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CEO Statement

Dear Reader,

2020 has been a challenging year as Covid-19 caused unprecedented disruption and uncertainty. Today, the pandemic is still impacting economies and societies all over the world. In our 2020 [Annual Report](#) and in our [Sustainability Report](#) we describe the economic and social impact this health crisis has had and how KBC has dealt with it.

Supporting economic recovery will be the focus for society in the years to come. We at KBC, are convinced that this recovery will be sustainable and that mitigating and adapting to the impact of climate change on society should be a main priority. Therefore we have raised the bar substantially on our climate-related ambitions, in line with our engagement as a signatory of the UN's Collective Commitment to Climate Action (CCCA).

We have made substantial progress and have taken all sorts of initiatives to make our business operations fundamentally more sustainable and climate resilient:

- We further broadened the scope of measuring and mapping the impact of our portfolio on climate change using measuring instruments and methodologies like the Paris Agreement Capital Transition Assessment (PACTA), the Partnership for Carbon Accounting Financials (PCAF), the UNEP FI and Trucost.
- We started strategic tracks on the most carbon-intensive sectors and business lines in our portfolio to integrate risks and opportunities. We also started working towards setting targets for sector- and business line-specific climate strategies, based on the outcomes of the above-mentioned methodologies.
- In the energy sector, we further tightened our policy on coal-related industries and decided a full exit from existing direct coal-related financing by 2021 whilst raising our ambitions with regards to financing renewable energy projects. The share of renewable energy in our total lending to the energy sector is targeted to increase to 65% by 2030.
- We also decided on stricter targets on the reduction of the greenhouse gas emissions related to our own operations. The overall target has been raised to -80% by 2030 (base year 2015) and includes commuter travel. By 2030 all our electricity consumption will be green and from 2021 onwards we will achieve climate neutrality by offsetting the balance.
- We have raised our climate-related ambitions for socially responsible investment (SRI) funds to 30 billion euros by 2025.
- We have introduced a comprehensive policy on biodiversity.
- We have enhanced our sustainability governance to ensure that throughout the organisation, many more colleagues are actively involved and feel accountable to implement our sustainability and climate approach in all businesses and all countries.
- We continued to focus on activities with a positive sustainability and climate impact and have amongst others issued a second KBC Green Bond.

This third Impact Report gives information on the material scale and the impact of the first and second issuance of the KBC Green Bond as per 31 March 2021.

I hope you will read the impact report with interest and continue to support KBC in its Green Bond journey!

Johan Thijs, Chief Executive Officer KBC Group



Introduction

This report gives an overview of the allocation of eligible green assets to the first and second KBC Green Bond and describes the impact of both Green Bonds on a portfolio level. The issuance of KBC Green Bonds is fully integrated in KBC's sustainability strategy.

Green Bonds are one of KBC's initiatives to contribute to a more sustainable future. The proceeds are used to finance projects that have a positive impact on the environment by reducing the emissions of greenhouse gases and promoting the sustainable use of resources and land: renewable energy, energy efficiency, clean transportation, green buildings, pollution prevention and control, water management, sustainable land use.

[KBC's Green Bond Framework](#) is exclusively used to finance or refinance, in whole or in part, projects and activities that clearly contribute to a more sustainable, climate resilient and low-carbon society. KBC's Green Bond Framework gives more in-depth information on each type of proceeds and contains the requirements for selection, allocation, reporting and verification. The KBC Green Bonds are issued under this framework that is aligned with the Green Bond Principles 2017 as stated in Sustainalytics' [Second Party Opinion](#).

After the introduction of the KBC Green Bond Framework in June 2018, KBC became the first Belgian financial institution to issue a EUR 500 million green bond on 27 June 2018. A second EUR 500 million issuance followed on 16 June 2020. Both KBC Green Bonds are certified under the Climate Bonds Initiative's strict and internationally recognised Green Bond Standard.

The proceeds of both KBC Green Bonds are used to finance and refinance renewable energy power generation projects in Belgium and green buildings in Flanders, i.e. newly constructed energy efficient residential buildings that comply with the energy efficiency requirements of the Flemish Region as of 2014 (E-level \leq 60) and for which the first drawdown has occurred after January 1, 2016.

The Green Bond Committee decides on the final selection of the projects proposed by the KBC Business Units as Eligible Assets and thus instructs the labelling of the green assets. Based on the internal monitoring of the portfolio of Eligible Assets by Group Treasury, the Green Bond Committee reviews and approves allocations of bond proceeds to Eligible Assets on a quarterly basis.

KBC Green Bond – Key data on Green Bond 1 and 2

Green Bond 1		Green Bond 2
Issuer	KBC Group N.V.	KBC Group N.V
ISIN	BE0002602804	BE0974365976
Issue Rating (S&P/M/F)	A-/Baa1/A-	A-/Baa1/A-
Status	Senior unsecured green bond	Senior unsecured green bond
Issue Amount	EUR 500,000,000	EUR 500,000,000
Coupon	0.875%	0.375%
Settlement	27 June 2018	16 June 2020
Maturity Date	27 June 2023	16 June 2027

Portfolio of eligible assets as per 31 March 2021

The Green Bond committee decided to select and label EUR 1 062 million of assets in the portfolio of eligible green assets. The pool of residential loans related to Green Buildings amounts to EUR 619 million. EUR 443 million of green project finance is related to Renewable Energy projects. The granted amount of the Renewable energy portfolio though is EUR 516 million. The loans for projects in constructions will increase the value of the Renewable Energy portfolio during the months to come.

Renewable energy portfolio of eligible assets

KBC has specific targets on financing renewable energy production (at least 65% of its energy credit portfolio by 2030) to contribute to the transition