehicle fleet).

### Direct Footprint, Scope 1

	Note	2023		2022 recalculated		2022	
		kWh/kg <sup>4</sup>	tonnes CO <sub>2</sub> e	kWh/kg <sup>4</sup>	tonnes CO <sub>2</sub> e	kWh/kg <sup>4</sup>	tonnes CO <sub>2</sub> e
<b>Scope 1</b>							
Natural gas	1	49 551 896	9 064	60 232 545	10 995	60 940 613	11 124
Diesel		440 579	105	4 31 612	111	4 31 535	111
Company-owned or controlled vehicle fleet (non-electric)	2	-	18 655	-	21 041	-	9 235
Refrigerants and air condition equipment		752	1 222	588	1 109	597	1 124
On-site renewable energy generated	3	4 099 994	0	4 258 039	0	4 257 284	0
<b>Total Scope 1</b>		<b>-</b>	<b>29 047</b>	<b>-</b>	<b>33 257</b>	<b>-</b>	<b>21 596</b>

<sup>1</sup> Source emission factors: Department for Business, Energy & Industrial Strategy (BEIS) - 2023; own calculations based on EEA data per country for non-electric passenger cars.

<sup>2</sup> Scope 1 emissions for company-owned or controlled vehicle fleet include business travel, commuter travel and private use of non-electric vehicles. The charging of electric vehicles is included in Scope 2. For company vehicles, the data is gathered in litres or kms, depending on the availability of the data. We therefore only mention tonnes CO<sub>2</sub>e.

<sup>3</sup> On-site renewable energy created from Rooftop Solar and Geothermal Energy The decline in generated energy in 2023 can be explained by a technical failure in the generation of geothermal energy that lasted up to two months.

<sup>4</sup> Refrigerants are measured in kg. Natural gas, diesel and on-site generated energy is expressed in kWh.

### Direct Footprint, Scope 2

	Note	2023		2022 recalculated		2022	
		kWh	tonnes CO <sub>2</sub> e	kWh	tonnes CO <sub>2</sub> e	kWh	tonnes CO <sub>2</sub> e
<b>Scope 2</b>							
Purchased electricity – market based	1	119 984 834	0	123 121 749	0	124 504 667	0
– of which renewable electricity		119 984 834	0	123 121 749	0	124 504 667	0
Purchased electricity – (location-based)		119 984 834	31 157	123 121 749	31 187	124 504 667	31 978
Electricity to charge electric vehicles outside the company's own premises (market based)	2, 3	-	601	-	0	-	0
Electricity to charge electric vehicles outside the company's own premises (location-based)	2	-	601	-	172	-	Not available
District heating, cooling and steam consumption		18 612 316	3 394	20 404 045	3 484	20 400 426	3 483
<b>Total Scope 2 (market based)</b>		<b>-</b>	<b>3 995</b>	<b>-</b>	<b>3 484</b>	<b>-</b>	<b>3 483</b>
<b>Total Scope 2 (location-based)</b>		<b>-</b>	<b>35 152</b>	<b>-</b>	<b>34 842</b>	<b>-</b>	<b>35 461</b>

<sup>1</sup> Source emission factors: Department for Business, Energy & Industrial Strategy (BEIS) - 2023 conversion factors; International Energy Agency (IEA) - 2023. In 2023, we started using the IEA standard instead of the AIB standard for non-renewable electricity.

<sup>2</sup> For electric vehicles of own fleet, the data is gathered in kWh or kms, depending on the availability of the data. We therefore only mention tonnes CO<sub>2</sub>e.

<sup>3</sup> Emissions for travel by own fleet – electric vehicles, were reduced in 2022 by purchasing Guarantees of Origin. As from 2023, we no longer reduce the emissions from electric vehicles in the company's own vehicle fleet by purchasing Guarantees of Origin. This to avoid double counting as in most cases we have no information on the source of electricity used to charge the vehicles, being a unknown mix of renewable and non-renewable electricity. Thus, we calculate the emissions at a country specific grid mix.

	Note	2023		2022 recalculated		2022	
		kWh	tonnes CO <sub>2</sub> e	kWh	tonnes CO <sub>2</sub> e	kWh	tonnes CO <sub>2</sub> e
<b>Total Scope 1 + 2 (market based)</b>		<b>-</b>	<b>33 041</b>	<b>-</b>	<b>36 740</b>	<b>-</b>	<b>25 079</b>
<b>Total Scope 1 + 2 (location based)</b>		<b>-</b>	<b>64 199</b>	<b>-</b>	<b>68 098</b>	<b>-</b>	<b>57 057</b>



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## Direct Footprint, Scope 3

Note	2023		2022 recalculated <sup>4</sup>		2022		
<b>Scope 3</b>	1						
<b>Category 1 – Purchased goods and services</b>							
	Metric ton	tonnes CO <sub>2</sub> e	Metric ton	tonnes CO <sub>2</sub> e	Metric ton	tonnes CO <sub>2</sub> e	
Recycled paper consumption	650	475	83	62	83	62	
Other paper consumption	853	777	1 600	1 471	1 611	1 481	
<b>Category 5 – Waste and water</b>							
	2, 3	m <sup>3</sup> /metric ton	tonnes CO <sub>2</sub> e	m <sup>3</sup> /metric ton	tonnes CO <sub>2</sub> e	m <sup>3</sup> /metric ton	tonnes CO <sub>2</sub> e
Drinking water consumption and water treatment	268 289	101	254 584	107	254 825	107	
Recycled waste	1 708	36	1 580	34	1 607	34	
Incinerated waste	692	15	566	12	577	12	
Landfilled waste	1 485	738	1 819	849	1 820	850	
<b>Category 6 – Business travel</b>							
	km	tonnes CO <sub>2</sub> e	km	tonnes CO <sub>2</sub> e	km	tonnes CO <sub>2</sub> e	
Business travel by road other than own fleet	10 435 379	1 621	7 685 953	1 212	7 687 704	1 213	
Business travel by public transport	5 286 461	223	2 871 159	91	2 884 914	92	
Business travel by plane	10 084 502	1 688	2 995 119	470	3 059 413	480	
<b>Category 7 – Employee commuting</b>							
	km	tonnes CO <sub>2</sub> e	km	tonnes CO <sub>2</sub> e	km	tonnes CO <sub>2</sub> e	
Employee commuting by bicycle	10 233 366	0	8 054 484	0	8 193 135	0	
Employee commuting by road other than own fleet	83 602 031	12 834	72 163 522	11 209	72 464 480	11 369	
Employee commuting by public transport	73 665 685	3 828	61 049 846	3 038	62 242 935	3 099	
<b>Total Scope 3</b>		<b>22 336</b>		<b>18 677</b>		<b>18 803</b>	

<sup>1</sup> Source emission factors: Department for Business, Energy & Industrial Strategy (BEIS) – 2023; International Energy Agency (IEA) – 2023; Own calculation based on European Environment Agency (EEA);

<sup>2</sup> Only 0.08% of our total waste is catalogued as 'hazardous', we therefore do not differentiate hazardous and non-hazardous waste in this table.

<sup>3</sup> Waste is expressed in metric tonnes, whereas water consumption is measured in m<sup>3</sup>.

<sup>4</sup> In 2023, the 2015 base year and 2022 reporting year have been recalculated in accordance with the GHG protocol guidance. They reflect structural changes in the reporting organisation in 2023 (further divestment of KBC Ireland) as well as methodological changes (the inclusion of private use for our company-owned or controlled vehicle fleet).

## Direct footprint, by country

Note	Unit	2023	2022 re-calculated <sup>1</sup>	2022
Belgium	tonnes CO <sub>2</sub> e	25 901	27 195	16 752
Bulgaria	tonnes CO <sub>2</sub> e	5 055	5 078	5 078
Czech Republic	tonnes CO <sub>2</sub> e	13 736	12 824	12 479
Hungary	tonnes CO <sub>2</sub> e	5 554	5 385	4 701
Slovakia	tonnes CO <sub>2</sub> e	3 973	4 182	3 973
Ireland	1 tonnes CO <sub>2</sub> e	Included in Rest of the world	177	451
Rest of the world	1 tonnes CO <sub>2</sub> e	1 159	575	448
<b>Total own operational footprint (Scope 1 + Scope 2 + Scope 3, excluding portfolio data)</b>	<b>tonnes CO<sub>2</sub>e</b>	<b>55 377</b>	<b>55 417</b>	<b>43 882</b>

<sup>1</sup> In 2023 the 2015 base year and 2022 reporting year have been recalculated in accordance with the GHG protocol guidance. They reflect structural changes in the reporting organisation in 2023 (further divestment of KBC Ireland) as well as methodological changes (the inclusion of private use for our company-owned or controlled vehicle fleet).



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## Indirect environmental impact (Scope 3): financed Scope, 1, 2 and 3 GHG emissions from leasing and lending portfolio and emission intensity

Product lines and sectors	Data quality level score <sup>1</sup>	Financed GHG emissions (tonnes CO <sub>2</sub> e) (share as a % covered by a climate target)					Climate targets
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO <sub>2</sub> e/ m euros)	
<b>WHITE PAPER SECTORS AND PRODUCT LINES</b>							
<b>Agriculture<sup>2</sup></b>	5.0	7 140 318 (100%)	74 223 (98%)	2 269 209 (0%)	9 483 750 (76%)	1 647	See our target and progress <a href="#">here</a>
<b>Building and construction</b>							
Cement	3.4	79 923* (100%)		4 815 (0%)	84 738 (63%)	7 208	See our target and progress <a href="#">here</a>
Remainder building and construction	5.0	212 040 (0%)	43 130 (0%)	4 411 333 (0%)	4 666 504 (0%)	514	
<b>Total building and construction<sup>3</sup></b>		<b>291 963 (27%<sup>2</sup>)</b>	<b>43 130 (0%)</b>	<b>4 416 148 (0%)</b>	<b>4 751 242 (2%)</b>	<b>523</b>	
<b>Energy</b>							
Oil, gas and other fuels	5.0	188 002* (100%)	10 247 (0%)	584 551 (0%)	782 800 (24%)	423	
Transmission and distribution	4.8	362 887* (100%)	-	1 033 882 (0%)	1 396 769 (26%)	811	See our target and progress <a href="#">here</a>
Electricity	3.6	635 030 (100%)	1 404 (0%)	509 577 (0%)	1 146 012 (55%)	325	
Traders <sup>4</sup>	5.0	31 040 (0%)	58 411 (0%)	126 863 (0%)	216 315 (0%)	317	
<b>Total energy</b>		<b>1 216 960 (97%)</b>	<b>70 062 (0%)</b>	<b>2 254 873 (0%)</b>	<b>3 541 895 (33%)</b>	<b>659</b>	
<b>Real estate</b>							
Mortgages	3.0	1 575 569* (100%)		-	1 575 569 (100%)	21	See our target and progress <a href="#">here</a>
Commercial real estate <sup>5</sup>	3.3	513 579* (92%)	2 972 (0%)	1 122 074 (0%)	1 638 625 (29%)	121	
<b>Total real estate</b>		<b>2 089 148 (98%)</b>	<b>2 972 (0%)</b>	<b>1 122 074 (0%)</b>	<b>3 214 194 (64%)</b>	<b>36</b>	
<b>Food and beverage producers</b>							
<b>Food producers</b>	5.0	311 207	108 914	2 592 022	3 012 143	882	
<b>Beverages</b>	5.0	52 439	17 605	260 998	331 043	429	
<b>Total food and beverage producers</b>		<b>363 646</b>	<b>126 520</b>	<b>2 853 020</b>	<b>3 343 186</b>	<b>799</b>	
<b>Metals</b>							
Steel	3.7	580 974* (100%)		234 733 (0%)	815 707 (71%)	2 046	See our targets and progress <a href="#">here</a>
Aluminium	2.8	13 505* (100%)		6 629 (0%)	20 134 (67%)	1 325	
Remainder metals	5.0	192 842 (0%)	205 549 (0%)	2 091 882 (0%)	2 490 273 (0%)	904	
<b>Total metals<sup>6</sup></b>		<b>787 322 (76%<sup>6</sup>)</b>	<b>205 549</b>	<b>2 333 243 (0%)</b>	<b>3 326 114 (18%)</b>	<b>1 050</b>	
<b>Transport</b>							
Vehicle financing: Financial lease and loans <sup>7</sup>	3.2	1 072 520 (38%)	-	-	1 072 520 (38%)	200	See our targets and progress <a href="#">here</a>
Vehicle financing: Operational lease <sup>8</sup>	1.0 <sup>9</sup>	206 517 (81%)	-	-	206 517 (81%)	141	
<b>Shipping</b>	5.0	997 664	446	1 045 442	2 043 553	1 321	
<b>Automotive</b>	5.0	336 819	27 035	1 759 788	2 123 641	416	
<b>Aviation</b>	5.0	299 820	383	170 234	470 437	1 468	
<b>Total transport</b>		<b>2 913 340 (20%)</b>	<b>27 864 (0%)</b>	<b>2 975 464 (0%)</b>	<b>5 916 668 (10%)</b>	<b>429</b>	
Chemicals	5.0	1 133 083	73 880	1 084 110	2 291 073	844	
<b>Total White Paper sectors and product lines</b>		<b>15 935 780</b>	<b>624 201</b>	<b>19 308 141</b>	<b>35 868 122</b>		
Share as a % covered by a climate target			(71%)	(0%)	(33%)		





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Product lines and sectors	Data quality level score	Financed GHG emissions (tonnes CO <sub>2</sub> e) (share as a % covered by a climate target)				
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO <sub>2</sub> e/m euro)
<b>REMAINING SECTORS</b>						
Services	5	1 670 827	181 294	6 178 993	8 031 114	378
Distribution	5	1 229 172	6 477	3 260 561	4 496 209	268
Finance and insurance	5	524 984	38 499	1 684 948	2 248 431	161
Machinery and heavy equipment	5	100 559	34 166	739 912	874 638	452
Authorities	5	89 916	48 372	673 360	811 648	156
Water	5	429 877	4 565	269 016	703 457	964
Timber and wooden furniture	5	120 227	10 537	480 052	610 816	695
Electrotechnics	5	81 856	16 255	463 356	561 467	488
Textile and apparel	5	34 068	16 137	492 709	542 914	667
Catering and hospitality	5	32 337	15 631	411 497	459 465	303
Paper and pulp	5	62 614	10 995	206 349	279 958	410
Traders	5	53 948	19	111 750	165 717	198
Consumer products	5	30 782	3 317	122 270	156 369	573
IT	5	22 031	2 642	75 527	100 200	219
Media	5	21 458	2 942	75 392	99 791	229
Telecom	5	7 599	1 014	39 844	48 457	92
Tobacco <sup>10</sup>	5	2	0	8	11	385
<b>Total remaining sectors</b>		<b>4 512 257</b>	<b>392 862</b>	<b>15 285 545</b>	<b>20 190 665</b>	
<b>Total</b>		<b>20 448 038</b>	<b>1 017 063</b>	<b>34 593 686</b>	<b>56 058 787</b>	<b>280<sup>11</sup></b>
Share as a % covered by a climate target		(55%)	(0%)	(21%)		

The overview of these financed emissions is based on the PCAF Global Standard and is not comparable with similar information in other reports released by KBC (such as the EBA Pillar 3 reporting) due to differences in scope and calculation methods.

<sup>#</sup> Includes a fraction of Scope 2 emissions which could not be further split and is therefore stated under Scope 1 for presentation purposes.

<sup>1</sup> Data quality scores are in accordance with the PCAF data quality scoring method, as specified in [The Global GHG Accounting and Reporting Standard for the Financial Industry](#). A score of 1 reflects the highest data quality and a score of 5 is the lowest data quality. Scores reflect the overall quality levels of associated Scope 1, 2 and 3 financed GHG emissions calculations, and may therefore differ from the quality scores mentioned in the 'Climate target setting' chapter of the [Methodologies explained](#) appendix of this report. We acknowledge that the data collection process related to climate related data of our business portfolios is incomplete and we will continue to improve the data quality going forward.

<sup>2</sup> In contrast to our 2022 financed emission calculations this figure now includes financed emissions associated with our exposure related to forestry, hunting, fishing and landscape service activities, which is not included in the scope of our agriculture sector climate target. The 100% target coverage of Scope 1 emissions is a rounding effect.

<sup>3</sup> A separate PCAF calculation is performed for the cement sector, but no subdivision is available for Scope 1 and 2 financed emissions. The remainder building and construction sector was calculated as the difference between the total building and construction and the cement sector calculations. The share of financed emissions covered by the climate target applies to total financed Scope 1 + 2 GHG emissions but is stated under Scope 1 for presentation purposes.

<sup>4</sup> First time publication of financed emissions as this was previously not included in our energy sector calculations.

<sup>5</sup> Separately reported Scope 2 and 3 financed emissions relate to real estate development financing that is not included in our climate target scope. Please note that the associated PCAF quality score for real estate development financing is 5. As there are no separate Scope 1 and 2 emission factors for residential real estate, Scope 1 financed emissions also include a fraction of Scope 2 associated emissions for residential real estate.

<sup>6</sup> A separate PCAF calculation is performed for the steel sector, but no subdivision is available for Scope 1 and 2 financed emissions. The 'remainder metals' sector was calculated as the difference between the total metals, steel and aluminium sector calculations. The share of financed emissions covered by the climate target is calculated with total financed Scope 1 + 2 GHG emissions, but it is stated under Scope 1 for presentation purposes.

<sup>7</sup> Financed emissions associated with vehicles may be double counted due to vehicle loans granted in the sectors specified separately in this table.

<sup>8</sup> This includes Scope 1 emissions associated with our own fleet, which is also included in our direct environmental footprint calculations and is double counted as a result.

<sup>9</sup> The PCAF score represents the score for the Belgian operational lease portfolio, which represents around 90% of the total operational lease portfolio.

<sup>10</sup> Associated exposure is immaterial, in run-off and predominantly recorded in the recently acquired KBC Bank Bulgaria. Data in this table is per end September 2023 and the involved exposure has matured per end December 2023.

<sup>11</sup> This figure was calculated based on aggregated outstanding exposure, as used for PCAF calculation purposes. Please note that this aggregated exposure does not mirror the same scope of the reported outstanding loan book of KBC as per 30 September 2023 as the calculations also include operational leasing, which is not included in the scope of loan book reporting. Also, for an approximate 4% of the outstanding loan book, no PCAF calculation could be made.

## Indirect environmental impact (Scope 3): insurance-associated emissions from insurance underwriting portfolio

Product lines and sectors	Data quality level score	Insurance-associated GHG emissions (tonnes CO <sub>2</sub> e)
<b>Personal motor lines</b>	3.2	324 413
<b>Commercial lines<sup>1</sup></b>	5	152 202
Agriculture, farming and fishing		37.5%
Services		8.6%
Water		4.9%
Electricity		4.5%
Building and construction		4.3%
Other sectors and unknown		40.2%

<sup>1</sup> Commercial lines are all types of insurance purchased by companies



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## Methodologies explained

We adopt a variety of methodologies to track and disclose the climate-related impact on and of our portfolios. The choice of the selected methodologies is driven by a combination of relevance and applicability for our business, as well as data availability. We use the outcomes to monitor and steer our portfolios in climate-related areas. We also use them to set targets and meet reporting requirements from regulators and supervisors.

In this section, we discuss the methodologies we use for portfolio assessment and potentially target setting for our lending, insurance and investment portfolios. We elaborate on:

- Our [climate target progress measurement for our lending portfolio](#);
- [PCAF](#) (Partnership for Carbon Accounting Financials);
- [PACTA](#) (Paris Agreement Capital Transition Assessment);
- [Trucost](#) data and methodology used for our investment portfolios;
- [EU Taxonomy voluntary reporting for mortgages](#).

## Climate target setting: progress measurement

### Data and measurement choices

We have used different methodologies to determine the GHG intensities that are reported in the '[Target setting in our lending business](#)' section of this report. In Table 7.1, we have listed which measurement methodologies we have used for each of the sectors.

We also list a 'data quality score' for each sector to indicate the quality of the non-financial information that served as an input for the GHG emission intensity calculation. This score is based on the PCAF data quality scores (ranging from '1' – highest – to '5' – lowest). The PCAF quality score cards can be consulted in the [PCAF Global Standard](#). For more information on PACTA (Paris Agreement Capital Transition Assessment) as a measurement method, kindly refer to the dedicated PACTA for Banks webpage.

We use actual financing (i.e. outstanding loan exposure) as widely as possible for our target and progress calculations in order to reflect the actual climate impact of associated financing. The only exception to this general rule relates to cement, steel and aluminium producers. These portfolios are much smaller than the other sectors and are limited to a handful of counterparties. To avoid large fluctuations during progress measurement, we based the targets and progress measurements for these sectors on granted loan exposure.

Table 7.1: Summary of data and measurement choices

Sector	Financial indicator	GHG emission intensity		Applicable PCAF data quality score <sup>1</sup> (quality score at baseline)	Applicable PCAF quality score card	Attribution approach
		Measurement method	Data source			
Electricity generation		PCAF	Reported GHG emissions and output (only partly verified) and country or subsector averages <sup>2</sup>	Weighted average score 2.5 (2.6)	Project finance and business loans	PCAF attribution approach for business loans to private companies and project finance
Residential real estate		PCAF-inspired <sup>3</sup>	Country- and EPC-specific PCAF emission factors Estimated m <sup>2</sup> values	Weighted average score 3.0 <sup>4</sup> (3.0)	Mortgages	See Table 7.2 for an overview of attribution approaches
Transport	Outstanding loan exposure	PCAF-inspired <sup>3</sup>	Contract data of the financed vehicle (e.g. registration information) Proxy data, i.e. mathematical WLTP averages per drive train technology	Weighted average score 3.2 (2.9)	Motor vehicle loans	Average emission intensity based on a best estimate of the emission intensity of the financed vehicle
Agriculture		PCAF	PCAF emission factors for agriculture (country and subsector specific)	Score 5.0 (5.0)	Business loans	Economic activity-based approach based on outstanding loan exposure
Cement		PACTA	Asset Impact's physical asset-level dataset <sup>5</sup>	Score 3.0 (3.0)	Business loans	Portfolio-weighted approach <sup>6</sup>
Steel	Granted loan exposure	PACTA	Asset Impact's physical asset-level dataset <sup>5</sup>	Score 3.0 (3.0)	Business loans	Portfolio-weighted approach <sup>6</sup>
Aluminium		Client data	Reported unverified GHG emission intensities	Score 2.0 <sup>2</sup> (2.0)	Business loans	Portfolio-weighted approach <sup>6</sup>

<sup>1</sup> Quality scores only refer to the quality level of the non-financial information used in the emission intensity calculations for our target progress. Variance in quality levels is a product of portfolio evolutions and changes in data quality levels. These scores may differ from those included in the '[Sustainability facts and figures](#)' data quality scores relate to the emission intensities within the scope of our target. The PCAF data quality scores in the '[Sustainability facts and figures](#)' section relate to financed Scope 1, 2 and 3 emissions, where the last emissions scope in particular has poorer data quality levels.

<sup>2</sup> Most recent available data used, which is a mix of 2021 and 2022 emission data.

<sup>3</sup> Related progress measurement based on an alternative calculation method, corresponding as closely as possible to the PCAF Global Standard. For these alternative calculations, we have endeavoured to ensure that our approach is technically robust and remains in very close observance of the spirit of PCAF. For residential real estate portfolios with no or insufficient data on financed floor area, the standard loan-by-loan PCAF calculation formula could not be applied. Thus, we applied an alternative portfolio-based calculation method to estimate the emission intensity of the subject portfolio. This alternative calculation method uses expert-based m<sup>2</sup> market values to estimate the financed floor area of the portfolio. It combines this information with the relevant PCAF emission factors to calculate an estimated financed emission intensity of the real estate portfolios in question. For transport, WLTP emission intensities of the financed passenger cars and light commercial vehicles have been used to define the portfolio baseline intensity. We believe that this metric corresponds more strongly to and hence allows better comparison with the EU CO<sub>2</sub> emission performance standards that apply to passenger cars and light commercial vehicles in accordance with Regulation (EU) 2019/631.

<sup>4</sup> PCAF-inspired weighted quality score is partially based on estimated EPC labels and m<sup>2</sup> per building. The quality score refers to the quality of the PCAF emission factors used.

<sup>5</sup> Most recent actual data used is from Asset Impact, i.e. emissions and production data per end 2022.

<sup>6</sup> GHG intensities of the companies in the portfolio are weighted according to their granted loan exposure in the portfolio. Note that portfolio emission intensity calculations exclude company exposures for which no information was available. For cement and steel, portfolio emission intensity calculations are based on company information representing 100% of the granted exposure. The aluminium portfolio emission intensity calculation is based on company information approximating 83% of the granted exposure. The measurement for steel and cement is based on PACTA and a similar method was applied for aluminium. These quality scores are thus an expression of the quality of the non-financial information used and not an expression of calculations based on the PCAF Global Standard. A full overview of the financed GHG emissions (including clients' Scope 3 emissions) and associated PCAF data quality scores is available in the '[Sustainability facts and figures](#)'.



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## Methodological limitations and data constraints

We conducted our progress measurement with as much integrity as possible. Nevertheless, there are notable shortcomings inherent to this type of work. **Below, we outline the main limitations in our approach:**

- **Data quality:** We rely on emission data, the quality of which is outlined in Table 7.1 of this appendix. A lower quality or availability of emission data logically results in a lower quality of the calculation of the portfolio emission intensity. We are pursuing efforts to further improve the emission data quality.
- **Changes in PCAF emission factor database:** In March 2023, PCAF released an updated PCAF emission factor database. The structure and sector mapping of the database changed substantially compared to the previous emission factor database. In 2024, we will further assess the implications of this database change but meanwhile have decided to keep the PCAF emission factors identical to those of last year.
- **Timing of reporting:** There may be a time lag between the reporting date of emission intensities and the reporting date of our progress measurement. The reporting date of our progress measurement is defined by the reporting date of our loan book data (30 September 2023). The emission intensity reporting dates are determined by the most recent reporting dates, which are based on either 2021, 2022 or most recent 2023 company- or asset-specific data. Where relevant, this is mentioned in Table 7.1.
- **Differences in reported emissions data:** Our access to emissions data is growing, and we are subsequently confronted with different sources of reported emissions data. Where data sources show different results for the same asset or counterparty, we engage with either the data provider, the client or both. In this way we can make informed decisions on the most suitable data source.
- **Difficulty applying available market standards in all contexts:** For the calculation of emission intensity progress, we act as closely as possible in line with the available market standards or data sources such as PCAF and PACTA, as referenced in Table 7.1. Nevertheless, certain contexts (including non-financial data constraints) prompted us to apply alternative calculation methods to estimate portfolio GHG intensities (see [Table 7.1](#) and Table 7.2). These alternative calculation methods take account of robust technical considerations and are very much in line with the spirit of the relevant market standard. However, for the reasons explained in earlier sections, they do not as yet follow the subject market standard to the letter.
- **Differences in local attribution approaches:** In the Technical Appendix of our [Climate Report](#), we highlighted that we could not uniformly apply the attribution of emission intensities across all KBC entities due to differences in local data availability. This statement still remains valid for our real estate portfolios, for which Table 7.2 outlines the attribution approaches of the different KBC entities.
- **Changes in portfolio emission intensities cannot always be entirely attributed to improvements in KBC's portfolio performance:** For example, methodological choices and data quality evolve and may affect emission intensity performances. We strive to continuously improve the quality scores of emission calculations, which may affect the outcomes of our calculations. In some cases, this impact may prompt us to consider the re-establishment of a more accurate baseline. This year, we established a recalculation policy, which specifies the circumstances (e.g. new data, an investment or divestment, or a change in methodology) under which we should consider recalculation. More information on our recalculation policy is available in the next part of this section.

Table 7.2 Emission attribution approaches in KBC entities for the real estate sector

Sector	Subsector	Belgium	Czech Republic	Hungary	Slovak Republic	Bulgaria
Real Estate						
	Mortgages and commercial residential real estate	Physical emission intensities are based on PCAF emission factors (CO <sub>2</sub> /m <sup>2</sup> ), weighted by the EPC label distribution (outstanding amount). Financed emissions are derived from the physical emission intensities and estimated m <sup>2</sup> financed.				Physical emission intensities are derived from financed emissions and estimated or actual m <sup>2</sup> financed. Financed emissions are based on PCAF emission factors, estimated or actual EPC label distribution (m <sup>2</sup> , or units) and an attribution factor (in most countries overall outstanding amount versus value at origination).
	Commercial non-residential real estate*	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and estimated financed m <sup>2</sup> .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated financed m <sup>2</sup> .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label and estimated and actual financed m <sup>2</sup> .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label and estimated financed m <sup>2</sup> .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and actual financed m <sup>2</sup> (based on outstanding versus value at origination).

\* Financed m<sup>2</sup> calculations are in some cases based on average m<sup>2</sup> price levels as determined during the 2021 baseline establishment. These average m<sup>2</sup> price levels have been kept constant since then.

## Recalculation policy

In 2023, we put a recalculation procedure in place for our CCCA targets and direct footprint. The procedure is based on the Greenhouse Gas Protocol.

In general, we aim for continuity in the baselines we use to assess the direct and indirect greenhouse gas emissions targets. **Three situations can possibly trigger a base year calculation:**

- Structural non-organic changes via acquisitions, divestures or mergers;
- Calculation methodology changes, including changes in the used assumptions;
- The discovery of data, calculation or methodological errors.

Improvements in data quality are not part of our recalculation criteria. An evaluation to recalculate the base year is triggered if the materiality assessment shows that the cumulative effect(s) of these three situations in scope exceed(s) a threshold of 5% change versus the actuals of a Key Performance Indicator (KPI).



## Partnership for Carbon Accounting Financials (PCAF)

### Financed emissions for lending

In 2023, we again calculated the Scope 3 financed greenhouse gas (GHG) emissions for our entire lending portfolio. We used the methodology developed by the [Partnership for Carbon Accounting Financials \(PCAF\)](#).

The scope of the calculations is mostly aligned with the CCCA climate target calculations.

- **The calculations for the sectors and products within the CCCA target scope are based on asset- and subsector specific data.**
- Mining, energy trading companies, motorcycles, bicycles and medium and heavy commercial trucks were not included in the CCCA climate target calculations. The results of these sectors are, however, incorporated in the calculations of the financed emissions of the entire KBC Group lending portfolio.

The calculations for the remainder of our portfolio are performed on a macro level. These thus only give a high-level indication about the emission weightiness of the different sectors and products in our loans portfolio. The real-world emissions of counterparty borrowers through our financing may differ.

The results of the calculations for the total lending portfolio of KBC Group can be found in the '[Sustainability facts and figures](#)' section of this report. More details about the calculations and the assumptions made can be found in the '[Target setting](#)' part of this appendix, the technical appendix of our [Climate Report](#) and the [PCAF appendix of the 2021 Sustainability Report](#).

### Insurance-associated emissions

PCAF published its standard for insurance in November 2022. In 2022, we made a first pilot calculation for the Belgian vehicle portfolio to get acquainted with the methodology. In 2023, we calculated the insurance-associated GHG emissions for commercial lines and private-use vehicles in all our core countries.

The approach to calculate insurance-associated emissions is similar to the approach taken for lending. An attribution factor is used to compute insurance-associated emissions. This attribution factor uses the yearly gross written premium to define which part of the emissions of the insured company or asset are associated to the insurance company.

The results of the calculations for the personal motor lines and commercial lines of KBC Group can be found in the '[Sustainability facts and figures](#)' section of this report.

### Methodology personal motor lines

To determine the emissions per vehicle, we used a combination of own and proxy emission data per vehicle type. We multiplied this with the average amount of kilometres driven per year based on country-level proxy data. This made it possible to calculate the total emissions per asset type for 2023.

In line with the methodology, the attribution factor of insurance-associated emissions is determined by PCAF through the ratio of the insurance gross written premium versus the total costs associated with vehicle ownership. PCAF has established a country-specific factor, which we used for our 2023 calculations. For Bulgaria, PCAF didn't foresee a country-specific attribution factor. We therefore used the regional average attribution factor as an alternative.

### Methodology commercial lines

Currently, we lack data of our insured commercial clients. We therefore used the PCAF proxy emission factor database to identify their allocated emissions. We used NACE-activity codes to determine the emissions of our commercial clients expressed in tonnes CO<sub>2</sub>e per million euros of turnover.

The attribution factor for commercial lines is the ratio of the insurance gross written premium versus the total turnover of the customer. We then calculated the insurance-associated emissions for commercial lines by multiplying the gross written premium with the PCAF emission factors.



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## Paris Agreement Capital Transition Assessment (PACTA)

KBC has been using PACTA since 2019 to understand and assess its indirect impact on the climate. With the publication of our [Climate Report](#), we took a further step in climate target setting. As a method, PACTA is a good fit with our overall target-setting approach, helping us to calculate and set climate targets for our cement and steel lending portfolios. For the energy sector, the PACTA results will continue to help us understand certain portfolio evolutions. This appendix gives a concise overview of the results of our 2023 PACTA assessment. Please refer to the dedicated [PACTA website](#) for a comprehensive overview of the sector scope and application approach of PACTA.

### Portfolio overview

With this year's analysis, KBC Group's granted exposure calculated in the scope of PACTA amounted to 4.6% (6 393 million euros) of the total industrial loan book compared to 3.2% reported last year. The increase is most notably due to the changed scope of the PACTA coverage. Shipping sector exposure<sup>1</sup> (1 578 million euros) was not covered in last year's PACTA exercise. The results of the exercise confirm that KBC Group's corporate industrial loan portfolio is exposed to a limited degree to companies that contribute the most to global CO<sub>2</sub> emissions in line with the existing activity scope of PACTA. **This finding is commensurate with the general risk appetite of KBC Group, as the loan books do not include large, single-name exposures to activities which contribute the most to global CO<sub>2</sub> emissions.**

For the fossil fuels, power, cement and steel sectors, any relevant PACTA results are included or considered in the sector parts of the '[Loan portfolio assessments](#)' section of this report. Also, where relevant, PACTA results are used in our White Paper analysis. For the car manufacturing, aviation and shipping sectors, no climate targets are currently set by KBC. The sections below give a brief overview of the key take-aways of the PACTA analysis.

Table 7.3: Overview of the sector activities within the scope of PACTA – reported figures per 30 September 2023

Sector	Granted exposure (in m euros) <sup>1</sup>	In % of KBC total industrial loan portfolio	Granted exposure (in m euros) matched to physical assets <sup>2</sup>
Power	3 387	2.5%	1 902
Shipping	1 578	1.1%	1 241
Steel	795	0.6%	795
Fossil fuels	227	0.2%	227
Heavy-duty vehicles	164	0.1%	148
Cement	134	0.1%	133
Light-duty vehicles	60	0.04%	60
Aviation	48	0.04%	17
<b>TOTAL</b>	<b>6 393</b>	<b>4.6%</b>	<b>4 524</b>

<sup>1</sup> Identified exposure to the subject subsector based on PACTA's specific methodological scope and may hence differ from sector exposures as mentioned in other parts of this report. The for KBC relevant sector PACTA scopes make up the following: electricity generation (for power), oil and gas extraction (for fossil fuels), raw material producers (for steel and cement), vehicle manufacturers (heavy-duty and light-duty vehicles), operators / owners (shipping) and operators (aviation). Subsequently other activities in these sectors' supply chains than those mentioned are not in the scope of this analysis.

<sup>2</sup> Identified exposure for which relevant PACTA physical asset level specific information was available.

Table 7.4: Overview of the reference scenarios used in the PACTA analysis

Scenario description <sup>1</sup>	Sector coverage
<b>NZE 2050 – IEA-NZE-2022-CO2-Intensity-Steel-Cement-start-yr-2022 and NZE 2050 – IEA-WEO-NZE-2022-Fossil-Fuels-Power-Auto-start-yr-2022<sup>2</sup>:</b> This scenario presents a 2022 update to the IEA Net Zero Emissions by 2050 (NZE) Scenario. Its central purpose is still to reach net zero emissions from the energy sector by 2050, but this updated version takes into account the latest information about energy markets and technologies and reflects concerns about energy security. Total electricity generation should grow faster than the global rate of economic growth across the period. Annual capacity additions of all renewables should quadruple between 2021 and 2030 and reach over 60% of total generation in 2030, hence no new unabated coal-fired plants are needed. By 2030, 60% of global car sales are electric and, by 2050, oil use in passenger cars and trucks will fall sharply as nearly all cars will be electric. The threshold for Steel is a function of the proportion of scrap use in total metallic inputs – the more scrap used, the lower the threshold – as the use of scrap in steel making inherently reduces emissions intensity. For steel with no scrap use, the proposed threshold is 400 kilogrammes CO <sub>2</sub> -equivalent per tonne (kg CO <sub>2</sub> e/t) of crude steel and for 100% scrap use it is 50 kg CO <sub>2</sub> e/t. Similarly, the threshold for Cement is a function of the proportion of clinker use – the more clinker used, the higher the threshold – given that use of supplementary cementitious materials (SCMs) leads to lower emissions intensity. For cement with 100% clinker use, the proposed threshold is 125 kg CO <sub>2</sub> e/t cement, while for full use of SCMs the threshold is 40 kg CO <sub>2</sub> e/t.	Steel, Cement, Fossil Fuels, Power, LDV
<b>1.5°C – JRC-GECO-2022-CO2-Intensity-Steel-Aviation-start-yr-2022 and 1.5°C – JRC-GECO-2022-Auto-HDV-Fossil-Fuels-Power-start-yr-2022<sup>3</sup>:</b> This scenario is developed by the Joint Research Centre, which is the European Commission's science service in support of policy making and is published as part of the JRC's annual Global Energy and Climate Outlook (GECO). It is a decarbonisation scenario designed to limit the global temperature increase to the 1.5°C Scenario. The scenario was designed with a global carbon budget over 2020-2100 (cumulated net CO <sub>2</sub> emissions) of approximately 400 GtCO <sub>2</sub> , resulting in a 50% probability of not exceeding the 1.5°C temperature limit in 2100.	Steel, Aviation, Fossil fuels, Power, LDV, HDV

<sup>1</sup> For more information about the scenarios, see the 'Methodology and Documents' section of the dedicated [PACTA webpage](#).

<sup>2</sup> For more information on the IEA scenarios, see World Energy Outlook 2022 – Analysis – IEA.

<sup>3</sup> For more information on the JRC GECO scenarios, see JRC Publications Repository – Global Energy and Climate Outlook 2022: Energy trade in a decarbonised world (europa.eu).

<sup>1</sup> Only exposure to ship owners and operators is in scope.



## Vehicle manufacturers

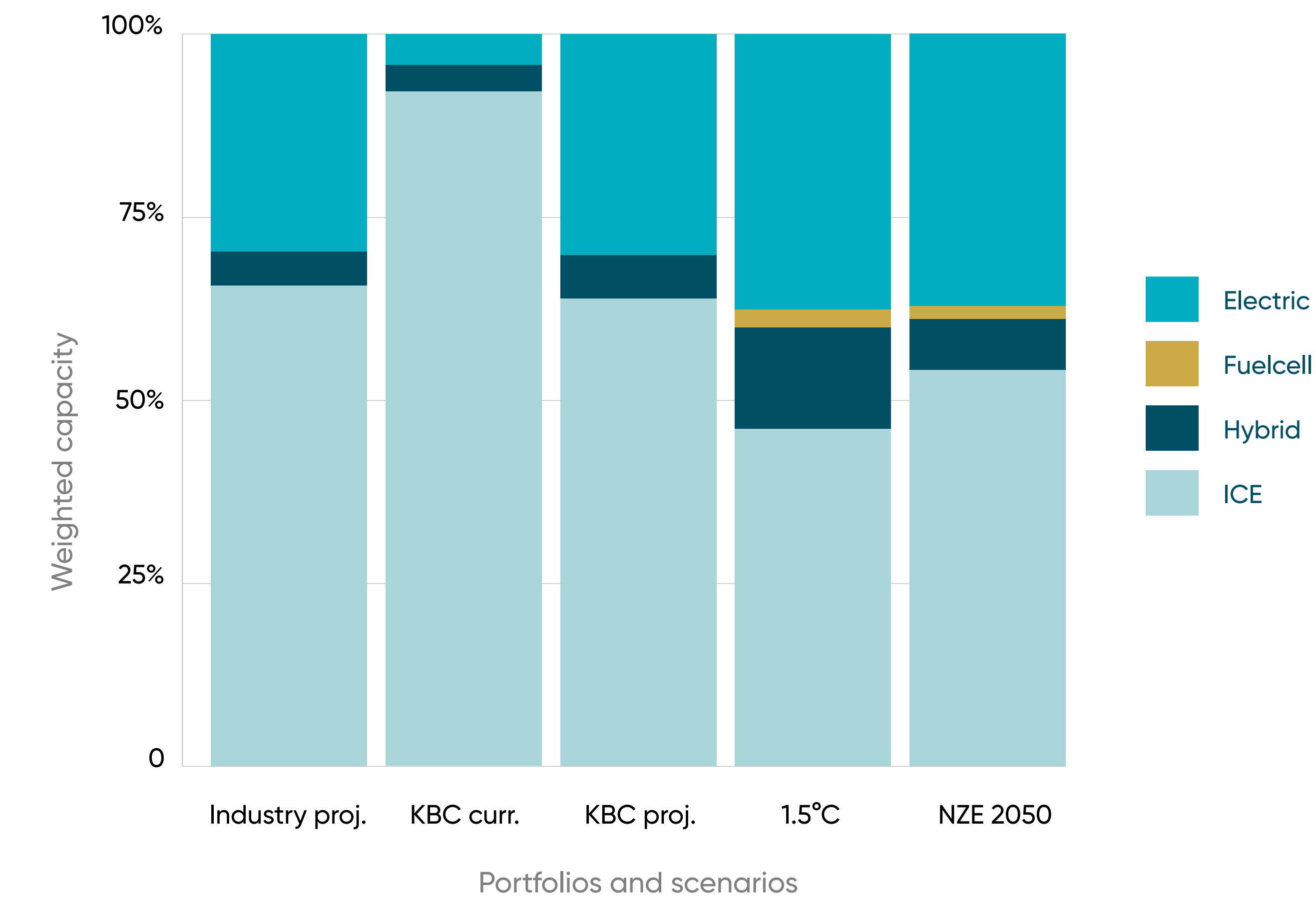
### Light-duty Vehicles (LDV) manufacturers

- **Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards LDV manufacturers aligns reasonably well with the '1.5°C' and 'NZE 2050' scenario pathways.**
- KBC Group's total granted exposure to the LDV manufacturers segment – i.e. the PACTA scope within the LDV sector – is 60 million euros which is less than the 65 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, **it is safe to conclude that KBC is only minimally (0.04%) exposed to this important climate-relevant activity.**
- All six corporates (eight last year) in KBC Group's loan portfolio could be matched to PACTA's physical asset-level database. This means that 100% (60 million euros) of granted exposure to the LDV manufacturer segment could be matched to the physical asset-level database.
- The PACTA model combines asset level data from car manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset level data comprises company information about current production capacity as well as new production capacity up to 2028, distributed across annual production volumes of LDV drivetrain technologies (Internal Combustion Engine (ICE), hybrid, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.1) outlines our portfolio's current and projected relative financial exposure to various drivetrain technologies. When comparing current and projected drivetrain technology mixes, we observe that the share of electric vehicles in our loan portfolio increases. At the same time the share of ICE vehicles in our loan portfolio reduces. Although the KBC's projected drop in the share of ICE vehicles does not fully align with the prescribed climate scenario paths, the projected increase in the share of electric vehicles moves in the right direction. Moreover, this year's '1.5°C' climate scenario pathway requires a substantially higher increase in the share of electric vehicles and, subsequently, lower ICE technology share compared to the last year's '1.5°C Unified' climate scenario pathway. This means that the '1.5°C' scenario pathway of this year's analysis is more challenging.

Graph 7.1: LDV sector results – technology mix (Source: KBC, RMI<sup>2</sup> and Asset Impact)

Industry 2028 projected portfolio, KBC current\* portfolio, KBC 2028 projected portfolio, and two scenario 2028 targets (1.5°C and NZE 2050). Technology mix for all except 'Industry projection' weighted by loan size per end September 2023.

\* Asset-level data per end 2022



<sup>2</sup> RMI, formerly Rocky Mountain Institute.



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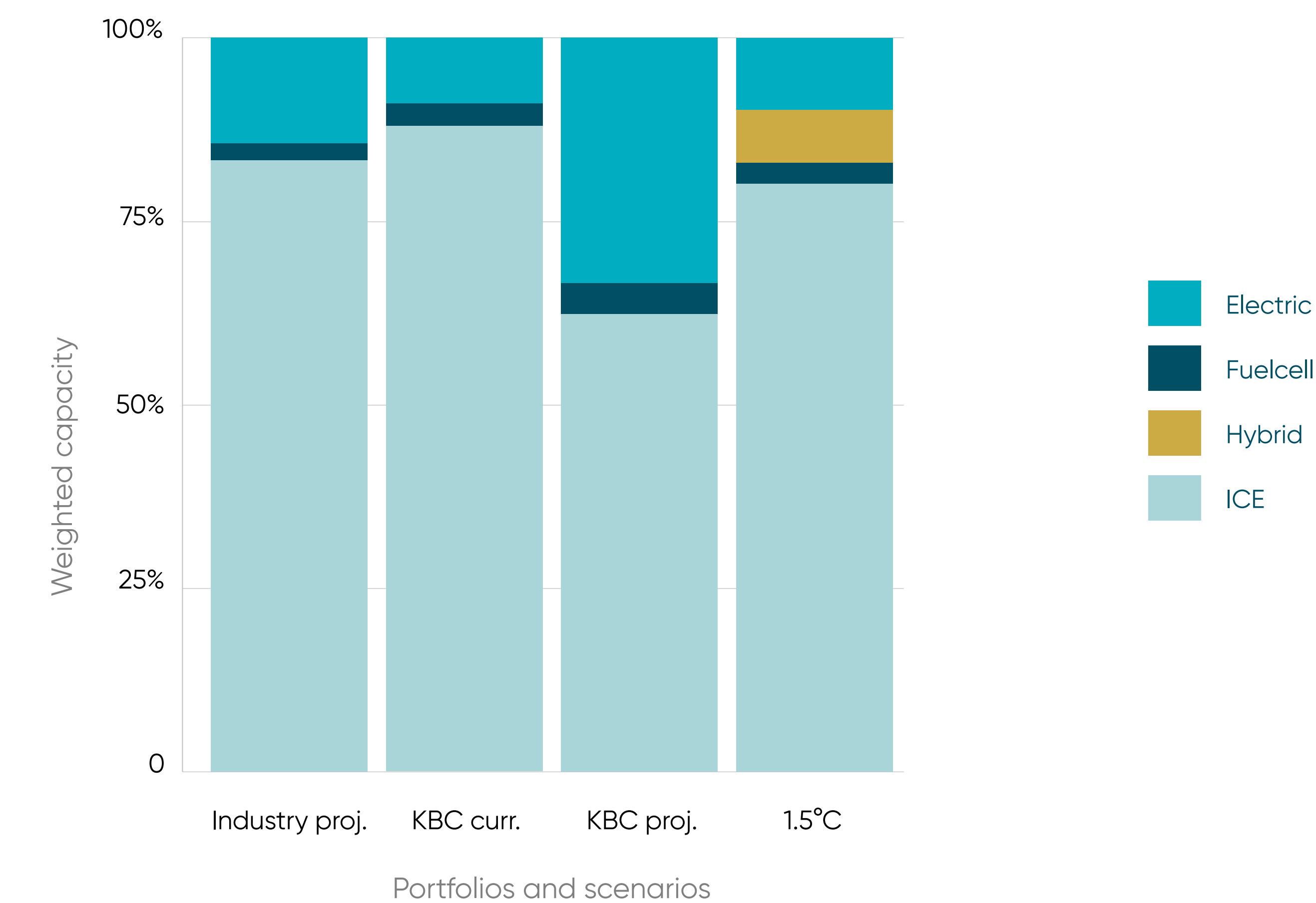
## Heavy-duty vehicles (HDV) manufacturers

- **Within the restricted scope of PACTA, we can infer that KBC's corresponding current and projected technology distribution mixes of its industrial loan portfolio towards HDV manufacturers are fully aligned with the '1.5°C' scenario pathway.**
- KBC Group's total granted exposure to the HDV manufacturers segment – i.e. the PACTA scope within the HDV sector – is 189 million euros<sup>3</sup>, compared to the 144 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, **it is safe to conclude that KBC is only minimally (0.1%) exposed to this important climate-relevant activity.**
- Seven corporates (four last year) in KBC Group's loan portfolio could be matched to the physical asset-level database. KBC Group's total exposure to these corporates represents 92% (173 million euros) of KBC Group's HDV manufacturers sector exposure within the PACTA scope. Of the exposure in scope, 64% is concentrated in a single company group, which means that the results below are particularly influenced by that group's investment plans.
- The PACTA model combines asset-level data from HDV manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset-level data comprises company information around current production capacity and new production capacity up to 2028, distributed across annual production volumes of HDV drivetrain technologies (Internal Combustion Engine (ICE), hybrid, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.2) outlines our portfolio's current and projected relative financial exposure to various drivetrain technologies. From this, we observe a substantial increase of the share of electric vehicles in our loan portfolio when comparing current and projected technology mixes. This projection, as well as the relative drop in the share of ICE vehicles, compare favourably with the **'1.5°C' scenario path.**

## Graph 7.2: HDV sector results – technology mix (Source: KBC, RMI and Asset Impact)

Industry 2028 projected portfolio, KBC current\* portfolio, KBC 2028 projected portfolio, and one 1.5°C scenario 2028 target. The technology mix for all except 'Industry projection' is weighted by loan size per end September 2023.

\* Asset-level data per end 2022



<sup>3</sup> Note that the total granted exposure of the PACTA analysis for the HDV sector is 25 million euros higher than reported in Table 7.3. This surplus exposure is also part of the PACTA analysis for the LDV sector and reported within LDV in Table 7.3. The reason for this is the fact that the underlying exposure is towards a company group whose activities and production are in scope of both the PACTA LDV and HDV sector. Since the loans have been granted to the top holding company whereas the operational activities are situated at a subsidiary level, it is not possible to correctly allocate the exposure across these two sectors.



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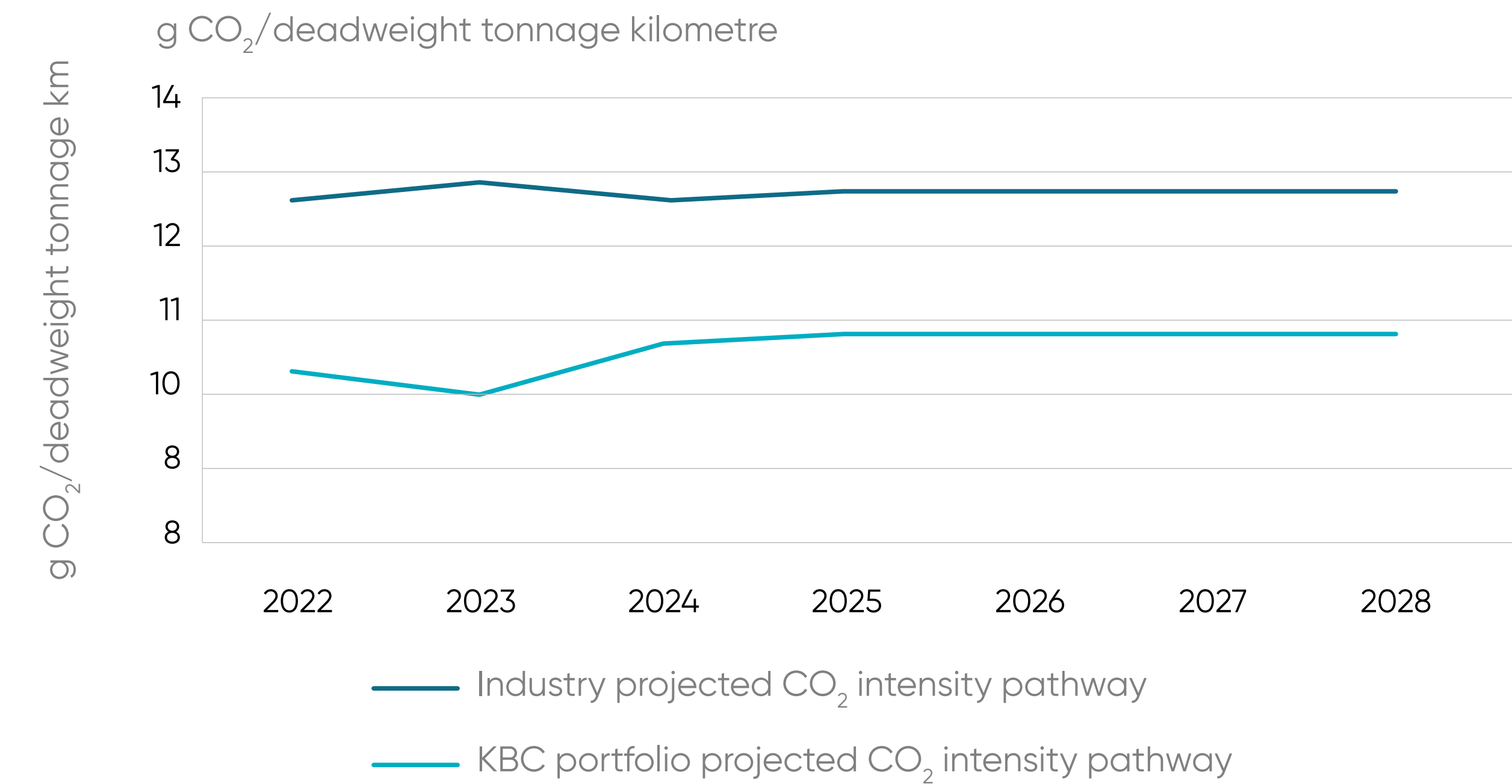


## Shipping

- KBC Group's total granted exposure towards the ship owners and operators' segment<sup>4</sup> is 1 578 million euros. When comparing this figure to KBC Group's overall industrial loan book, **it can be concluded that KBC is not significantly (1.1%) exposed to this important climate-relevant activity. Please note that this year, a White Paper analysis was performed on the Shipping sector (see 'Transport' section under the 'Sustainable Finance' chapter of this report). The scope of this White Paper exercise was broader than the scope of this PACTA analysis as it also comprises e.g. seaports and cargo handling operators.**
- Thirteen corporates in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 79% (1 241 million euros) of KBC Group's shipping exposure in scope of PACTA.
- A total of 69% (862 million euros) of the matched exposure is concentrated in one company group, which means that the results below are particularly influenced by this group's investment plans.
- The PACTA model combines physical asset-level data, i.e. the CO<sub>2</sub> intensity per deadweight tonnage kilometre up to 2028<sup>5</sup> of shipping operators and owners, with our loan portfolio data. The result of this is a loan portfolio weighted emission intensity per deadweight tonnage kilometre.
- Companies in the ship owners and operators' segment are currently likely to be constrained by similar technologies. Therefore, the 'Industry projected CO<sub>2</sub> intensity pathway' and the 'KBC portfolio projected CO<sub>2</sub> intensity pathway' are almost horizontal lines on Graph 7.3. **On the positive side, we observe that the KBC portfolio's current CO<sub>2</sub> intensity is somewhat better than that of the asset-level data company universe<sup>6</sup> used for this analysis.**

Graph 7.3: Shipping sector results – emission intensities, weighted by loan size (data per end September 2023) for KBC's pathway (Source: KBC, RMI and Asset Impact)

Industry projected portfolio and KBC projected portfolio (weighted by loan size)



<sup>4</sup> i.e., the PACTA scope within the shipping sector since vessel parts suppliers and ship manufacturers are out of scope of PACTA.

<sup>5</sup> This emission intensity is calculated by combining information on deadweight tonnage kilometre per year with applicable emission factors of the ship owners and operators.

<sup>6</sup> This reflects the aggregated CO<sub>2</sub> intensity of all ship operators and owners included in the asset-level dataset which is likely to be only a subset of the whole ship owners/operators industry. For ease of reference the graph refers to 'industry.'



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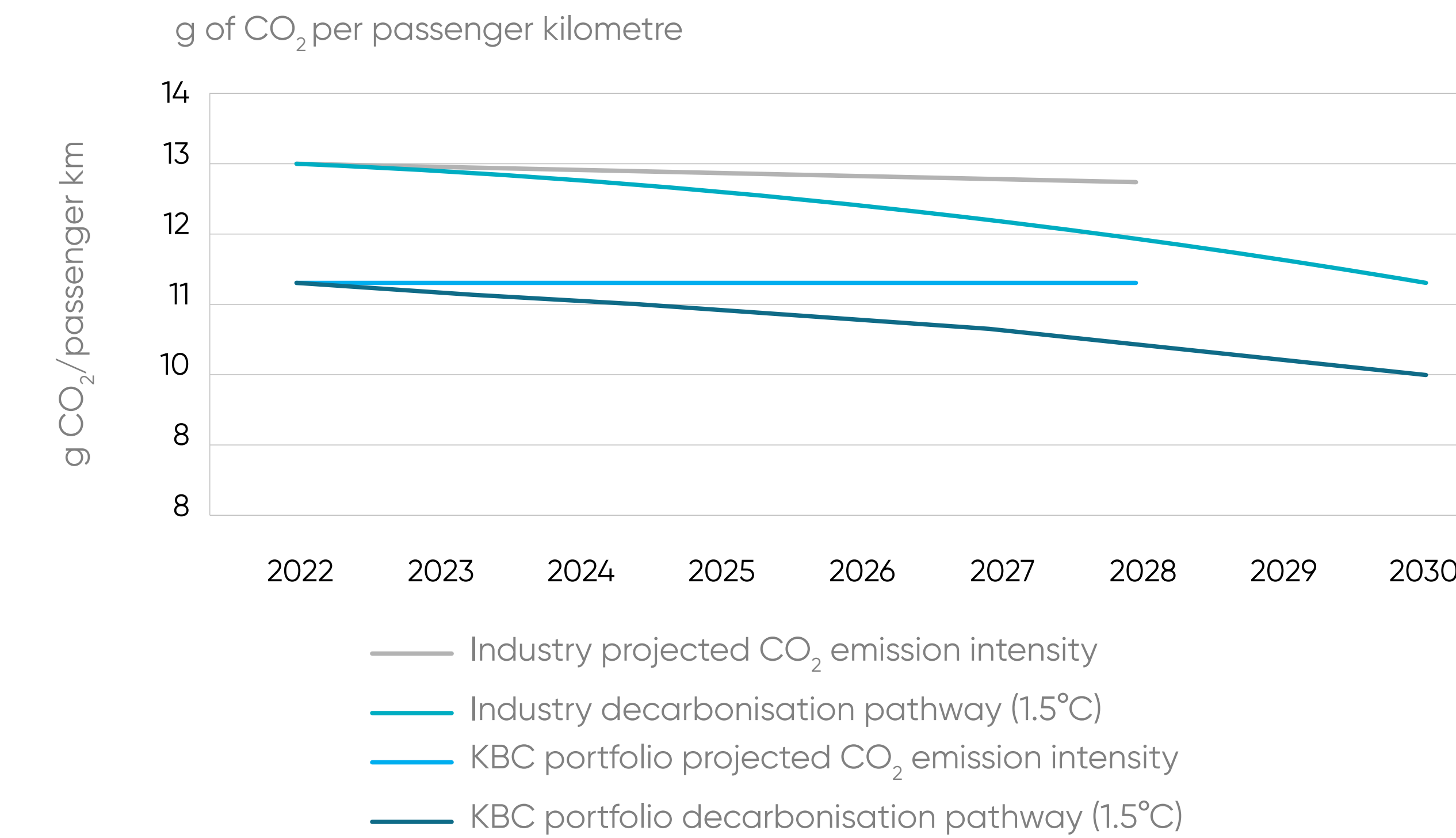


## Aviation

- Within the restricted scope of PACTA, we can infer that KBC's corresponding current emission intensity is below the current and projected industry emission intensity. Given the level of technological constraints, both KBC's projected portfolio as well as the industry projected portfolio are not aligned with a '1.5°C' pathway.
- KBC Group's total granted exposure towards the Aviation operator segment<sup>7</sup> is 48 million euros, compared to the 62 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it can be concluded that KBC is only minimally (0.04%) exposed to this important climate-relevant activity. Please note that this year, a White Paper analysis was performed on the Aviation sector (see 'Transport' section under the 'Sustainable Finance' chapter of this report). The scope of this White Paper exercise was broader than the scope of this PACTA analysis as it also comprises airports and freight airline operators, for example.
- Four corporates (i.e. same number as last year) in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 36% (17 million euros) of KBC Group's aviation exposure in scope of PACTA, therefore the results may not be representative for the whole Aviation sector exposures of KBC Group.
- Of the matched exposure, 63% (11 million euros) is concentrated in one company group, which means that the results below are particularly influenced by this group's investment plans, however, the exposure amount concerned – despite the high proportion – is still limited.
- The PACTA model combines physical asset-level data, i.e. the emission intensity per passenger kilometre up to 20 288 of aviation operators, with our loan portfolio data. The result of this is a loan portfolio-weighted emission intensity per passenger kilometre.
- Since companies in the Aviation operator segment are currently likely to be constrained by similar technologies, the 'Industry projected CO<sub>2</sub> intensity pathway' and the 'KBC portfolio projected CO<sub>2</sub> intensity pathway' hardly show any evolution in Graph 7.4 over the next few years.
- As the KBC portfolio's current CO<sub>2</sub> intensity is somewhat below that of the industry (similar to last year's results), the pathway that the companies in KBC's loan portfolio needs to follow is less steep than the industry average in the climate risk scenario used. Note also that this year's KBC portfolio emission intensity of 0.0933 kg of CO<sub>2</sub> per passenger kilometre is lower than the 0.096 portfolio emission intensity reported last year.
- However, as mentioned above, the matching rate in this sector is relatively low, as only 36% of the sector exposure could be matched to company physical asset-level data. As a consequence, the presented results may not be representative for the whole Aviation sector exposure of KBC Group.

Graph 7.4: Aviation sector results – emission intensities, weighted by loan size (data per end September 2023) for KBC projections (Source: KBC, RMI and Asset Impact)

Industry projected portfolio, 1.5°C pathway and KBC projected portfolio (weighted by loan size)



<sup>7</sup> i.e., the PACTA scope within the aviation sector, since aircraft parts suppliers, aircraft manufacturers and aircraft owners are out of scope of PACTA.

<sup>8</sup> This emission intensity is calculated by combining information on passenger kilometre per year with applicable emission factors of the aviation operators.



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## Trucost data and methodology

KBC uses the Trucost methodology to assess and disclose the carbon intensity of its most significant investment portfolios. This section first elaborates on this methodology and how it was applied to KBC's investments. The chapter goes on to separately address the results for the investment products offered by KBC Asset Management, the own investments of KBC Insurance NV and investments by *Pensioenfond KBC*. Please note that the findings we present here need to be interpreted with caution and nuance, as we are still building on our experience with the methodology and datasets.

### Trucost methodology further explained

In this section, we further discuss how we applied the Trucost methodology to our main investment portfolios. The methodology for corporates and sovereigns is slightly different. We therefore discuss these separately.

## Corporate portfolio

**The carbon intensity of our corporate portfolios is measured in terms of tonnes of CO<sub>2</sub>e per million US dollars of revenues.**

To map emission data on the companies in our portfolio, **we followed a four-step approach:**

- Analyse financial and sector data;
- Map each company's revenues to a business activity and its associated environmental impact;
- Incorporate usable environmental data from publicly disclosed data sources;
- Company engagement and data verification.

We used the available Trucost data to map carbon emissions to the companies in our portfolios. The Trucost database covers the emission data of a wide range of companies and over 450 business activities. For equity investments, we linked directly to the relevant issuer data. For corporate bond investments, in some cases no direct link was available. In these cases, the data of the ultimate parent company were used.

We used the most recent data available. However, we noticed a considerable time lag in linking end Q3 2023 positions to emission data. A large majority of inputs were based on issuers' 2021 emission data. The timing of the update depends on the updating process of our data provider. This, in turn, depends on the level of disclosures of the companies.

The calculations take into account Scope 1 (direct emissions) and Scope 2 emissions (e.g. purchased electricity). These data points are the most reliable at this point in time.

The Sustainable Finance Disclosure Regulation (SFDR) will require Scope 3 emissions to also be included from 2024 onwards. Scope 3 emissions are a broad set of indirect emissions related to companies. These cover both upstream activities related to the supply chain and downstream activities, such as the use of sold products. Including Scope 3 emissions in the carbon intensity of a company provides the most accurate and complete assessment. However, for the time being, we have decided to leave Scope 3 emissions out of our calculations. This is principally due to limited data availability and the fact that the companies in our portfolios themselves are often not required to report on their Scope 3 emissions at this point in time. We will continue to monitor the development of Scope 3 disclosures.

**The results are expressed as weighted average carbon intensity scores. The weight is determined according to our investment exposures.** We have chosen to use carbon intensity, as this is a normalised number which should be less dependent on economic cycles. In addition, carbon intensity is the metric recommended by the TCFD (Task Force on Climate-related Financial Disclosure).

Finally, we created a reconstruction of the historic evolution in the carbon intensity of our portfolios and their benchmarks. To do so, we made assumptions about which data were available at the specific time of our calculations, as not all companies provide such data within a fixed timeframe.



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## Methodology for Sovereigns

The weighted carbon intensity of our sovereign portfolios is measured in terms of tonnes of CO<sub>2</sub>e per million US dollars of Gross Domestic Product (GDP) based on data from the International Monetary Fund (IMF).

The Trucost database covers almost 100% of our total sovereign bond portfolio. This is because our investment solutions typically do not invest in sovereign-related bonds of countries where the data is incomplete.

The financial instruments within the scope of this assessment are bonds from sovereigns, sub-sovereigns and supranationals. For the calculations, we used data from Trucost and GDP data from the International Monetary Fund (IMF). For sub-sovereigns, we used data from the parent countries. For supranationals, we assigned carbon intensities as a weighted average of member states based on voting power, paid-in capital or percentage of population.

There are multiple ways in which a sovereign could be defined. For our purposes, we chose to approach a government as a regulator of all economic activities in its territory. As such, when calculating the carbon intensity of a sovereign, it is necessary to include all emissions generated within the territorial boundaries with its own emissions making up its direct emissions, while indirect emissions would include those of its imports from other nations.

Based on the above, we calculated the emission intensity of sovereign portfolios derived from:

- **Territorial emissions:** These consider all economic activities within a country, including land use, land use change and forestry, as reported by [PRIMAP](#). The PRIMAP dataset combines several published datasets to create a comprehensive set of GHG emission pathways.
- **Emissions related to imports:** Meaning direct and indirect imports from other nations. These are also based on the PRIMAP dataset.

The results are expressed as weighted average carbon intensity scores. The weight is determined according to our investment exposures. We have chosen to use carbon intensity, as this is a normalised number which should be less dependent on economic cycles. In addition, carbon intensity is the metric recommended by the TCFD.

## Results of the Trucost assessment

### Investment products offered by KBC Asset Management

KBC AM has mapped and reported on the GHG emissions and carbon intensity of investment portfolios since 2020. The scope of this exercise included **all open investment products managed by KBC Asset Management**. This included investment products for retail and institutional clients. Structured products were not in scope. The scope covered more than 90% of invested assets at KBC AM.

The scope of this exercise also **only took into account direct investments in equities, corporate bonds and government-linked bonds** within the investment products. This also covered over 90% of the investments for the products in scope. This means that indirect investments via Third Party Funds, cash and exposures via derivatives were not included in the calculations.

The Trucost methodology was then used to calculate a weighted average carbon intensity for its investment products. In doing so, the aggregate GHG emissions of the investment products were weighed against total investment exposures.



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## Equity and corporate bonds

We calculated the **carbon intensity for our equity and corporate bond investments in terms of tonnes of CO<sub>2</sub>e per million US dollars of revenues**. The scope of the calculation covers 96% of **all equity and corporate bond investments of the portfolios in scope** based on our positions at the end of Q3 2023. This is a slight improvement versus 2022 and is comparable to global benchmark coverage rates.

Table 7.5: Weighted average carbon intensity of all equity and corporate bond investments<sup>1</sup>

Weighted average carbon intensity Scope 1 + Scope 2 (CO <sub>2</sub> e per million US dollar of revenues) <sup>1</sup>	2023 <sup>3</sup>	2022	2021	2020 <sup>4</sup>	2019 <sup>4</sup>
All KBC Funds	75	89	95	115	157
KBC Responsible Investing Funds	60	73	95	121	117
MSCI World AC (benchmark) <sup>2</sup>	151	188	161	166	203
Iboxx EUR corporates (benchmark) <sup>2</sup>	129	157	162	166	180

<sup>1</sup> Source S&P Trucost Limited © Trucost (2023).

<sup>2</sup> Please note that calculated figures for indices do not necessarily coincide with disclosures of index providers, as there is dependency on the data provider used.

<sup>3</sup> The majority of emission data used in this table is based on 2021 figures.

<sup>4</sup> End-of-year data

The calculations are based on a large set of portfolios. The results therefore need to be interpreted with caution. Nevertheless, the results suggest the following:

- The carbon intensity of our corporate and equity bond portfolio has decreased since 2019. The overall decrease in the last year is in line with the decrease of the benchmarks.
- Our funds and mandates have lower carbon intensity measures than broad benchmarks such as MSCI World AC and Iboxx EUR corporates. This comparison is however imperfect, as not all funds can be compared to a broad benchmark. **However, we would like to stress that, since 2020, all of KBC AM's active investment products exclude companies involved in the extraction of thermal coal and in the generation of electricity based on thermal coal** (25% threshold end of 2020 and 0% threshold since the second half of 2021).
- In general, **KBC's Responsible Investing (RI) funds have lower weighted average carbon intensity scores than KBC's conventional funds**. This is due to stricter portfolio targets related to the carbon intensity of our RI funds and a stricter exclusion of fossil fuels. For further reading on our RI methodology, we refer to the '[Responsible Investing on behalf of our clients](#)' part of this report.

## Sovereigns

We measure the **weighted average carbon intensity related to the domestic production and imports of our total sovereigns, sub-sovereigns and supranationals bond portfolio based on CO<sub>2</sub>e per million US dollars of Gross Domestic Product (GDP)**. The exercise covered almost 100% of our total sovereign bond portfolio.

The results of the calculations are shown in Table 7.6.

Table 7.6: Weighted average carbon intensity of total sovereign bond portfolio

Weighted average carbon intensity sovereigns (CO <sub>2</sub> e per million US dollar of GDP) <sup>1</sup>	2023	2022	2021	2020 <sup>3</sup>	2019 <sup>3</sup>
KBC all funds	506	480	511	504	504
KBC Responsible Investing funds	365	368	376	406	414
JPM EMU Govies (benchmark)	328	328	347	375	378
World benchmark Govies (benchmark) <sup>2</sup>	555	573	625	627	653

<sup>1</sup> Source S&P Trucost Limited © Trucost (2023)

<sup>2</sup> The world benchmark for government bonds is composed of 2/3 JPM Government Bond Index Global and 1/3 JPM Government Bond Index Emerging Markets.

<sup>3</sup> End-of-year data

Again, the calculations are based on a large set of portfolios. We therefore draw the following conclusions with caution:

- The carbon intensities of sovereigns appear to be more stable over time than for companies. This is the case both for our portfolios and the EMU (Economic and Monetary Union) benchmark.
- The carbon intensities of our aggregated portfolios are higher than the EMU benchmark. This is due to our high exposure to emerging market sovereigns and to developed markets sovereigns with higher carbon intensity scores such as Belgium, the Netherlands and the US. The increase in the last year can be explained by an increased investment in sovereign bonds of Hungary and Czech Republic and an increased allocation to emerging market sovereign bonds.
- The carbon intensities of our Responsible Investing funds are lower compared to all funds. This reflects the carbon target at portfolio level, our exclusion policies and the fact that these funds are more geared to lower carbon intensity eurozone sovereigns. The weighted average carbon intensity of these RI funds remained approximately stable in the last year.
- In conclusion, **in 2023 we saw an improvement in carbon intensity figures for corporates both for all funds and RI funds. Certainly the RI funds show a lower carbon intensity than all other funds. We saw a slight increase in the carbon intensity of our sovereign exposure in all funds, mainly explained by more investments in Czech and Hungarian government bonds and a stable figure for RI funds. We note that the funds that have an explicit carbon reduction target were already lower than their commitment at Q3 2023. We refer to the '[Responsible Investing on behalf of our clients](#)' part for more details.**





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However, it is important to note that potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at any point in the future. Substantial changes in this allocation may also occur due to a significant change in the product mix offered to our clients and may lead to a restatement of the target by 2030.

**KBC AM aims to reduce the emissions of its investment portfolios in several ways.**

- KBC AM encourages companies to reduce their emissions by engagement, i.e. by interacting with investee companies to discuss specific concerns.
- Strict exclusion criteria related to fossil fuels apply to all its funds. Responsible Investing funds have been divesting from fossil fuels since 2019. Active conventional and responsible funds divested from thermal coal in 2020. More details on our exclusion policies and their scope can be found [here](#) and [here](#).
- In 2020, KBC AM joined the investor initiative Climate Action 100+. KBC AM continues to monitor the assessment of companies on the Net-Zero Company benchmark of the Climate Action 100+ to encourage developments and potentially take further action via its Proxy Voting and Engagement Committee if no sufficient progress is being made. More details on investee engagement and the Climate Action 100+ can be found in the [‘Responsible Investing on behalf of our clients’](#) part of this report.

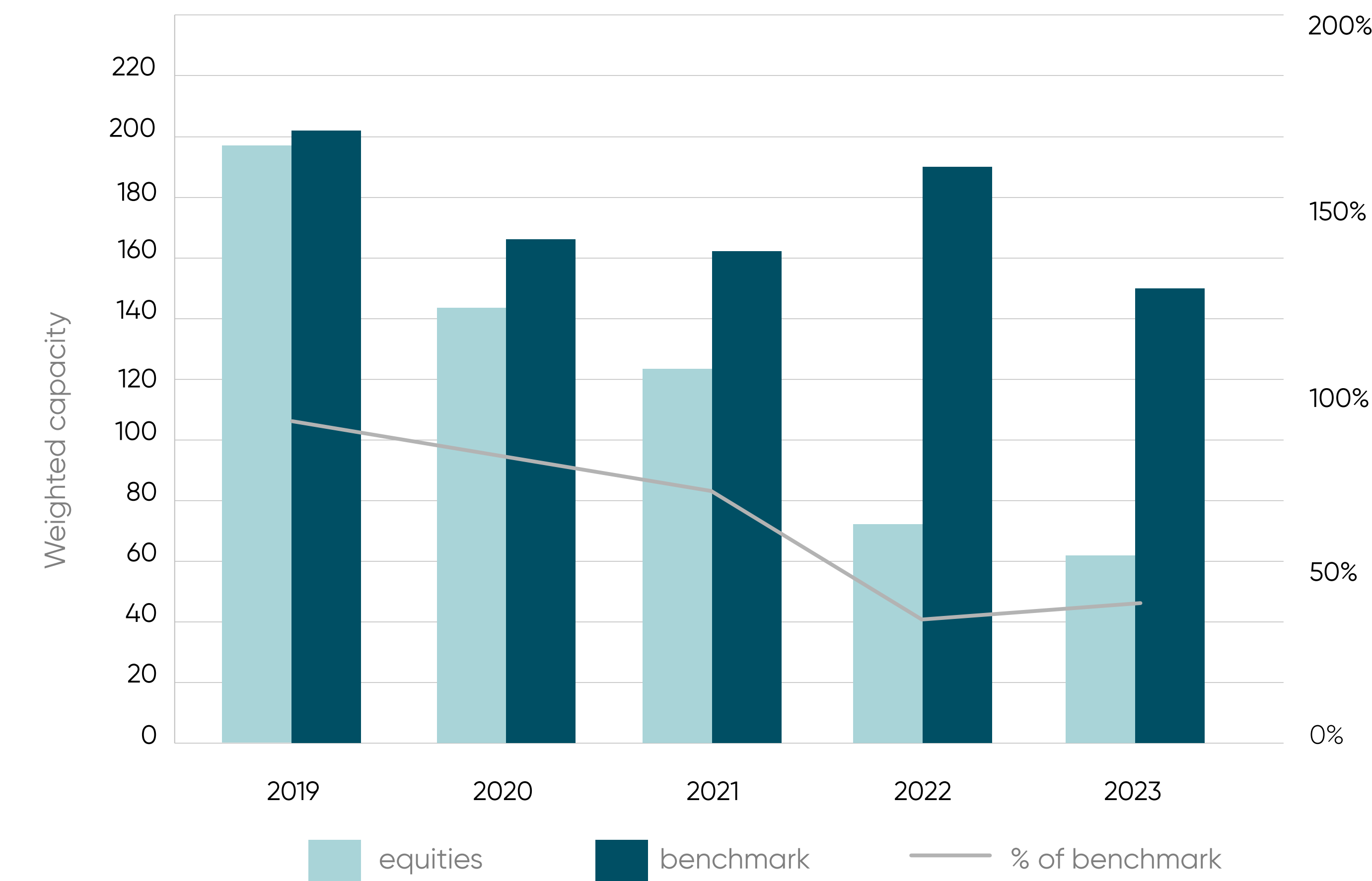
**Own investments of KBC Insurance NV**

The largest part of the insurance investment portfolio is held by KBC Insurance NV, i.e. 88% of the total investments of KBC Insurance Group<sup>9</sup>. We therefore calculated the weighted average carbon intensity of the listed equity, government and corporate bond portfolios of KBC Insurance NV. For all three asset classes, the assessment calculates the weighted carbon intensity of the portfolio. For equity and corporate bonds, the assessment is done in million US dollars of revenues. For government bonds, the assessment is done in million US dollars GDP. Furthermore, the results are compared with relevant benchmarks. We are very proud that the carbon intensity of the equity and corporate bond portfolios have been outperforming the relevant benchmarks and have been on a solid reduction trajectory since 2019.

**Equities**

The listed equity portfolio of KBC Insurance NV represented a market value of 1.1 billion euros. The carbon intensity of this portfolio stood at around 42% of the MSCI World AC benchmark in September 2023. Moreover, it has declined significantly by 68% since 2019.

**Graph 7.5: Weighted average carbon intensity of KBC Insurance NV’s equity portfolio compared to the benchmark MSCI World AC**



Graph 7.5 shows the weighted average carbon intensity of KBC Insurance NV’s equity portfolio. It shows the CO<sub>2</sub>e emissions of the portfolio per million US dollars of revenues (left axis) and the relative weight of the carbon intensity of the portfolio compared to its benchmark (right axis).

At the end of 2019, the carbon intensity of KBC Insurance NV’s equity portfolio was comparable with the MSCI World AC benchmark. However, its carbon intensity has fallen much faster, i.e. by 68% versus a 26% reduction in the benchmark.

This decrease follows the implementation path of the update of the [KBC Group Investment Policy](#). It is worth noting that the exclusion policies related to fossil fuels and thermal coal related activities had a major positive impact on carbon intensity levels.

<sup>9</sup> KBC Insurance Group representing all insurance entities within the KBC Group (KBC Verzekeringen, Group Re, ČSOB Poj CZ, ČSOB Poj SK, DZI and K&H Insurance)





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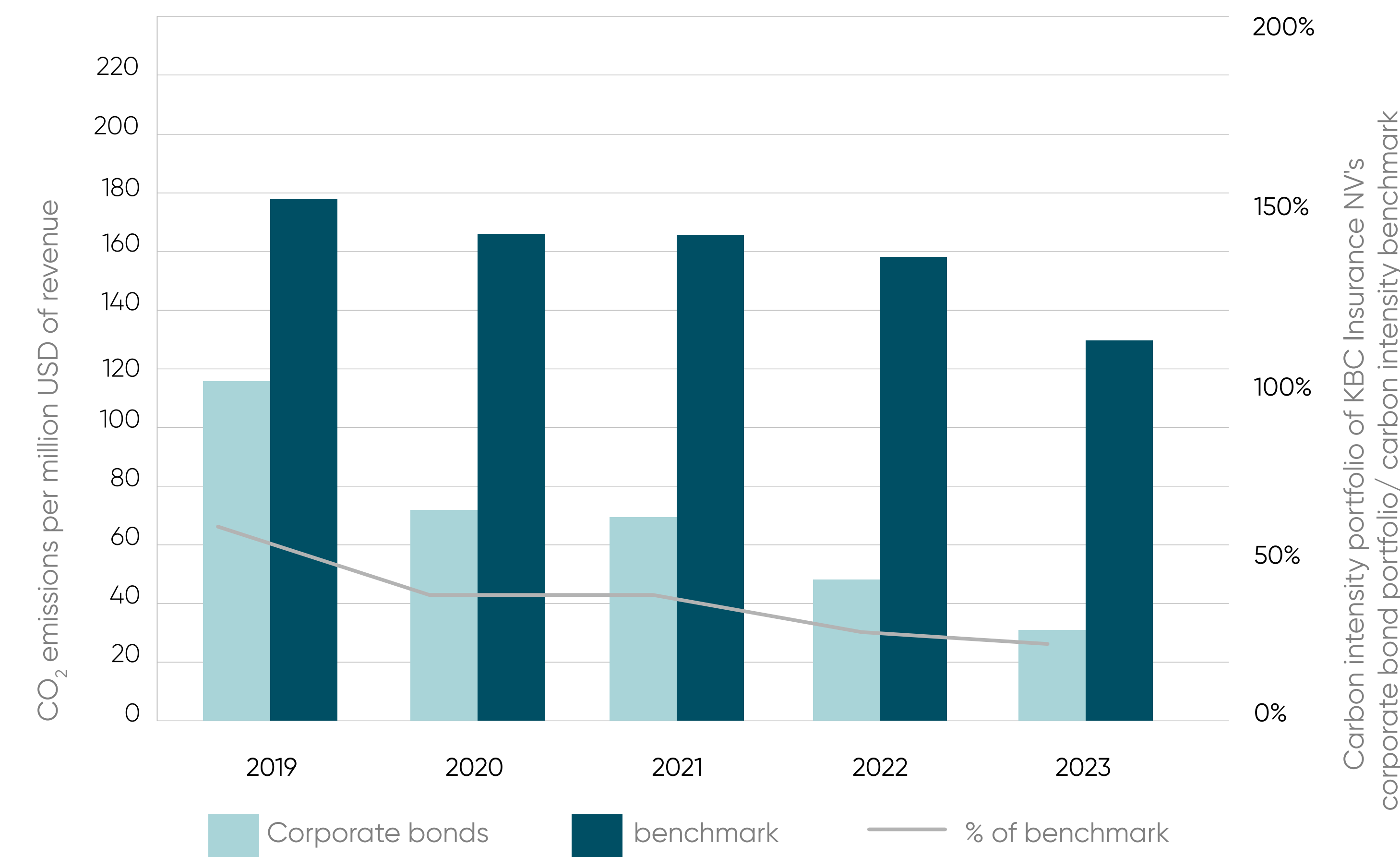
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## Corporate Bonds

The corporate bond portfolio of KBC insurance NV represented a market value of 4.8 billion euros in September 2023. The evolution of the carbon intensity of the portfolio, and the comparison to its benchmark, are depicted in Graph 7.6. The graph shows that, in 2022, the carbon intensity represented 24% of the Iboxx EUR Corporates benchmark. Moreover, it had declined by 73% since 2019.

Graph 7.6: Weighted average carbon intensity of KBC Insurance NV's corporate bond portfolio compared to the benchmark (Iboxx EUR Corporates)

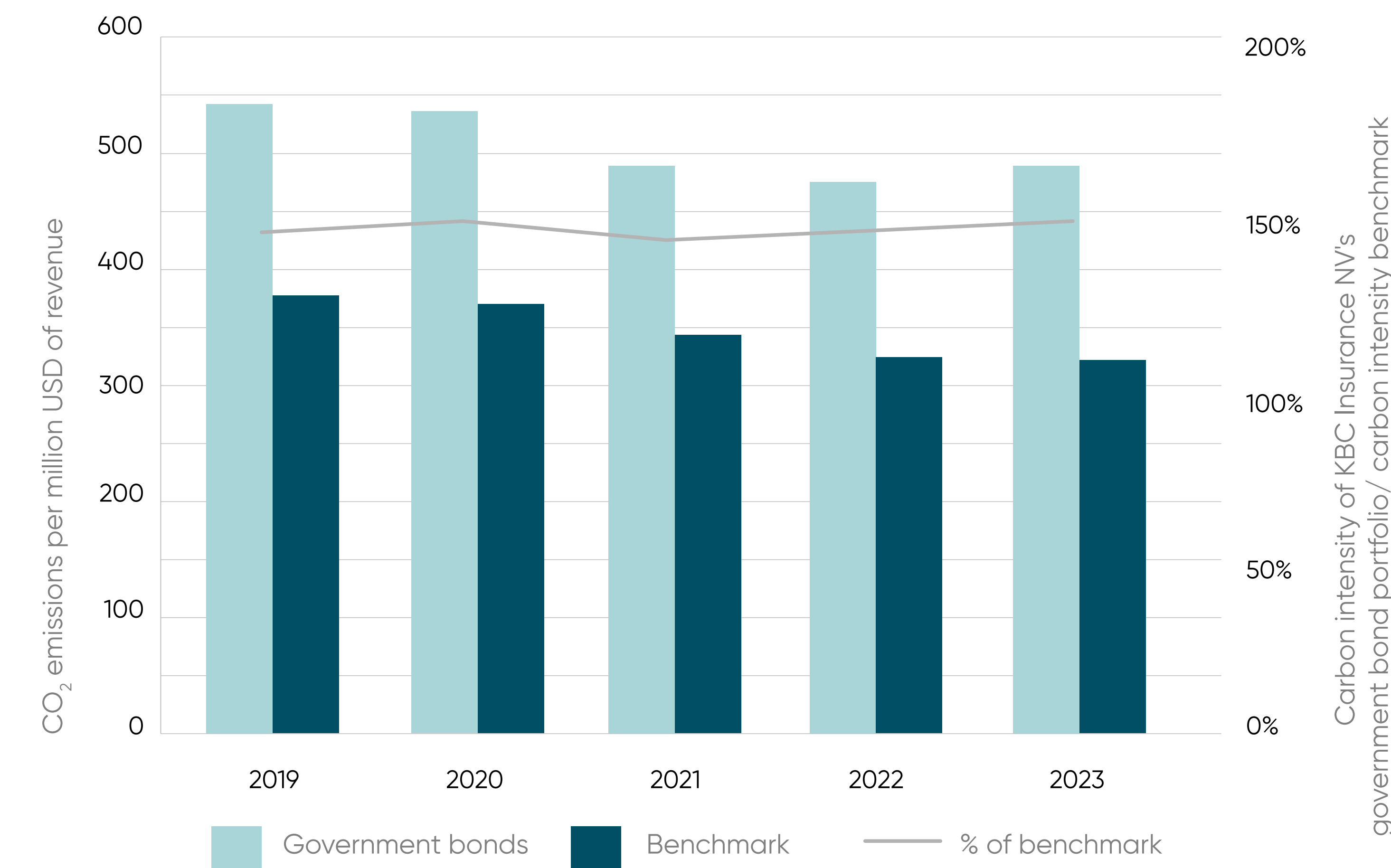


There are two main reasons for these outcomes. First, the portfolio has an overweight position on financials with a low carbon intensity compared to the benchmark. Second, the introduction of the additional exclusion criteria in 2020, especially relating to fossil fuels, resulted in a substantial decrease of the carbon intensity of the portfolio. Due to this change in policy, maturing bonds within the energy sector were replaced by bonds with lower carbon intensity.

## Government Bonds

The government bond portfolio of KBC Insurance NV represented a market value of 9.1 billion euros in September 2023. The evolution of the carbon intensity of the portfolio, and the comparison to its benchmark are depicted in Graph 7.7. Whilst its carbon intensity has declined by 12% since 2019, the graph still shows that, in 2023, the carbon intensity of this portfolio stood at 148% of the JPM EMU government bond benchmark.

Graph 7.7: Weighted average carbon intensity of KBC Insurance NV's government bond portfolio compared to the benchmark (JPM EMU government bonds)



The results can be explained by the composition of this portfolio. As a Belgian insurance company, KBC Insurance NV is traditionally overweighted in Belgian government bonds, including Flanders, Brussels and Wallonia. Together, these make up 40% of the government bond portfolio. Belgium has a high carbon intensity score, which explains the high carbon intensity compared to the benchmark.





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## Investments of Pensioenfond KBC

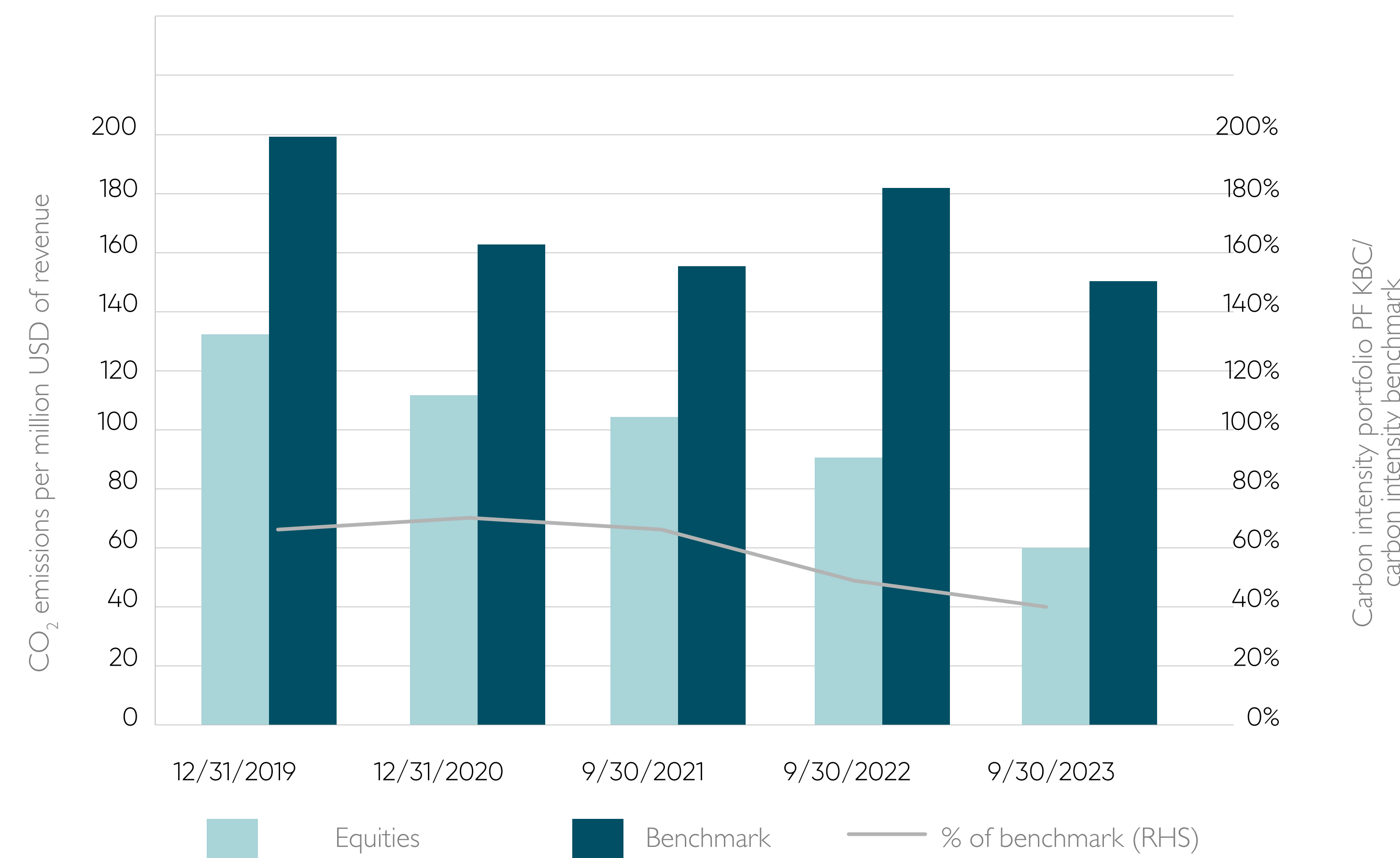
Finally, we calculated the weighted average carbon intensity of the investment portfolios of *Pensioenfond KBC*, which manages the supplementary pensions of our Belgium-based staff. The calculations take into account the listed equities, government and corporate bonds invested by *Pensioenfond KBC* with KBC AM and Robeco<sup>10</sup>. In all cases, they are compared to their relevant benchmarks. This makes up approximately 80% of the entire portfolio. Unlisted asset classes are left out of scope because of the absence of reliable data and methodologies.

Since 2017, we have started to explicitly embed ESG policies in the Statement of Investment Principles of *Pensioenfond KBC*. The most important elements of the ESG investment policy include zero tolerance towards certain non-sustainable companies (e.g. blacklisted companies, human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling), a focus on responsible investing funds and the long-term goal of a climate neutral investment portfolio.

### Equities

The evolution of the carbon intensity of the equity portfolio of *Pensioenfond KBC*, and the comparison to its benchmark (MSCI World AC), are depicted in Graph 7.8. The equity portfolio of *Pensioenfond KBC*, as well as the MSCI World AC benchmark, showed a sizeable decrease in carbon intensity in 2023. End of September 2023, the carbon intensity of the equity portfolio of *Pensioenfond KBC* stood at around 40% of the MSCI World AC benchmark. Moreover, it has declined by 56% since 2019.

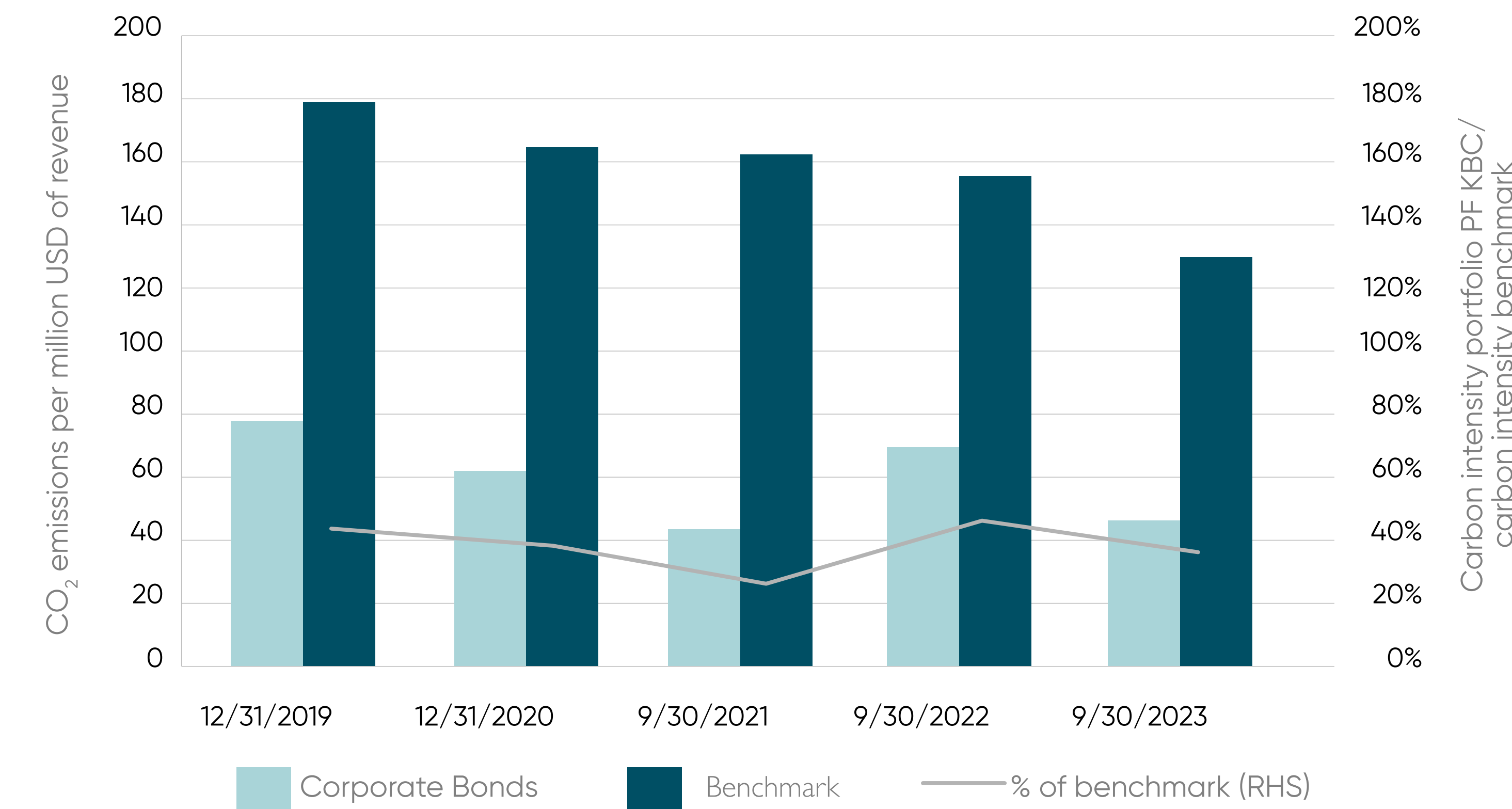
Graph 7.8: Carbon intensity of *Pensioenfond KBC*'s equity portfolio compared to the benchmark MSCI World AC



## Corporate Bonds

The evolution of the carbon intensity of the corporate bond portfolio of *Pensioenfond KBC*, as well as the comparison to its benchmark (Iboxx EUR Corporates), are depicted in Graph 7.9. The 2023 carbon intensity of the corporate bond portfolio stood at 36% of the Iboxx EUR Corporates benchmark. Moreover, it has declined by 40% since 2019.

Graph 7.9: Carbon intensity of *Pensioenfond KBC*'s corporate fixed income portfolio compared to the benchmark (Iboxx EUR Corporates).



The carbon intensity of the corporate bond portfolio of *Pensioenfond KBC* is low compared to its benchmark. Moreover, the carbon intensity has improved materially since last year, despite increasing the weight of the LDI (Liability-Driven Investment)<sup>11</sup> bond portfolio drastically in January 2023. Investments have been done according to the RI methodology of KBC Asset Management. LDI funds are Article 8 funds under SFDR (Sustainable Finance Disclosure Regulation) since October 2023, taking the Articles 8 and 9 funds as a proportion of total pension fund assets to 89%.

<sup>10</sup> Robeco data are based on MSCI ESG Research.

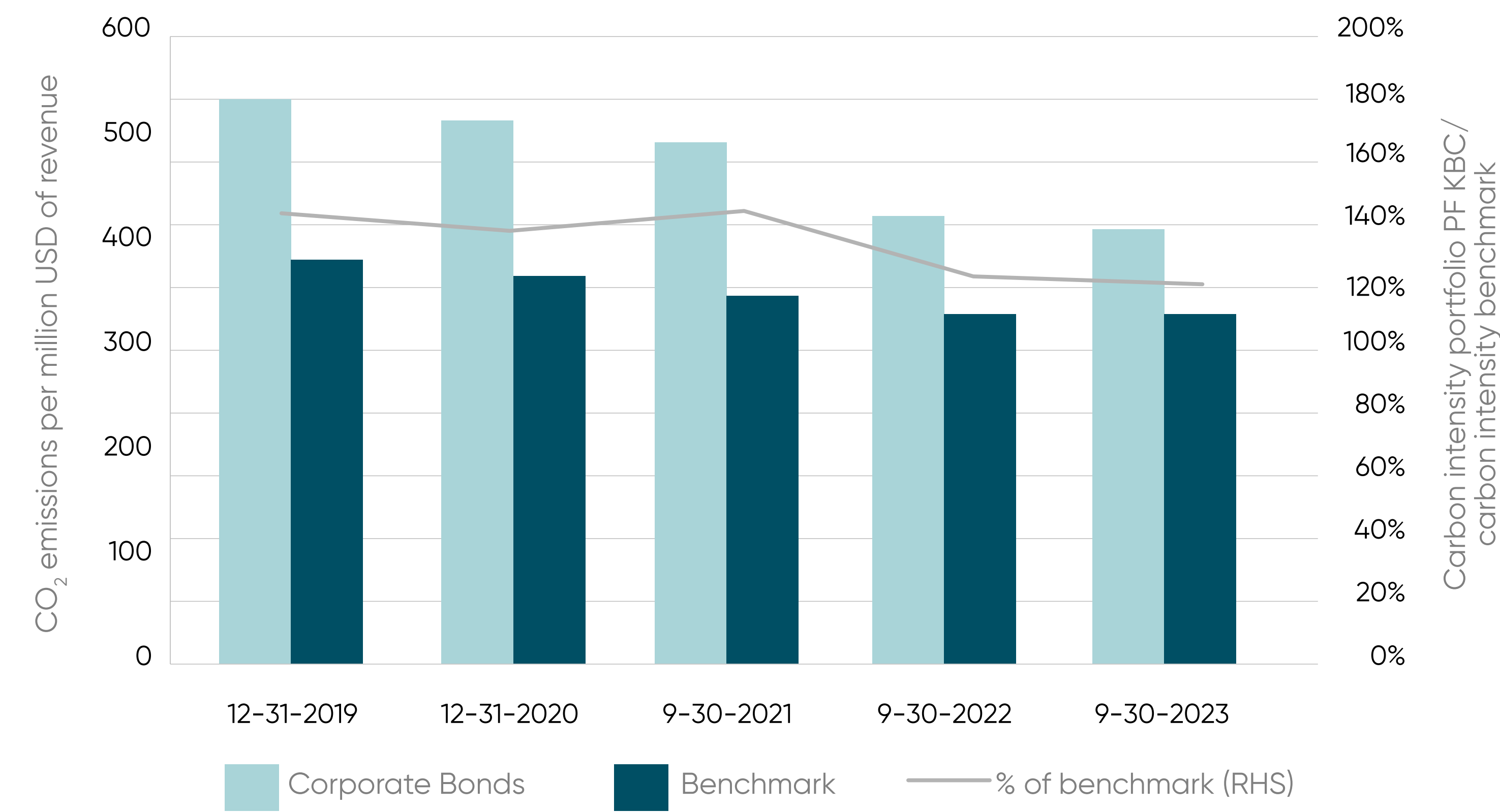
<sup>11</sup> The primary goal of an LDI portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities.



## Government Bonds

The evolution of the carbon intensity of the government bond portfolio of *Pensioenfonds KBC*, and the comparison to its benchmark (JPM EMU government bonds), are depicted in Graph 7.10. In 2023, the carbon intensity of the government bond portfolio stood at 121% of the JPM EMU government bond benchmark. Moreover, it has declined by 25% since 2019.

**Graph 7.10: Carbon intensity of *Pensioenfonds KBC*'s sovereign bond portfolio compared to the benchmark (JPM EMU government bonds)**



The relatively high carbon intensity can be explained by the bond themes in the portfolio, namely Emerging Market Bonds and High Interest Bonds. Moreover, the LDI portfolio includes several higher emitting government bonds, such as Poland, Slovenia, Belgium, Netherlands and Austria.



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## Voluntary EU Taxonomy reporting for mortgages

We offer loans for assets and activities that fully meet the criteria of the EU Taxonomy. When these are offered to corporate clients covered by the Non-Financial Reporting Directive (NFRD) or households, we include them in our Green Asset Ratio (GAR). We refer to this type of reporting as 'Mandatory EU Taxonomy reporting'. This also includes the EU taxonomy reporting volumes based on turnover KPI published by the NFRD companies. For further information on our mandatory reporting, we refer to the part on '[Our contribution to environmental objectives](#)' and the [KBC Group Annual Report](#).

We also offer loans that fully meet the criteria of the EU Taxonomy to corporate clients that have no NFRD obligations. We refer to this as '[Voluntary EU Taxonomy reporting](#)'.

Our 'Voluntary EU Taxonomy reporting' also includes mortgage loans for which we do not have access to all required data for every individual file. We therefore estimated the share of our mortgage portfolio that complies with the EU Taxonomy alignment criteria, based on reliable proxies and statistical evidence. We developed a methodology for this voluntary EU Taxonomy reporting for our Belgian and Bulgarian mortgage portfolios. In the future we will be looking at developing similar methodologies in our other core countries.

In both countries, the methodology is based on two elements:

- **Substantial contribution criteria:** For the substantial contribution criteria we follow the rules as specified in the EU Taxonomy.
- **Do No Significant Harm (DNSH) criteria:** For general DNSH criteria regarding Climate Change Adaptation, we focus on the flood risk of the houses in our mortgages portfolio. More specifically, we exclude all mortgages to houses located in flood-prone areas. This focus was established based upon an internal physical and transition risk analysis that was performed by sector, risk, sustainability and insurance experts. The aim of the analysis was to assess the materiality of different risk drivers (amongst other climate-related hazards). We identified water-related risks as the most material climate-related risk for the Belgian and Bulgarian real estate sectors.

## Belgium

In Belgium, we have limited data available for the houses in our historic mortgages portfolio. We therefore developed a methodology that allows us to estimate which share of our mortgages portfolio can be reported under 'Voluntary EU Taxonomy Reporting'.

The methodology is based on Febelfin's definition of energy efficient mortgages. This definition is agreed upon by the Belgian bank sector and is in line with our [green bond framework](#), which is publicly available and verified by an SPO (Second Party Opinion). In addition, we determined extra conservative criteria to prevent an overestimation of the numbers we report. The selection criteria are specified in detail in Table 7.7. The methodology is based on the following elements:

- **Substantial contribution criteria:** We used rules of thumb developed by Febelfin to check the substantial contribution criteria for our Belgian mortgages portfolio. In practical terms, Febelfin has developed guidelines that allow us to use the deed date of the mortgage to determine whether a building was built before or after 31 December 2020. The PED (Primary Energy Demand) value used in the methodology was analysed and agreed upon by all Belgian Banks. Furthermore, we apply a 'haircut' of 10% to our new building mortgage portfolio to account for buildings with older building permits or buildings that do not meet the criterion of being 10% more efficient than the NZEB (Nearly Zero-Energy Building) criterion.
- **Do No Significant Harm criteria:** We used publicly available flood map data for the Flanders region, and a combination of JRC (Joint Research Centre) flood map data for fluvial risks and in-house simulations of pluvial risks for the Brussels and Walloon Regions, to determine whether the houses in our mortgages portfolio are located in flood-prone regions.

**Table 7.7: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Belgium**

	Substantial contribution criteria <sup>1</sup>		Do No Significant Harm criteria
	Buildings built before 31 December 2020	Buildings built after 31 December 2020	
New building mortgage	First drawdown of mortgage after 1/1/2016, but before 31/12/2022. It is assumed that these mortgages finance a new building with sufficiently strict building norms so that the energy efficiency is in the top 15% building stock of Belgium + Haircut of 10% is applied to account for buildings with an older building permit	First drawdown of mortgage after 31/12/2022 + Haircut of 10% applied due to the fact that < 10% of new buildings registered do not meet NZEB-10% criterium <sup>2</sup>	Exclude all mortgages for which an average building lies in a flood prone area. Flood maps used: Flanders: 2023 official flood map <sup>3</sup> Brussel/Wallonia: JRC flood map for fluvial risks and in-house simulations for pluvial risks
Mortgage for purchase (+ renovation)	Include mortgages with a PED <= 159 kWh/m <sup>2</sup> year <sup>4</sup> and with a deed date before 1/1/2022. This category implies that the building permit was most likely requested before 1/1/2021	Deed date after 1/1/2022 (if before that date, then it is most likely a building with a building permit requested before 1 January 2021) + PED value <= 47 kWh/m <sup>2</sup> year. This PED value is an approximation equivalent to the NZEB-10% criterium	

<sup>1</sup> The date of 31/12/2020 mentioned in the EU taxonomy is interpreted as the building permit request date. It is assumed that on average: building permit request date + 2 years equals deed date + 1 year equals first drawdown year/first occupying year.

<sup>2</sup> Source: <https://opendata.vlaanderen.be/dataset/overzicht-resultaten-epb-aangiftes>

<sup>3</sup> Source: [www.waterinfo.be/informatieplicht](http://www.waterinfo.be/informatieplicht)

<sup>4</sup> The PED value of 159 kWh/m<sup>2</sup> year has been calculated and agreed upon by all Belgian banks as the top-15% PED quantile in Belgium.



## Bulgaria

In Bulgaria, the methodology we used to determine whether a mortgage loan can be reported under 'Voluntary EU Taxonomy Reporting' is based on the EU Taxonomy (2020/852) requirements. The selection criteria for our Bulgarian portfolio are provided in detail in Table 7.8. Our assessment in Bulgaria also consisted of:

- **Substantial contribution criteria:** In Bulgaria, we have access to asset-specific data on the energy performance of the houses in our portfolio. Hence, we were able to define a benchmark which we could use to determine whether the houses in our portfolio fulfilled the criteria specified by the EU Taxonomy. For this, we used data from the Bulgarian Sustainable Energy Development Agency (SEDA).
- **Do No Significant Harm criteria:** We used publicly available flood map data from SEDA to determine whether the houses in our mortgage portfolio are located in flood-prone regions.

**Table 7.8: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Bulgaria**

Substantial contribution criteria		Do No Significant Harm criteria
<b>Buildings with a construction date before 31 December 2020</b>	<b>Buildings with a construction date after 31 December 2020</b>	Exclude all mortgages with high flood risks. Map <sup>3</sup> used is published by the Bulgarian Agency for Sustainable Development and Eurointegration.
Single family residential building: Energy performance certificate class A or max 105.4 kWh/sq.m energy consumption (EPmax) <sup>1</sup>	Single family residential building: 1) Energy performance certificate class A; 2) Energy consumption (EPmax) ≤ 74.7 kWh/sq.m. <sup>2</sup>	
Multifamily residential building: Energy performance certificate class A OR max 142 kWh/sq.m energy consumption (EPmax) <sup>1</sup>	Multifamily residential building: 1) Energy performance certificate class A; 2) Energy consumption (EPmax) ≤ 81 kWh/sq.m. <sup>2</sup>	

<sup>1</sup> The building is within the top 15% of the national building stock expressed as operational Primary Energy Demand (PED). The threshold performance is calculated on the basis of information published by SEDA.

<sup>2</sup> The PED is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The threshold performance is calculated on the basis of information published by SEDA.

<sup>3</sup> Flood map used: <https://bsdj.asde-bg.org/floods.php#map>.



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# Principles for Responsible Banking (PRB)

In 2019, KBC participated in the launch of the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking (hereinafter referred to as 'Principles' or 'PRB') and became a Founding Signatory. The Principles clearly represent the key elements of our vision on sustainability and reinforce our commitment to the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). We report on the commitment and on our progress regarding the implementation of the Principles according to [the Principles for Responsible Banking Report](#). This report is based on the PRB Reporting and Self-Assessment Template.

Our 2023 PRB Reporting and Self-Assessment Template was independently verified by PwC (limited assurance) on the accuracy of the data and the traceability of the process. In the template, these items are marked in green and expressly earmarked with the symbol .

## Principle 1: Alignment

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.

### Business model

Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank's portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

### Response

KBC is an integrated bank-insurance group (banking, insurance and asset management), active in its core markets of Belgium, Bulgaria, Czech Republic, Hungary and Slovakia. We are also present to a limited extent in several other countries to support corporate clients from our core markets. We offer a wide range of loan, deposit, asset management, insurance and other financial products in virtually all our countries, where our focus is on private individuals, small and medium-sized enterprises (SMEs) and high-net-worth clients. Services for corporate clients additionally include cash management, payments, trade finance, lease, money market activities, capital market products, stockbroking and corporate finance.

**Table 7.9: Number of clients by country (in millions of euros)**

	Number of clients
Belgium (BU)	3.9
Czech Republic (BU)	4.3
Slovakia	0.8
Bulgaria	2.2
Hungary	1.6

**Table 7.10: Loan portfolio per country (in billions of euros)**

	Total loan portfolio
Belgium (BU)	118
Czech Republic (BU)	37
Slovakia	11
Bulgaria	9
Hungary	6

**Table 7.11: Deposits per country (in billions of euros)**

	Total amount of deposits from customers
Belgium (BU)	133
Czech Republic (BU)	52
Slovakia	8
Bulgaria	13
Hungary	9

### Links and references

[KBC Group Quarterly Report 3Q2023: 'Credit risk' section](#)

[KBC Group Analysts' presentation 3Q2023](#)



## Strategy alignment

Does your corporate strategy identify and reflect sustainability as strategic priority/ies for your bank?

Yes

No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

UN Guiding Principles on Business and Human Rights

International Labour Organization fundamental conventions

UN Global Compact

UN Declaration on the Rights of Indigenous Peoples

Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk - please specify which ones: Taxonomy eligibility and alignment, EBA pillar 3

Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery - please specify which ones: Section 54 of the UK Modern Slavery Act 2015

None of the above

## Response

### Our corporate sustainability strategy

Sustainability is a key component of our Group Corporate Strategy and is embedded in our day-to-day business activities, products and services. We aim to minimise or completely avoid any potential negative impact and to maximise the positive impact of our products and services on society and the environment while strongly encouraging responsible behaviour among our employees. Doing business sustainably means that we must have the necessary financial resilience and strict risk management. We also aim to support local communities and the economy in each of our core markets, taking into account their differences. Our people bring our sustainability strategy to life. Our corporate sustainability strategy is built on, but not restricted to, our materiality assessment and the impact assessment of our portfolios. For our materiality assessment, we engaged with our stakeholders to understand what was important to them. KBC has aligned its strategy, lending, insurance, and investment practices to society's goals and strongly supports the United Nations 2030 Agenda for Sustainable Development. KBC focuses on five SDGs in greater depth. We believe that we can achieve the greatest contribution to these five selected goals, which are SDG 3, SDG 7, SDG 8, SDG 12 and SDG 13. We are aware that all SDGs are strongly interrelated, and take into careful consideration that one SDG may have contradictory consequences for the other SDGs.

### Our commitment to the environment

When we launched the KBC Sustainable Finance Programme in 2019 its initial focus was solely on climate. Since 2022, the focus of the programme has been expanded to include the themes of biodiversity, circularity, pollution and water. This climate approach is driven by several international and sectoral commitments, e.g., Paris Agreement, EU Green Deal, EU Taxonomy, national and regional frameworks, TCFD and CCCA. KBC is also an early adopter of the TNFD and intends to publish its first TNFD report on KBC in our corporate reporting by financial year 2025.

### Our commitment concerning our social impact

We also want to increase our positive societal impact through our core activities. We do this by financing, insuring and giving advice on projects that create a positive societal impact. This includes education, basic infrastructure, essential services, healthcare and employment. We also offer our clients business solutions that cater for societal needs in our four focus areas: financial literacy, health and longevity, entrepreneurship and environmental responsibility.

## Links and references

[KBC Group Sustainability Report 2023: 'Sustainable finance' section](#)

[KBC Modern Slavery Act Statement 2023](#)

[UN Global Compact – Communication on Progress](#)



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## Principle 2: Impact and Target Setting

We will continue to increase our positive impacts while reducing negative impacts on, and managing the risks to, people and environment that result from our activities, products and services. To this end, we will set and publish targets where we can achieve the most significant impact.

### Impact Analysis

Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfil the following requirements/elements (a-d):

a) Scope: What is the scope of your bank's impact analysis? Please describe which parts of the bank's core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

### Response

In 2021, we performed our first impact analysis to understand the positive and negative impacts of our corporate banking portfolio in Business Unit Belgium, using the second version of the Portfolio Impact Analysis Tool developed by UNEP FI. The Belgian corporate banking portfolio represents a material part of our total loan portfolio (24.9%).

In 2022, we expanded our impact analysis to our retail banking portfolio in Business Unit Belgium. The Belgian retail banking portfolio represents approximately 22.8% of our total loan portfolio. We used the updated UNEP FI's Impact Analysis Tools, which transitioned to a more modular format. This year, we continued to use these tools and we analysed the retail banking portfolio of our other core countries. We refer to table 7.12. As of 2024, there will be convergence between the PRB impact methodology and the European Sustainability Reporting Standards. This will be a unique opportunity for KBC to pursue an understanding of our corporate banking portfolio in our other geographies and to update our 2021 impact analysis of our corporate banking portfolio in Business Unit Belgium.

### Links and references

[KBC Group Quarterly Report 3Q2023: 'Credit risk' section](#)

b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope

i) by sectors & industries for business, corporate and investment banking portfolios (i.e., sector exposure or industry breakdown in %), and/or

ii) by products & services and by types of customers for consumer and retail banking portfolios.

If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.

### Response

**Table 7.12: Composition of our loan portfolio per geographical scope (in % of outstanding)**

	Belgium	Czech Republic	Bulgaria	Hungary	Slovakia
Retail banking	35%	58%	40%	32%	57%
SME banking	27%	15%	20%	1%	10%
Corporate banking	38%	27%	40%	67%	33%

### Corporate banking portfolio KBC Group

We determined the impact of climate change on our lending portfolio and adopted a sector approach based on a number of factors. The industrial loan portfolio is a subset of KBC's total loan portfolio and includes only loan exposure to industrial sectors (i.e., excluding finance and insurance, authorities and private persons). The main climate-sensitive industrial sectors and technologies we finance are included in the table below. In addition to these sectors, we included shipping (0.8% of KBC's outstanding loan portfolio) and aviation (0.2%) in our sector approach. Their inclusion is notwithstanding our small loan exposures but driven by these sectors' indisputable impact on global warming and subsequently growing reporting expectations around associated financing.





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Table 7.13: Loan portfolio overview of our main climate-sensitive industrial sectors

	% outstanding groups portfolio (30/09/2022)	% outstanding groups portfolio (30/09/2023)
Energy	2.5%	2.7%
Real estate	6.1%	6.7%
Building and construction	4.2%	4.5%
Automotive	2.4%	2.5%
Agriculture	2.7%	2.8%
Food and beverage producers	2.1%	2.1%
Metals	1.6%	1.6%
Chemicals	1.4%	1.3%

#### Links and references

[KBC Group Quarterly Report 3Q2023: 'Credit Risk' section](#)

[KBC Group Sustainability Report 2023: 'Sustainable finance' section](#)

#### Retail banking portfolio of KBC Group

For the analysis of our retail banking portfolio, we subjected our most important retail products and services to the impact assessment, based on:

- Number of customers per type of products and services per country;
- Amounts of the loan portfolio per type of products and services per country.

The analysis showed that the most important types of products and services are current accounts, saving accounts and mortgage loans. Mortgage loans account for a significant portion of volume outstanding in each core country, although they represent only a small number of customers compared to current accounts and savings.

Table 7.14: Total % of portfolio based on amounts (data per 31 March 2023)

Products/services	Belgium <sup>1</sup>	Bulgaria	Czech Republic	Hungary	Slovakia
Current Accounts	19.3%	52.8%	25.7%	45.8%	24.6%
Savings	43.2%	13.0%	32.2%	13.0% <sup>2</sup>	13.3%
Credit	37.5%	34.2%	42.1%	41.2% <sup>2</sup>	62.1%
-of which mortgages	33.0%	17.0%	34.7%	27.8%	54.6%
-of which other credit related products & services	4.5%	17.2% <sup>2</sup>	7.4%	13.4%	7.5%

<sup>1</sup> Data per 30 September 2022

<sup>2</sup> The numbers are rounded so that the sum equals 100%.

Table 7.15: Distribution of our retail products/services across our clients (data per 31 March 2023)

Segments/products and services	Belgium <sup>1</sup>	Bulgaria	Czech Republic	Hungary	Slovakia
Current accounts	39.5%	49.9%	58.1%	58.3%	38.3%
Savings	37.3%	22.2%	21.0%	11.3%	21.9%
Credit	23.2%	27.9%	20.9% <sup>2</sup>	30.4%	39.8%
-of which mortgages	-	3.7%	5.5%	5.8%	10.7%
-of which other credit related products & services	-	24.2%	15.4% <sup>2</sup>	24.6%	29.1% <sup>2</sup>

Double counting clients is possible as some clients use more than one service/product.

<sup>1</sup> Data per 30 September 2022

<sup>2</sup> The numbers are rounded so that the sum equals 100%.





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Table 7.16: Distribution of our products and services over the age groups of our clients (data per 31 March 2023)

Segments/products and services	Belgium <sup>1</sup>	Bulgaria	Czech Republic	Hungary	Slovakia
0-18 yrs.	7%	2%	5%	3%	6%
19-29 yr.	13%	10% <sup>2</sup>	11%	11%	12%
30-54 yr.	33%	45%	47%	47%	59%
> 55 yr.	33%	42%	37% <sup>2</sup>	26%	23%
Age unspecified	14%	1%	-	13%	0%

<sup>1</sup> Data per 30 September 2022

<sup>2</sup> The numbers are rounded so that the sum equals 100%.

c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank's portfolio impacts into the context of society's needs.

Response

By using the UNEP FI Context Module, we were able to make a high-level assessment of the main priorities in all our core markets. We used statistical data to determine the common areas of priorities for all our core countries. These are:

- Availability, accessibility, affordability and quality of resources and services;
- Circularity<sup>1,2</sup>;
- Climate stability<sup>2</sup>.

Where available, we overlaid these results with trends, scenarios and local policy documents. However, we required a clear view of the constituent elements of the 'Availability, accessibility, affordability and quality of resources and services' impact area for all our core countries. To that purpose, we broke the impact area down further to identify a common set of impact topics. As a result, 'Housing' and 'Healthcare & Sanitation' topics remain topics of social concern in all countries, and 'Climate stability<sup>2</sup>' and 'Circularity<sup>2</sup>' are still the main topics of environmental concern.

The outcome of the (context and retail banking portfolio) impact analysis was presented to the highest decision-making bodies on sustainability at KBC. We refer to 'Principle 5: Governance & Culture' for more information on our Governance processes.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response

Both the Consumer Banking Identification and the Corporate Banking Identification modules revealed how the main priorities in our core countries can be translated into the most important impact topics of KBC Group. We analysed our corporate banking and retail banking portfolio for Belgium in 2021 and in 2022. In 2023, we included the retail business of the other core countries in the analysis. As a conclusion in our 2021 analysis, we labelled 'Climate change' and 'Inclusive and healthy economies' as the most significantly impactful areas of our corporate banking portfolio in Belgium. [The findings of our 2022 and 2023 analysis also showed that 'housing' is the common and most impactful topic in which we have set a target for the Belgian retail banking portfolio.](#)

A further review of our current practices and performance vis a vis the impact topic 'housing' should bring clarity on the extent to which the impacts are occurring in reality and whether in a next step targets and actions should be defined on housing in our other core countries.

<sup>12</sup> Excluding Slovakia



d) For these (min. two prioritized impact areas): Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank's context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank's current performance levels, i.e., qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank's activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

If your bank has taken another approach to assess the intensity of impact resulting from the bank's activities and provision of products and services, please describe this.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.

### Response

#### Corporate banking portfolio

##### Measuring the intensity of impact on Climate change

As part of our role as a signatory of the Collective Commitment to Climate Action (CCCA) we set decarbonisation targets for the sectors that cover the majority of our lending portfolio and related greenhouse gas (GHG) emissions. We report on these targets and our progress on achieving them in the 'Our indirect environmental impact' part of our Sustainability Report. Our sector-level targets are set for the following carbon-intensive sectors: agriculture, aluminium, cement, coal, real estate, iron and steel, oil and gas, power generation and transport.

Even though the CCCA was retired in March 2023, we continue to work on the commitments we made under this initiative.

##### Inclusive and healthy economies

KBC Belgium intends to play a critical role to stimulate inclusive and healthy economies and has defined entrepreneurship as a focus domain where we can create added value. KBC is also responding to the current societal need for equal opportunities for leadership and the effective and full participation of women at all levels of the economy and public life. According to Eurostat, the statistical office of the European Union, 33.7% of all self-employed entrepreneurs in Belgium in 2021 were women, which is lower compared to our neighbouring countries France and the Netherlands. Our commitment is manifest in, for example, Start it @KBC – our acceleration programme for start-ups – which has been investing heavily in promoting female entrepreneurship for a number of years now and will continue to do so. As the largest accelerator in the country, Start it @KBC's ethos includes the belief that the new generation of entrepreneurs must be more diversified, with a variation of backgrounds, experiences and motivations.

##### Retail banking portfolio

In 2023, we identified our contribution to housing as an impact topic in the social domain.

In cooperation with our Senior Economists and Policy advisors of Business unit Belgium, we analysed the housing market in Belgium and the participation of young adults in this market and came to the following preliminary conclusions:

- Duality in the "homeowner" market: we noticed that the rising interest rates sharpened the duality that has been present for some time in the Belgian housing market. The combination of more expensive mortgage loans and high housing prices, following the sharp increases of the past decades, makes it more difficult and sometimes even impossible for households in the lower income segments to buy their own affordable housing. Nevertheless, the dream of homeownership continues to be very strong in Belgium.



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- Lack of financial literacy: we also noticed – especially with young adults – that their financial literacy is insufficient, and they have a clear need for relevant information on complex financial instruments, including mortgages. This lack of financial literacy leads to young clients who are unprepared and hence less prudent mortgage applicants.
- Protecting and educating young adults: KBC wants to play a key role when young adults pursue their homeownership dream. While KBC wants to protect young adults from getting themselves into financial difficulties by not granting mortgage loans that they are not capable of repaying. KBC also wants to play a key, educative role in developing the skills and attitudes of young adults regarding complex financial products such as mortgage loans, so that they are better (financially) prepared when they decide to pursue their homeownership dream.

### Links and references

[KBC Group Sustainability Report 2023: 'Sustainable Finance' section](#)

### Self-assessment summary:

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

- Scope:  Yes  In progress  No
- Portfolio composition:  Yes  In progress  No
- Context:  Yes  In progress  No
- Performance measurement:  Yes  In progress  No

Which most significant impact areas have you identified for your bank, as a result of the impact analysis?

Corporate banking portfolio (in Belgium): [Climate change](#), Inclusive and healthy economies

[Retail banking portfolio \(in all our core countries\): Housing](#)

How recent is the data used for and disclosed in the impact analysis?

- Up to 6 months prior to publication
- Up to 12 months prior to publication (impact analysis of our retail banking portfolio in our core countries except for Belgium)
- Up to 18 months prior to publication (impact analysis of our retail banking portfolio in Belgium)
- Longer than 18 months prior to publication (impact analysis of our corporate banking portfolio in Belgium)

Open text field to describe potential challenges, aspects not covered by the above etc.: (optional)

### Target Setting

Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis.

The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

a) Alignment: which international, regional or national policy frameworks to align your bank's portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

You can build upon the context items under 2.1.

### Response

#### Climate change mitigation

Target: Please refer to our first Climate Report in which we express a number of sector and product-specific, Paris-aligned climate targets for our loan portfolio. Our climate targets are the result of consulting both normative climate scenarios (forming the scientific basis of our targets) as well as our own exploratory forecasts. These exploratory forecasts form our interpretation of how evolutions of the social and economic fabric of our core countries could impact our loan portfolios. Such forecasts have incorporated various factors such as government policies as well as specific sector and technological evolutions. KBC has a positive impact on SDG 7 'Affordable and clean energy' and monitors its share of renewable energy production. At the same time, we





limit our negative impact by restricting the financing and insurance of non-sustainable energy solutions (e.g., thermal coal, oil and gas).

KBC is a signatory of the CCCA and in line with our commitments we have set climate targets on the most material carbon-intensive industrial sectors and product lines in our lending business. In this year's Sustainability Report we report for the second time on the progress towards these targets. We also have strict environmental policies in place to limit our impact on climate. As such, we actively contribute to SDG 13 'Climate action'. Additionally, as our climate targets are intended to instigate and support wide-scale transformation in the real economy, KBC supports SDG 9 'Industry, innovation and infrastructure' and SDG 12 'Responsible consumption and production.'

#### **Inclusive and healthy economies**

Target: Ambition of a start-up community in Belgium with an equal number of female and male entrepreneurs.

Current status: 35% of the selected start-ups had a woman as a co-founder.

KBC has an impact on SDG 8 'Decent work and economic growth' and in order to actively work on this goal, we stimulate female entrepreneurship through our accelerator for start-ups in Belgium. Start it @KBC partners has several stakeholders (e.g., VLAIO – Agency for Innovation and Enterprise) to stimulate female entrepreneurship.

#### **Housing**

Our set targets align with SDG 4 'Quality Education', SDG 11 'Sustainable Cities and Communities' and SDG 17 'Partnerships for the Goals'. Furthermore, they support the educational system in Flanders, which has included financial literacy in the its educational attainment targets. Young people from the first to the sixth grade of secondary school receive financial training. In the Walloon education system, financial education is also part of the sustainability and citizenship competencies.

The OECD International Survey of Adult Financial Literacy (2020) concludes that young adults (aged 18-29) consistently and significantly appear to have lower financial literacy and financial attitude scores than the rest of the sample. They also tend to have lower financial knowledge and hence less prudent financial behaviour. Research by Febelfin, the sector association of the Belgian financial services industry, in partnership with Indiville (2022) has yielded interesting findings, specifically that more than six out of ten young adults report knowing nothing about investing, applying for a credit (including a mortgage loan) or pension savings. We also discovered that young adults are primarily seeking information about investing, becoming self-reliant and applying for credit. One of the main conclusions from our own research, *KBC Marktonderzoek Leefwereld van Jongeren (2023)*, makes clear that young adults (aged 10-24) are clearly in need of information when it comes to complex financial products, including mortgage loans, in order to safeguard their financial future.

#### **Links and references**

[Our first Climate Report](#)

[KBC Group Sustainability Report 2023: 'Sustainable finance' section](#)

['We overrate our financial literacy', Febelfin](#)

[OECD International Survey of Adult Financial Literacy](#)

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.

You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.

A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.

#### **Response**

##### **Climate change mitigation:**



We refer to our first Climate Report, our 2022 Sustainability Report and this year's Sustainability Report in which we outline our baseline and our progress towards the targets we have set for the most materially carbon-intensive industrial sectors and product lines in our lending business.



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## Housing

### Increasing our positive impact

Baseline: New action will be taken to improve the financial skills of young adults who want to buy a house. The baseline measurement is hence zero.

### Limiting our negative impact

Baseline: 0.20% of KBC/CBC customers have difficulties in repaying their mortgage versus a sector benchmark of 0.70%.

#### Links and references

[Our first Climate Report](#)

[KBC Group Sustainability Report 2023: 'Sustainable finance'](#)

[KBC Group Sustainability Report 2022: 'Sustainable finance'](#)

c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.

#### Response

##### Climate change mitigation:

 We refer to our first Climate Report in which we communicate on sector- and/or product-specific climate targets for our lending portfolio. We also refer to our 2022 Sustainability Report, which includes our first progress measurement on these targets, as well as this year's report for our second progress measurement. Our climate targets are an overall expression of our climate strategy, which is built on strategic assessments (through so-called White Papers) for the most carbon-intensive sectors and product lines in our loan portfolio, customer engagement tracks and product development, among other components. The sectors and product lines that are most materially intensive from a carbon perspective are energy, real estate (including mortgage loans), building and construction, automotive (including vehicle financing), agriculture, metals and chemicals. Our climate strategy is implemented group-wide through clear, local accountabilities. KBC set (sub)sector-specific climate targets in September 2022 in a number of White Papers. These sub-sectoral climate targets are outlined in detail in our first Climate Report and the progress on these targets in our subsequent Sustainability Reports.

## Housing

### Increasing our positive impact

KBC has the ambition of helping develop the skills and attitudes of young adults regarding complex financial products such as mortgage loans so they can make well-informed housing decisions.

Target: To increase our positive impact, we have set the target to improve the financial skills and attitudes on mortgages of more than 35 000 young adults by 2030.

### Limiting our negative impact

KBC continues to act as a responsible lender in the best interest of its customers and ensures that its borrowers are provided with loans that are suitable for their circumstances so that they have the capacity to repay them.

Target: To limit our potential negative impact, we want to support young adults in making informed choices and as such prevent them from getting into a situation of overindebtedness. By doing so, we aim to perform at least 50% better than our peers in the relative share of young adults that are unable to repay their mortgage loans.

#### Links and references

[Our first Climate Report](#)

[KBC Group Sustainability Report 2023: 'Sustainable finance'](#)



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d) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.

Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate, or compensate potential negative impacts.

#### Response

#### Climate change mitigation

- Comparison of our yearly progress measurements against our set climate targets will ultimately trigger feedback loops to the business. Our 2022 Sustainability Report contained our first progress reporting of these targets. This year's report outlines our second progress measurement. As part of these progress reports, we also outline some of the actions that we set against the tracked progress. Going forward, and depending on the progress that we make, policy revisions, (sustainable) product development/offerings as well as client engagement will be important instruments for meeting our 2030 and 2050 climate targets. We acknowledge that climate action may have an adverse impact on other SDGs. Within our existing KBC Group Sustainability Policy Framework, our aim is to limit this potential adverse impact. Below we outline some of the most important policies in place and the SDGs they target:
- 1) KBC Group's Environmental policy contains our policy to assess financed projects based on the Equator Principles. This limits impacts on SDGs such as SDG 6 'Clean water and sanitation', SDG 14 'Life below water', SDG 15 'Life on land' and SDG 16 'Peace, justice and strong institutions'.
  - 2) KBC Group's Mining policy contains – for non-EU counterparties/mines – the requirement to operate only in countries that are compliant with the EITI standards or the ICCM Sustainable Development Framework. This limits adverse impacts on SDGs such as SDG 6 'Clean water and sanitation', SDG 8 'Decent work and economic growth', SDG 14 'Life below water', SDG 15 'Life on land' and SDG 16 'Peace, justice and strong institutions'.
  - 3) KBC Group's Biodiversity policy contains a number of rules and restrictions aimed at reducing our indirect adverse impact on biodiversity. This limits impacts on SDGs such as SDG 6 'Clean water and sanitation', SDG 14 'Life below water' and SDG 15 'Life on land'.
  - 4) KBC Group's Human Right policy which outlines our rules to ensure that we respect Human Rights in relation to our core stakeholders – clients, suppliers and employees. This limits adverse impacts on all 17 SDGs, as human rights are related to all SDGs.

#### Housing

##### Increasing our positive impact

We will continue to gather insights into the barriers that young adults face in their search for an affordable home. Based on these insights, we will make appropriate offers to young adults on their pathway to homeownership and support them in making informed decisions.

##### Limiting our negative impact

Given our strong performance in this area, no new actions will be taken at this time. Should performance deteriorate, we will take appropriate actions to protect young adults from excessive debt.

##### Inclusive and healthy economies

The Women in Tech programme by Start it @KBC aims to provide structural support for female tech founders of innovative companies. Free webinars give these women a platform to inspire each other and exchange experiences. And as part of the intensive Thrive project, Start it @KBC together with VLAIO offers female entrepreneurs four months of coaching to develop their network and improve their leadership skills.

#### Links and references

[KBC Group Sustainability Report 2023: 'Sustainable finance'](#)

[KBC Group Sustainability Report 2022: 'Sustainable finance'](#)

[KBC Group Sustainability Policy Framework](#)

[KBC Group Environmental policy](#)

[KBC Group Mining policy](#)

[KBC Group Human Right policy](#)



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## Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

	... first area of most significant impact: ... (climate change)	... second area of most significant impact: ... (housing)	(If you are setting targets in more impact areas) ...your third (and subsequent) area(s) of impact: ... (please name it)
Alignment	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Baseline	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
SMART targets	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No
Action plan	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> In progress <input type="checkbox"/> No

## Target implementation and monitoring

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank's progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only): describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

### Response

#### Climate change mitigation

In September 2022 we set and communicated climate targets for our lending portfolio. As part of that exercise, we established our baseline alignment metrics for the sectors and product lines for which we set our climate targets. Our targets are indeed SMART targets, as will be clear from our first Climate Report. As indicated above, both this year's and our 2022 Sustainability Reports include our progress measurements for each of the sectors and product lines for which we have climate targets, as well as any relevant actions.

#### Inclusive and healthy economies

In October 2023, 148 founders and co-founders applied for the Start it @KBC pitch days and 35% of these were female. The percentage has remained stable compared to last year. Start it @KBC continues monitoring the gender composition of start-ups and will also address the barriers to business start-ups for females with programmes such as the Thrive Project.

#### Housing

KBC will report on its progress toward the targets set and on the underlying indicators in the next PRB Self-assessment Reports.

#### Links and references

[KBC Group Sustainability Report 2023: 'Sustainable finance'](#)

[KBC Group Sustainability Report 2022: 'Sustainable finance'](#)



## Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and to enable economic activities that create shared prosperity for current and future generations.

### 3.1 Client engagement

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes  In progress  No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes  In progress  No

Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities). It should include information on relevant policies, actions planned/implemented to support clients' transition, selected indicators on client engagement and, where possible, the impacts achieved.

This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

#### Response

##### Climate change mitigation

Customer engagement is a central part of our sustainability strategy because we believe we can only achieve change in collaboration with our clients. Climate has been the main sustainability topic in discussions with our clients, but other environmental topics such as deforestation or plastic pollution are gaining attention. We train our relationship managers to increase their awareness about ESG issues and to improve their knowledge of environment-related risks and opportunities. Through this training, we also aim to give them the tools to support our clients in their sustainability transitions. In some cases, the training is sector specific. In 2023, more than 3 000 conversations spread across the various countries took place. We will continue to have more conversations in the coming year. We have also set targets for the number of customer awareness meetings, carbon-footprint calculations or signed contracts respecting specific solutions.

##### Housing

We continue to explore how we can encourage and support responsible and sustainable behaviour among our retail customers. Based on our analysis, we will make an educational offer to young adults to offer them the knowledge and skills to make responsible housing decisions.

#### Links and references

[KBC Group Sustainability Report 2023: 'Sustainable finance' section](#)

### Business opportunities

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g., green mortgages – climate, social bonds – financial inclusion, etc.).

#### Response

##### Climate change mitigation

We continue to focus on opportunities while all our local entities are working on sustainability-linked solutions. Going forward, it is our intention to align the criteria of our sustainability-linked products as widely as possible with the substantial contribution criteria of the EU Taxonomy, in the first instance for climate mitigation. A couple of examples of our products, solutions and transactions that contribute to a sustainable economy can be found in the 'Sustainable Finance' section of this report. They contribute highly to SDG 7 'Affordable and clean energy', SDG 12 'Responsible consumption and production' and to SDG 13 'Climate Action'.



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Table 7.17 KBC Green Bonds issued and lending portfolio contributing to environmental objectives per type of financed activity or assets<sup>1</sup>

Total amount of Green Bonds outstanding	1 250 bn euros
Loan portfolio in renewable energy and biofuel sector (granted amount)	2.57 bn euros
Total amount of mortgages for energy efficient housing (outstanding amounts)	15.2 bn euros
Total amount of low carbon vehicles financing (gross carrying amounts)	1 506 m euros

<sup>1</sup> We are working to gradually align with European sustainability legislation. The EU Taxonomy is a guiding standard in this regard. We also want to align with various other frameworks that constitute market standards. Here we point out that the use of terminology such as 'green' and 'sustainable' in this table is not meant to suggest (full) alignment with the EU Taxonomy.

## Housing

We will elaborate on the business opportunities identified in our next PRB self-assessment report.

### Links and references

[KBC Group Sustainability Report 2023: 'Sustainable finance' section](#)

[KBC Group Sustainability Report 2023: 'Sustainability facts and figures'](#)

## Principle 4: Stakeholders

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

### 4.1 Stakeholder identification and consultation

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

Yes  In progress  No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

#### Response

We identified and mapped our stakeholder groups through thorough analysis and in consultation with internal and external experts. In the spring of 2023, we hosted for the first time three roundtables bringing together experts from different stakeholder groups and KBC top management, emphasizing the importance of particular topics, including net zero, female entrepreneurship and housing. More information on the different stakeholder groups and how we engage with them can be found in the 'Our sustainability strategy' section of this report.

Aside from engaging with stakeholders to understand their views on the challenges we face, we also share our insights on relevant topics with them. One example is our regular engagement with experts from the academic world (External Sustainability Board).

KBC also looks for partnerships to steer the economy towards a low-carbon future. Another example is our partnership with Encon. KBC joined forces with Encon to advise companies on their transition to becoming more sustainable. Encon evaluates the risk and opportunities of sustainable business models to support companies' transitioning to more sustainable business track. KBC can then provide appropriate finance models for the realisation of these sustainable business models. SME's can collaborate with Green0meter in Czech Republic and EcoWise in Belgium who assists the entrepreneurs by providing advice in the sustainable business domain.

### Links and references

[KBC Group Sustainability Report 2023: 'Our sustainability strategy'](#)

[KBC Group Sustainability Report 2023: 'Sustainable finance'](#)



## Principle 5: Governance & Culture

We will implement our commitment to these Principles through effective governance and a culture of responsible banking

### Governance Structure for Implementation of the Principles

Does your bank have a governance system in place that incorporates the PRB?

Yes  In progress  No

Please describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support the effective implementation of the Principles. This includes information about which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets.

#### Response

KBC has set up a hybrid organisational structure and governance, with strong central steering and clear local accountabilities in each of our core countries to ensure the group-wide implementation of and progress on the centrally mandated sustainability and climate policy. Our Internal Sustainability Board is the highest decision-making body on sustainability-related matters, such as the implementation of the Principles. It is chaired by the CEO and comprises senior managers from all business units and core countries, the CFO and the Senior General Manager Sustainability. The Executive Committee ratifies the decisions taken by the Internal Sustainability Board and the Board of Directors is regularly briefed on the sustainability strategy and evaluates the implementation of this strategy using the Sustainability Dashboard. In 2023, we strengthened our sustainability governance by installing a local general manager of sustainability in each core country with functional reporting to the Senior General Manager Sustainability at KBC Group.

Our climate-related governance, set up as part of the KBC Sustainable Finance Programme and focusing on the integration of KBC's climate approach across the group, is anchored in our overall sustainability governance.

In total, at least 30% of the collective result-related variable remuneration component awarded to the members of the Executive Committee is linked to sustainability topics, for example 'climate target setting'. This parameter has been embedded in a set of sustainability-linked KPIs (e.g., groupwide emission target setting of our most materially carbon-intensive industrial sectors in our business and product lines). Sustainability is also integrated into senior management members' variable remuneration. At least 10% of the variable remuneration paid to senior management members depends on the achievement of individual targets agreed in advance as part of the group's sustainability strategy, including our climate policy.

#### Links and references

[KBC Group Sustainability Report 2023: 'Our sustainability strategy'](#)

### Promoting a culture of responsible banking:

Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g., capacity building, e-learning, sustainability trainings for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

#### Response

We expect all our employees to behave responsibly which means that this theme is high on our agenda. Our ethical values are reflected in our KBC Group Code of Conduct for Employees. We have also outlined the underlying principles of responsible behaviour in our 'Compass for Responsible behaviour.' We pay particular attention to training (including testing) and awareness and have developed an e-learning course to clarify the importance of responsible behaviour and to support our employees to take difficult decisions when faced with dilemmas. This course is mandatory for all staff and integrated into our onboarding programme for the new employees. In 2023, we involved two senior managers and one professor in a webinar on the importance of responsible behaviour within financial institutions. They shared their practical insights that all employees can embrace in their daily work. A short interview reflecting the webinar with Prof. Geert Demuijnck can be found in the section of 'Our responsibility' part of this report.



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### Links and references

[KBC Group Code of Conduct for Employees](#)

[KBC Group Sustainability Report 2023, 'Our responsibility'](#)

[KBC Group Annual Report 2023: 'Corporate governance'](#)

[KBC Group Compensation Report for Key Identified Staff](#)

### Policies and due diligence processes

Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.

Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio.

This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

### Response

The sustainability framework we apply helps us to identify and mitigate potentially adverse impacts while also managing actual impacts on the environment, climate and human rights. The framework identifies controversial activities and other areas of concern that KBC will not engage in or will only engage in under stringent criteria. We review our sustainability framework on a regular basis and the related due diligence process applies groupwide. Compliance with our sustainability framework and policies is monitored in several ways. In the event of infringements of our policies, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. In 2020, we established our first environmental and social heatmap and continued the gradual integration of climate-related risks into our existing risk management processes. For more information on our due diligence process, and remedial actions and mitigation, we refer to 'KBC Group Sustainability Policy Framework,' in which we also set out our grievance mechanisms.

We have sound acceptance policies in place for lending to individuals. The mortgage lending is subjected to a standardised process in which the output of scoring models plays an important role in the acceptance procedure. We have developed various rating models for measuring how creditworthy borrowers are.

### Links and references

[KBC Corporate website: Setting rules and policies](#)

[KBC Group Sustainability Policy Framework](#)

[KBC Group Sustainability Report 2023: 'Our responsibility'](#)

[KBC Group Risk Report 2023](#)

### Self-assessment summary

Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank's governance system?

**Yes**  No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected)?

**Yes**  No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes  In progress  No





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## Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for both our positive and negative impacts and our contribution to society's goals.

### Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

Yes  Partially  No

If applicable, please include the link or description of the assurance statement.

### Response

The information provided on the Principles, which are subject to the independent limited assurance work performed by PwC, are marked in green and expressly earmarked with the adjoining symbol

2.1 Impact Analysis

2.2 Target Setting

2.3 Target Implementation and Monitoring

5.1 Governance Structure for Implementation of the Principles

The assurance report is available in the 'Assurance statements' section at the end of this report.

### Links and references

[KBC Group Sustainability Report 2023: 'Assurance statements'](#)

### Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

GRI  SASB  CDP  
 IFRS Sustainability Disclosure Standards (to be published)  TCFD  Other: NFRD (EU non-financial reporting directive)

### Response

Our Sustainability Report is prepared according to Global Reporting Initiative (GRI) Standards 2021 and Sustainability Accounting Standards Board (SASB) criteria since 2019. We also anchored the Task Force on Climate-Related Financial Disclosures (TCFD) recommendation within our first Climate Report in our Sustainability Report and participated in the Carbon Disclosure Project (CDP) reporting while continuously striving for a better performance. As a large-listed company, KBC also reports according to the EU's non-financial reporting directive. KBC is also an early adopter of the TNFD and intends to publish its first TNFD report in our corporate reporting by financial year 2025.

### Links and references

[KBC Group Sustainability Report 2023: 'About this report'](#)

[CDP reporting 2023](#)

### Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

### Response

In the next 12 months, we plan to make further progress on the fulfilment of our Principles for Responsible Banking commitment and the targets we have set ourselves. These will cover the following points:

- Investigate extending the impact identification of our corporate banking portfolio to all our core countries to confirm links to the significant impact areas;
- For climate change and mitigation, continue to refine and disclose our action plans and milestones regarding meeting our climate-related targets;
- For housing, potentially extend our target setting to all KBC core countries.



## Principles for Sustainable Insurance (PSI)

In 2018, KBC Insurance became a signatory to the Principles for Sustainable Insurance (PSI). PSI is the global framework for insurance companies to embed environmental, social and governance risks and opportunities in their core business strategies and operations. The table below shows a high-level overview of KBC Insurance activities, demonstrating its commitment to the PSI as one of the signatories.

### Principle 1: We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.

#### High-level summary of KBC's response

At KBC Group, sustainability is an integral part of the overall corporate strategy and embedded in the strategic cornerstones of our business. Accordingly, at KBC, we:

- put our clients first, offering them a unique bank-insurance experience;
- focus on our long-term development;
- pursue sustainable and profitable growth;
- take our responsibility for society and local economies seriously.

Our sustainability policies and restrictions fully apply to our insurance activities and are complementary to our sustainability governance, which covers our insurance underwriting and investment activities. KBC's Internal Sustainability Board (ISB), chaired by our Group CEO, decides on all insurance-related sustainability topics. In addition, our Sustainable Finance Programme covers the insurance-related businesses.

As shown throughout this report, climate action is a top priority for KBC Insurance. In addition to climate, other environmental topics, such as water, biodiversity, pollution and circularity and societal issues have gained importance. KBC Insurance already covers climate-related physical risks and the other environmental topics are addressed in most of its insurance business solutions.

- All insurance companies in our group, in most cases within the standard Home Insurance, cover renewable energy sources for private use: solar panels, home batteries and charging points. The Patrimony Insurance of KBC Insurance NV in Belgium protects small wind turbines, on top of the aforementioned cover.
- In the event of severe damage, KBC Insurance NV covers the additional costs of rebuilding residential buildings in accordance with the latest building regulations. For similar damage in the case of non-residential buildings, this additional cover is provided for up to 20% of the insured damage to buildings with a maximum of 150 000 euros. In the event of severe damage, all other insurance companies within the KBC Group also cover some additional costs of rebuilding in accordance with new construction standards or using more environmentally friendly materials, up to a certain limit.
- The multi-peril climate insurance is available for farmers in Flanders. This insurance allows farmers to insure their crops against extreme weather conditions.

In 2022, we conducted an initial pilot project to calculate insurance-associated emissions from KBC Insurance NV's car insurance policies, based on the PCAF methodology. Since then, we have extended this to all our car insurance policies in all our home countries. For the first time, we have also calculated the insurance-associated emissions for the commercial lines in all countries. At the same time, we are closely following the PCAF methodology for insurance underwriting. When the guidelines are known for the other lines of business, we will set up pilot projects for these as well.

KBC Insurance NV has also updated the forward-looking flood maps, used in our underwriting and pricing models and our risk analyses. Last year, ČSOB Pojišťovna in the Czech Republic also updated the flood maps used for underwriting and risk analysis. Our insurance companies in our other home countries are, in turn, getting ready to do so.

This year, we are also reporting for the first time in the Annual Report on our EU Taxonomy alignment for Climate Adaptation for KBC Insurance NV's Fire and other damage to Property portfolio. However, this is still a work in progress as we continue to work on further aligning our policies with the EU Taxonomy criteria. In addition, KBC Insurance is also continuing to collect the necessary data from its clients to further strengthen the sustainability reporting. For example, our focus is still on data collection with respect to the energy performance of the insured non-residential buildings.

KBC Insurance fully complies with the KBC Group Investment Policy, which includes clear ESG-related investment criteria. In April 2023, KBC Insurance NV launched a responsible range of Branch 21 products. For these investment products, the underlying investments comply with the "Responsible Investing" (RI) methodology, which sets a high standard and is in line with the new European regulations and the "Towards Sustainability" label in Belgium. In October 2023, KBC Insurance also committed to investing up to 200 million euros in sustainable infrastructure funds in Europe, through an investment facility managed by



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the European Investment Fund (EIF). In line with KBC's sustainability commitments, and the goals of both the EIB Group and the EU Taxonomy, this financing will support sustainable, climate-relevant infrastructure investments. Lastly, in this year's Sustainability Report, we also publish for the first time our concrete climate target regarding the reduction of carbon intensity of the combined equity and corporate bond portfolio of KBC Insurance consolidated. KBC Insurance consolidated represents all insurance entities within KBC Group: KBC Insurance NV and its subsidiaries Group Re, ČSOB Pojišťovna Czech Republic, ČSOB Poistovňa Slovakia, DZI and K&H Insurance.

We also take accountability for our social impact. For example, since the beginning of Russia's invasion of Ukraine, many of our clients and employees have welcomed Ukrainian refugees into their homes. To support this initiative, KBC Insurance NV allowed its clients and employees to extend their insurance coverage under the standard family and fire and other damage to property insurance policies for free.

### References and more information

KBC Group Sustainability Report 2023:

- [‘Our sustainability strategy’](#)
- [‘Our responsibility’](#)
- [‘Sustainable finance: Our sustainability policies’](#)
- [‘Sustainable finance: Our commitment concerning our social impact’](#)
- [‘Sustainable finance: Investment portfolio assessment’](#)
- [‘Sustainable finance: Assessment of the insurance underwriting portfolio’](#)

KBC Group Annual Report 2023

- [EU Taxonomy Reporting](#)

## Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social, and governance issues, manage risk and develop solutions.

### High-level summary of KBC's response

KBC's Insurance companies launched several initiatives to raise awareness of sustainability among our clients, stakeholders and employees.

Firstly, we rolled out an exercise on data capture, more specifically determining the required data points and exploring the market of data suppliers. This allows us to gain a better insight into the market and the needs of the various sectors.

In the next stage, during product development, we assessed the sustainability risks and opportunities. For example, in our Belgian car insurance policy, we rewarded those clients who drove less than certain benchmark distances. They also have access to a sustainable repair network in case of damage.

In 2023, KBC Insurance NV also adjusted its products and processes in response to the electrification and car sharing trends. KBC Insurance NV extended the period during which it will provide coverage for the full amount of the purchase price of the insured vehicle in a full or partial casco insurance policy from 30 to 48 months for electric passenger cars. For electric passenger cars older than 36 months, this cover was extended from 12 to 24 months. Other countries have also developed solutions for electric vehicles (EV). For example, our insurance company in Bulgaria improved their offer for EVs, named BLUE Casco, with extra discounts and assistance in the event of an empty battery. This is combined with better leasing conditions by UBB Interlease.

Since car sharing has significant benefits in terms of emissions, KBC Insurance NV decided to extend the insurance coverage for private car owners who share their cars via an online platform with a 'sharing clause'. Doing this incentivises car owners to share their vehicles while being protected against specific risks.

We plan to provide more information to our clients on the environmental advantages of electric vehicles, car sharing and our relevant products. Engaging and upskilling KBC's employees in the area of ESG topics is also one of KBC's priorities. To this end, we will continue to provide internal training courses to make employees and our insurance agents aware of upgraded KBC Insurance policies and KBC's role in the field of sustainability. As KBC's insurance agents in Belgium play an important role in client engagement, we provided training to them in the form of several workshops, online coaching sessions and by providing support material.

### References and more information

KBC Group Sustainability Report 2023:

- [‘Sustainable finance’](#)
- [‘Our people’](#)



### Principle 3: We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social, and governance issues.

#### High-level summary of KBC's response

KBC Insurance works with the local insurance associations to receive and give feedback in the field of ESG, to collaborate with a view to expanding the role of insurance companies, etc. For instance, we collaborate with the Czech Insurance Association, the sector association, to come together with other Czech insurers in order to maximise our reach across society and create significant impact on sustainability issues. This also provides us with a platform to reach out to the policy makers, regulators and government bodies at EU, national and regional levels.

We also engage in dialogue with the internal and external stakeholders through our materiality assessment and define the most material topics that are relevant to our insurance business. This facilitates our collaboration with all parties. For further information on how we engage with our stakeholders, our materiality assessment process and how we define the topics that are most material to our business, please see the 'Our sustainability strategy' section of this report.

#### References and more information

KBC Group Sustainability Report 2023:

- ['Our sustainability strategy: The world in which we operate'](#)

### Principle 4: We will demonstrate accountability and transparency in publicly disclosing our progress in implementing the principles at regular intervals.

This report is KBC Insurance's sixth progress report. We will continue to disclose our progress publicly and be fully transparent on our implementation of the PSIs. This report is fully embedded and aligned with the overall Sustainability Report of which it is an integral part.



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## INDEPENDENT LIMITED ASSURANCE REPORT ON THE SUBJECT MATTER INFORMATION OF THE SUSTAINABILITY REPORT 2023 OF KBC GROUP NV



To the Board of Directors of KBC Group NV

This report has been prepared in accordance with the terms of our engagement contract dated 27<sup>th</sup> July 2022 and the addendum dated 29<sup>th</sup> November 2023 (the "Agreement"), whereby we have been engaged to issue an independent limited assurance report in connection with the Subject Matter Information marked with the symbol  in the following sections of the Sustainability Report 2023 (the "Report"), including the reporting period 1 October 2022 – 30 September 2023, unless stated otherwise in the Report:

- "Loan portfolio assessments" (pages 69-90);
- "Principles for Responsible Banking" (pages 129-147).

### The Director's responsibility

The Directors of KBC Group NV ("the Company") are responsible for the preparation and presentation of the information and data in the the "Subject Matter Information", being:

- the progress report table 5.9: "Overview of our climate targets, methodologies and progress", the "2023 KBC portfolio values" and "2023 vs baseline" figures related to the climate targets marked with the symbol ; and
- the appendix "principles for responsible banking": statements marked in green and with the symbol 

in accordance with the "Criteria", being respectively:

- the appendix "Methodologies explained: Climate target setting: progress measurement"; and
- the "Principles for Responsible Banking – Guidance for Banks: reporting" (version February 2021).

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.



### Auditor's responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable engagement been performed. The selection of such procedures depends on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised the following procedures:

- For the 2023 emission intensities related to climate targets:
  - assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information covering the reporting period 1 October 2022 – 30 September 2023 (unless stated otherwise in the Report) presented on pages 69 – 90 in the Report;
  - conducting interviews with responsible officers;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - performing an analytical review of the data and trends in the information submitted for consolidation;
  - considering the disclosure and presentation of the Subject Matter Information.
- For the "principles for responsible banking" statements:
  - Procedures as described in "Principles for Responsible Banking – Guidance for Assurance Providers: Providing Limited Assurance for Reporting" (version 2, updated in October 2022).

The scope of our work is limited to assurance over the Subject Matter Information. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report. Furthermore, for the "principles for responsible banking", as outlined in the Guidance for Assurance Providers: Providing Limited Assurance for Reporting" (version October 2022), we are only performing assurance of the accuracy of the disclosed content meaning that we only evaluate the Company's description of processes, activities and their outcomes sufficiently reflects actions taken by the Company, rather than evaluating the applied approach itself.



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**Our independence and quality management**

We have complied with the independence and other ethical requirements in the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (IESBA Code) together with the legal Belgian requirements in respect of the auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organising the audit profession and its public oversight of registered auditors and with Art. 3:62, 3:63 and 3:64 and 3:65 of the Companies' and Associations' Code.

Our firm applies International Standard on Quality Management n°1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our conclusion**

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information within your 2023 Report has not been prepared, in all material respects, in accordance with the Criteria.

**Other ESG related information**

The other information comprises all of the ESG related information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other ESG related information. As explained above, our assurance conclusion does not extend to the other ESG related information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other ESG related information and, in doing so, consider whether the other ESG related information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.



**Other matter - restriction on use and distribution of our report**

Our report is intended solely for the use of the Company, to whom it is addressed, in connection with their 2023 Report, covering the reporting period 1 October 2022 – 30 September 2023 (unless stated otherwise in the report) and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Diegem, 29 March 2024

PwC Bedrijfsrevisoren BV/PwC Reviseurs d'Entreprises SRL  
Represented by

Marc Daelman<sup>1</sup>  
Bedrijfsrevisor/Réviseur d'entreprises

DocuSigned by:  
  
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<sup>1</sup> Acting on behalf of Marc Daelman BV



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# GREENHOUSE GAS VERIFICATION STATEMENT

61265599\_KBC\_CO2footprint

## KBC GROUP

### VINÇOTTE nv

Jan Olieslagerslaan 35  
1800 Vilvoorde, België

#### Organisation

KBC Group  
Havenlaan 2  
1080 Brussels  
Belgium

#### Period

1/10/2022 - 30/09/2023

#### Verification procedure

The verification was performed by Vinçotte in accordance with ISO14064-3 meeting the requirements of the WRI/WBCSD GHG Protocol.

#### Verified amount

55.377 ton CO2-eq

#### Declaration of independence

The verification was carried out by Vinçotte as an independent third party.

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#### User of the GHG-assertion

Internal and external stakeholders, the general public

#### Level of assurance

Reasonable assurance

#### Objectives, scope and criteria:

Vinçotte performed on behalf of KBC Group an independent reasonable assurance of the anthropogenic greenhouse gas emissions between 1/10/2022 - 30/09/2023. The system boundaries for the greenhouse gas emissions are aligned with the financial consolidation scope.

The entities within the system boundaries are located in Belgium, Czech Republic, Hungary, Slovakia and Bulgaria. The entities that were excluded do not amount to more than 1% of the balance sheet total for KBC Group.

The activities and processes taken into account for the greenhouse gas inventory are offices, data centers, transport, travel, waste generation and water consumption.

The greenhouse gas inventory includes scope 1, scope 2 and scope 3 emissions.

- Scope 1 emissions: direct energy consumption, refrigerant gasses and transport of company owned vehicles;
- Scope 2 emissions: electricity consumption and other indirect energy consumption (such as district heating) and emissions from own company electric vehicles car fleet;;
- Scope 3 emissions: indirect emissions from paper and water consumption (category 1), waste generates in operations (category 5), business travel (category 6) and employee commuting (category 7)..

The greenhouse gasses included were: CO<sub>2</sub>, N<sub>2</sub>O and CH<sub>4</sub> and refrigerant gasses.

The data and information for the greenhouse gas inventory were mostly based on documented information received from local responsables. Extrapolations were performed for the rest of the world entities. These are entities outside of the core countries of KBC. The extrapolations account for 2.09 % of the total greenhouse gas emissions.

The verification consisted of an independent review of the primary data, the emission factors and the greenhouse gas calculations. The goal was to verify if the data and the results of the greenhouse gas calculations were complete, reliable, transparant accurate and free of material errors or emissions.

The verification was performed using a risk-based approach. Primary data which are managed by a certified ISO14001 or ISO50001 management system were not re-verified. For all other data a verification was performed taking into account materiality.

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#### Conclusion

Vinçotte has verified the greenhouse gas assertion of KBC Group of 55.377 ton of CO<sub>2</sub>-eq. in 2023 to a level of reasonable assurance.

The greenhouse gas inventory was prepared according to the requirements of the WRI/WBCSD Greenhouse Gas protocol.

It is the conclusion of Vinçotte that the greenhouse gas emissions of KBC Group for the period 1/10/2022 - 30/09/2023 are fairly stated.

On behalf of Vinçotte,  
30/01/2024

Ramses Sterckx  
Lead Contract Engineer

ir. Evert Vermaut  
Team Leader

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# GRI CONTENT INDEX AND SASB DISCLOSURE

This sustainability report has been prepared in accordance with the GRI Universal Standards and the GRI Topic Standards.

Since 2019, we have also been mapping our material topics to relevant Sustainability Accounting Standards Board (SASB) standards within the Financial Industry Standards. The SASB Disclosure includes reporting on the relevant disclosure topics and associated metrics under the 'Commercial Banks' industry standard only (primary industry as defined in the SASB's Sustainable Industry Classification System (SICS)). Please note that we do not currently disclose all metrics included in the standards.

The GRI Content Index and the SASB Disclosures are set out below. Reference is made to our [2023 Annual Report \(AR 2023\)](#), our [2023 Sustainability Report \(SR 2023\)](#), the [KBC Group Sustainability Policy Framework](#) and our [corporate website](#).

## Complementarity of the GRI and SASB standards

The GRI and SASB standards meet the needs of different audiences. The SASB standards focus on identifying and communicating **material sustainability factors likely to impact financial performance to investors** whereas GRI standards are designed to provide **information on a very broad array of topics to a wide variety of stakeholders**, including suppliers, clients, communities and interest groups.

We also closely follow-up new reporting regulations in this respect. The European Union introduced the **Corporate Sustainability Reporting Directive (CSRD)**, which will replace the Non-Financial Reporting Directive as from 1 January 2025. One of the main principles of the CSRD is the double materiality perspective. This implies that the future disclosure by large European companies will need to address the needs of a wide range of stakeholders, including investors. Please refer to the part on ['The world in which we operate'](#) in the ['Our Sustainability Strategy'](#) section of this report.

## GRI Content Index and SASB disclosure

Statement of use	KBC has reported in accordance with the GRI Standards for the period 01/10/2022-30/09/2023
GRI used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	No GRI Sector Standards for Banking, Insurance and Capital Markets guidelines published yet.

## General disclosures

GRI 2: General disclosures 2021	Disclosure	Location	Omission
2-1	Organizational details	AR 2023, section 'KBC Group Passport' SR 2023, section 'About this report'	
2-2	Entities included in the organization's sustainability reporting	AR 2023, section 'Notes on the financial assets and liabilities on the balance sheet' SR 2023, section 'About this report' See our corporate website for a <a href="#">complete list of companies belonging to the group</a>	
2-3	Reporting period, frequency, and contact point	SR 2023, section 'About this report' The reporting period of the sustainability data (1 October 2022-30 September 2023) differs from the reporting period for our financial reporting (1 January 2023-31 December 2023). The sustainability data are collected through a separate group-wide process of which the reporting period is not aligned with that of financial data.	
2-4	Restatements of information	There is one substantial restatement of information in the 2023 report compared to the 2022 Sustainability Report. In 2023, we restated the 2015 baseline of our direct GHG emissions in line with our internal recalculation policy and in accordance with the GHG protocol guidance on the recalculation of base-year emissions. We refer to SR 2023, section 'Sustainable finance: Our direct environmental footprint' and section 'Sustainability facts and figures' for more information on the reasons for restatement and the impact of this restatement.	
2-5	External assurance	AR 2023, section 'Corporate governance' SR 2023, section 'About this report' and 'Assurance statements' See <a href="#">Corporate Governance Charter of KBC Group</a>	
2-6	Activities, value chain and other business relationships	AR 2023, sections 'KBC Group passport' and 'Our business model' SR 2023, sections '2023 in a nutshell' and 'Our sustainability strategy'	
2-7	Employees	AR 2023, section 'Business model' SR 2023, sections 'Our people' and 'Sustainability facts and figures'	
2-8	Workers who are not employees	SR 2023, section 'Sustainability facts and figures'	
2-9	Governance structure and composition	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>	
2-10	Nomination and selection of the highest governance body	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>	
2-11	Chair of the highest governance body	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>	
2-12	Role of the highest governance body in overseeing the management of impacts	AR 2023, section 'Corporate governance statement' SR 2023, section 'Our sustainability strategy' <a href="#">Sustainability Report 2022</a> : 'Appendices: Value creation: our material topics 2022' See <a href="#">Corporate Governance Charter of KBC Group</a>	
2-13	Delegation of responsibilities for managing impacts	AR 2023, section 'Corporate governance statement' SR 2023, section 'Our sustainability strategy' <a href="#">Sustainability Report 2022</a> : 'Appendices: Value creation: our material topics 2022' See <a href="#">Corporate Governance Charter of KBC Group</a>	



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2-14	Role of the highest governance body in sustainability reporting	AR 2023, section 'Corporate governance statement' SR 2023, section 'Our sustainability strategy' <a href="#">Sustainability Report 2022: 'Appendices: Value creation: our material topics 2022'</a> See <a href="#">Corporate Governance Charter of KBC Group</a>
2-15	Conflicts of interest	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>
2-16	Communication of critical concerns	AR 2023, section 'Corporate governance statement'
2-17	Collective knowledge of the highest governance body	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>
2-18	Evaluation of the performance of the highest governance body	AR 2023, section 'Corporate governance statement' See <a href="#">Corporate Governance Charter of KBC Group</a>
2-19	Remuneration policies	AR 2023, section 'Corporate governance statement' SR 2023, section 'Our sustainability strategy' See <a href="#">Compensation Report Key Identified Staff</a> See <a href="#">Remuneration policy</a>
2-20	Process to determine remuneration	AR 2023, section 'Corporate governance' See <a href="#">Information on General meetings</a> See <a href="#">Corporate Governance Charter of KBC Group</a>
2-21	Annual total compensation ratio	AR 2023, section 'Corporate governance statement'
2-22	Statement on sustainable development strategy	AR 2023, section 'Statement by the Chairman of the Board of Directors and the Chief Executive Officer' SR 2023, section 'Leadership statement'
2-23	Policy commitments	AR 2023, section 'Our strategy' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Our responsibility: Responsible behaviour' and 'Sustainable finance: Our sustainability policies' <a href="#">KBC Group Sustainability Policy Framework</a>
2-24	Embedding policy commitments	AR 2023, sections 'Our strategy' and 'How do we manage our risks?' SR 2023, sections 'Our sustainability strategy: sustainability governance', 'Our responsibility: Responsible behaviour' and 'Sustainable finance: Our sustainability policies' <a href="#">KBC Group Sustainability Policy Framework</a>
2-25	Processes to remediate negative impacts	AR 2023, section 'Our strategy' SR 2023, sections 'Sustainable finance: Our sustainability policies' <a href="#">KBC Group Sustainability Policy Framework</a>
2-26	Mechanisms for seeking advice and raising concerns	AR 2023, sections 'Our strategy' and 'Corporate governance statement' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Sustainable finance: Our sustainability policies' <a href="#">KBC Group Sustainability Policy Framework</a>
2-27	Compliance with laws and regulations	AR 2023, section 'Notes on the other balance sheet items'
2-28	Membership associations	SR 2023, section 'Sustainability facts and figures'
2-29	Approach to stakeholder engagement	SR 2023, section 'Our sustainability strategy: The world in which we operate'
2-30	Collective bargaining agreements	AR 2023, section 'Our business model' SR 2023, sections 'Our people' and 'Sustainability facts and figures'

**Material topics**

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-1	Process to determine material topics	AR 2023, section 'Company annual accounts and additional information' SR 2023, section 'Our sustainability strategy: The world in which we operate' <a href="#">Sustainability Report 2022: 'Appendices: our material and value creation topics 2022'</a>	
3-2	List of material topics	AR 2023, section 'Company annual accounts and additional information' SR 2023, section 'Our sustainability strategy: high-priority topics'. <a href="#">Sustainability Report 2022: 'Appendices: our material and value creation topics 2022'</a>	

**Long-term resilience of our business model**

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our financial report', 'Our business model', 'Our strategy', 'How do we manage our risks' and 'How do we manage our capital' SR 2023, section 'Our sustainability strategy: The world in which we operate'. <a href="#">Sustainability Report 2022: 'Appendices: our material and value creation topics 2022'</a> <a href="#">2023 KBC Group Risk Report</a>	

GRI 201: Economic performance 2016	Disclosure	Location	Omission
201-1	Direct economic value generated and distributed	AR 2023, 'KBC Group passport' and section 'Our business model' SR 2023, section 'Sustainability facts and figures'	
202-2	Financial implications and other risks and opportunities related to climate change	AR 2023, sections 'Our strategy' and 'How do we manage our risks?' SR 2023, section 'Sustainable finance: Our commitment to the environment' <a href="#">Our first Climate Report</a> <a href="#">2023 KBC Group CDP Report</a>	
202-4	Financial assistance received from government	KBC did not receive financial assistance from any government during 2023.	

SASB Commercial Banks Disclosure Topic: Systemic Risk Management	Accounting metric	Location	Omission
FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	KBC Group is not considered as a Global Systemically Important Bank (G-SIB) as per definition, methodology, and most recently updated list of the Financial Stability Board (FSB)	
FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	AR 2023, section 'How do we manage our risks?' SR 2023, section 'Sustainable finance: Our commitment to the environment' <a href="#">2023 KBC Group Risk Report</a> <a href="#">2023 KBC Group CDP Report</a>	





## Ethical business conduct and responsible behaviour

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our business model', 'Our strategy', 'Corporate governance statement' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Our responsibility' <a href="#">Sustainability Report 2022: 'Appendices: our material and value creation topics 2022'</a>	

GRI 205: Anti-corruption 2016	Disclosure	Location	Omission
205-1	Operations assessed for risks related to corruption	AR 2023, sections 'Our strategy', 'How do we manage our risks?' and 'Corporate governance statement' SR 2023, section 'Our responsibility: Business ethics'	
205-2	Communication and training about anti-corruption policies and procedures	AR 2023, section 'Corporate governance statement' SR 2023, section 'Sustainability facts and figures' <a href="#">KBC Group Code of Conduct</a>	

GRI 207: Tax 2019	Disclosure	Location	Omission
207-1	Approach to tax	AR 2023, section 'Corporate governance statement' <a href="#">KBC Group Tax strategy</a>	
207-2	Tax governance, control and risk management	AR 2023, section 'Corporate governance statement' <a href="#">KBC Group Tax strategy</a>	
207-4	Country-by-country reporting	AR 2023, section 'Notes to the income statement' <a href="#">KBC Group Tax strategy</a>	

SASB Commercial Banks Disclosure topic: Business Ethics	Accounting metric	Location	Omission
FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	AR 2023, sections 'Notes to the income statement' and 'Notes on other balance sheet items' Net provisions for taxes and pending legal disputes were 7 m euros in 2023.	
FN-CB-510a.2	Description of whistleblower policies and procedures	AR 2023, section 'Corporate Governance statement' SR 2023, section 'Our responsibility: Business ethics' <a href="#">KBC Group policy for the protection of whistleblowers</a> <a href="#">KBC Group Sustainability Policy Framework</a>	

## Sustainable and responsible service and product offering

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our business model', 'Our strategy' and 'How do we manage our risks' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Sustainable Finance' <a href="#">Sustainability Report 2022: 'Appendices: our material and value creation topics 2022'</a>	

GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	AR 2023, sections 'Our business model' and 'Our strategy' SR 2023, sections '2023 in a nutshell: Sustainability highlights 2023', 'Our sustainability strategy', 'Sustainable finance', 'Sustainability facts and figures'	

GRI 412: Human Rights Assessment 2016	Disclosure	Location	Omission
412-1	Operations that have been subject to human rights reviews or impact assessments	AR 2023, section 'Our strategy' SR 2023, section 'Our responsibility: Human rights' See <a href="#">KBC Group Human Rights Policy</a> See <a href="#">UN Global Compact</a> <a href="#">KBC Group Sustainability Policy Framework</a>	

SASB Commercial Banks Disclosure topic: Incorporation of Environmental, Social, and Governance Factors in Credit Analysis	Accounting metric	Location	Omission
FN-CB-410a.2	Description of approach to incorporation of Environmental, Social, and Governance (ESG) factors in credit analysis.	AR 2023, sections 'Our strategy' and 'How do we manage our risks?' SR 2023, sections 'Sustainable finance', 'Sustainability facts and figures' <a href="#">KBC Group Sustainability Policy Framework</a> <a href="#">2023 KBC Group Risk Report</a>	

SASB Commercial Banks Disclosure topic: Business Ethics	Accounting metric	Location	Omission
FN-CB-410b.1	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	SR 2023, sections 'Sustainable finance' and: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures'	
FN-CB-410b.2	Gross exposure, by for each industry by asset class	AR 2023, section 'Our role in society', 'How do we manage our risk: Credit risk'	
FN-CB-410b.3	Percentage of gross exposure included in the financed emissions calculation	SR 2023, section 'Sustainable finance: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures'	
FN-CB-410b.4	Description of the methodology used to calculate financed emissions	SR 2023, section 'Sustainable finance: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures', 'Methodologies explained'	

SASB Commercial Banks Disclosure topic: Business Ethics	Accounting metric	Location	Omission
FN-CB-410b.1	Absolute gross financed emissions, disaggregated by (1) Scope 1, (2) Scope 2 and (3) Scope 3	SR 2023, sections 'Sustainable finance' and: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures'	
FN-CB-410b.2	Gross exposure, by for each industry by asset class	AR 2023, section 'Our role in society', 'How do we manage our risk: Credit risk'	
FN-CB-410b.3	Percentage of gross exposure included in the financed emissions calculation	SR 2023, section 'Sustainable finance: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures'	
FN-CB-410b.4	Description of the methodology used to calculate financed emissions	SR 2023, section 'Sustainable finance: Metrics and targets: Loan portfolio assessments', 'Sustainability facts and figures', 'Methodologies explained'	

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GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our business model' and 'Our strategy' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Sustainable finance: Sustainable investing' <a href="#">Sustainability Report 2022</a> : 'Appendices: our material and value creation topics 2022'	
GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	AR 2023, sections 'Our business model' and 'Our strategy' SR 2023, sections '2023 in a nutshell: Sustainability highlights 2023', 'Our sustainability strategy', 'Sustainable finance' and 'Sustainability facts and figures'	
GRI 412: Human Rights Assessment 2016	Disclosure	Location	Omission
412-1	Operations that have been subject to human rights reviews or impact assessments	AR 2023, section 'Our strategy' SR 2023, section 'Our responsibility: Human Rights' See <a href="#">KBC Group Human Rights Policy</a> See <a href="#">UN Global Compact</a>	

## Partner in the transformation to a more sustainable future

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our strategy' and 'Our business units' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Sustainable finance' <a href="#">Sustainability Report 2022</a> : 'Appendices: our material and value creation topics 2022'	
GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	As a financial institution, KBC is an important driving force for the real economy and as such we have an important direct and indirect impact on society. We are committed to the UN Sustainable Development Goals and we look for partnerships to steer our economy to a low carbon future while offering our clients a range of products and services that have a positive impact on the economy, the environment and society. AR 2023, sections 'Our business model' and 'Our strategy' SR 2023, sections 'Our sustainability strategy', 'Sustainable finance' and 'Sustainability facts and figures'	

## Data protection and cyber security

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, sections 'Our business model', 'Our strategy', 'Corporate governance statement' and 'How do we manage our risks' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Our responsibility: Information security and cyber risk', 'Our responsibility: Privacy and data protection' <a href="#">Sustainability Report 2022</a> : 'Appendices: our material and value creation topics 2022'	
GRI 418: Customer Privacy 2016	Disclosure	Location	Omission
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2023, KBC Group received 23 privacy-related complaints in which the local Data Protection Authority was involved.	
SASB Commercial Banks Disclosure Topic: Data security	Accounting metric	Location	
FN-CB-230a.2	Description of approach to identify and addressing data security risks	AR 2023, sections 'Our business model', 'How do we manage our risks?' and 'Corporate governance statement' SR 2023, sections 'Our responsibility: Information security and cyber risk', 'Our responsibility: Privacy and data protection' <a href="#">2023 KBC Group Risk Report</a>	





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## Employee development and well-being

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2023, section 'Our business model' SR 2023, sections 'Our sustainability strategy: The world in which we operate', 'Our people' <a href="#">Sustainability Report 2022</a> : 'Appendices: our material and value creation topics 2022'	
GRI 401: Employment 2016	Disclosure	Location	Omission
401-1	New employee hires and employee turnover	AR 2023, section 'Our business model' SR 2023, section 'Sustainability facts and figures'	
GRI 403: Occupational health and safety 2018	Disclosure	Location	Omission
403-1	Occupational health and safety management system	AR 2023, section 'Our business model' SR 2023, section 'Our people: Creating an attractive, safe and healthy working environment'	
403-9	Work-related injuries	SR 2023, section 'Sustainability facts and figures'	
GRI 404: Training and education 2016	Disclosure	Location	Omission
404-1	Average hours of training per year per employee	AR 2023, section 'Our business model' SR 2023, sections 'Our people: Developing the talents of our employees' and 'Sustainability facts and figures'	
404-2	Programmes for upgrading employee skills and transition assistance programmes	AR 2023, section 'Our business model' SR 2023, sections 'Our people: Developing the talents of our employees' and 'Sustainability facts and figures'	

## SASB Activity metrics

SASB Commercial Banks Activity metrics	Activity metric	Location
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	AR 2023, section 'How do we manage our risks?'



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AI	Artificial intelligence	
ATM	Automated Teller Machine	
AUD (direct client money)	Assets Under Distribution (direct client money)	Assets under distribution from external customers of KBC Group (retail, private banking and institutional investors).
Bn	Billion	
BRS	Belgian Raiffeissen Foundation	
CCCA	Collective Commitment to Climate Action	
CDP	Carbon Disclosure Project	
CH <sub>4</sub>	Methane	
CO <sub>2</sub>	Carbon dioxide	
CO <sub>2</sub> e	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.
CSR	Corporate Social Responsibility	
CSRD	Corporate Sustainability Reporting Directive	Review of the EU Non-Financial Reporting Directive (NFRD 2014/95 EU) in a proposed new EU Corporate Sustainability Reporting Directive, under negotiation.
EBA	European Banking Authority	
EEA	European Environmental Agency	
EIB	European Investment Bank	
EIF	European Investment Fund	
EITI	Extractives Industries Transparency Initiative	
EMU	Economic and Monetary Union of the European Union	
EP	Equator Principles	
EPC	Energy Performance Certificate	
ESAP	European Single Access Point	
ESG	Environmental, social and governance	
	EU Green Deal	The EU Green Deal was adopted in December 2019. It is the European Union's new growth strategy that aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases by 2050.

	EU Taxonomy	The Taxonomy Regulation was published in 2020 (2020/852) and establishes an EU-wide framework for sustainable economic activities. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.
FTE	Full-time equivalent	
GAR	Green Asset Ratio	
GDP	Gross Domestic Product	
GDPR	General Data Protection Regulation	A regulation in EU law on data protection and privacy.
GHG	Greenhouse Gas	
GHG protocol	Greenhouse Gas Protocol	
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards	
GWP	Gross Written Premium	
HDV	Heavy-duty vehicle	
ICAAP	Internal Capital Adequacy Assessment Process	
ICE	Internal combustion engine	
ICMA	International Capital Markets Association	
ICP	Internal carbon price	
ICT	Information and Communication Technology	
IEA	International Energy Agency	
IFRS foundation	International Financial Reporting Standards	
ILAAP	Internal Liquidity Adequacy Assessment Process	
IMF	International Monetary Fund	
	Industrial loan portfolio	The corporate industrial loan portfolio excludes loans to SMEs, private persons, finance and insurance and authorities.
IRM	Information Risk Management	
ISB	Internal Sustainability Board	
ISO	International Organization for Standardization	
IT	Information Technology	
IUCN	<a href="#">International Union for Conservation of Nature</a>	
KBC AM	KBC Asset Management	

KPI	Key Performance Indicator	
KWh	Kilowatt-hours	
LDI	Liability-Driven Investment	The primary goal of an LDI portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities.
LMA	Loan Market Association	
M	Million	
MFI	Microfinance Institutions	
MiFID	Markets in Financial Instruments Directive	The Markets in Financial Instruments Directive is a European directive on investments. The directive has three objectives: Protecting investors and safeguarding the integrity of financial markets; Promoting fair, transparent, efficient and integrated financial markets; Further harmonising European stock trading and the investment market. As part of the drive towards sustainable investing on the part of politicians, regulators and investors, the EU has proposed changes to the MiFID II suitability rules to ensure that investors' environmental, social and governance preferences are taken into consideration during the investment advice and portfolio management processes.
Mt CO <sub>2</sub> e	Mega tonnes CO <sub>2</sub> e	
MW	Mega Watt	
N <sub>2</sub> O	Nitrous oxide	
NFRD	Non-Financial Reporting Directive	
NGFS	Network for Greening the Financial System	
NGO	Non-Governmental Organisations	
OECD	Organisation for Economic Cooperation and Development	
OHSC	Occupational Health and Safety Committee	
PACTA	Paris Alignment Capital Transition Assessment	
PCAF	Partnership for Carbon Accounting Financials	
PEARL+	Performance, Empowerment, Accountability, Responsiveness, Local Embeddedness Plus	
PFAS	Per- and polyfluoroalkyl substances	
PRB	UNEP FI Principles for Responsible Banking	



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PRI	UN Principles for Responsible Investments	
PSI	UNEP FI Principles for Sustainable Insurance	
RI funds	Responsible Investing funds	
SASB	Sustainability Accounting Standards Board	
SDGs	Sustainable Development Goals	
SBTi	Science-Based Targets Initiative	
SFDR	Sustainable Finance Disclosure Regulation	The SFDR introduced various disclosure-related requirements for financial market participants and financial advisors at entity, service and product levels. It aims to provide more transparency on sustainability within the financial markets in a standardised way, thus preventing greenwashing and ensuring comparability.
SLL	Sustainability-linked loan	
SME	Small and Medium-sized Enterprise	
SPV	Special Purpose Vehicle	
S.T.E.M.	Save Time Earn Money	
STIPPLE	Skills to Improve Performance Progression Learning and Employability	
	<b>Stranded assets</b>	Stranded assets are assets which, prior to the end of their intended economic lifespan, are no longer able to generate cash flows or have suffered from premature write-downs due to unanticipated climate-related policies.
TCFD	Taskforce on Climate-related Financial Disclosures	
TNFD	Taskforce on Nature-related Financial Disclosures	
UN	United Nations	
UNEP FI	United Nations Environmental Programme Finance Initiative	
VLAIO	Vlaams Agentschap Innoveren en Ondernemen	Flemish Agency for Innovation and Entrepreneurship
WLTP	Worldwide Harmonised Light Vehicles Test Procedure	



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## Feedback

We welcome comments and questions from all our stakeholders. Please send us your feedback via [csr.feedback@kbc.be](mailto:csr.feedback@kbc.be)

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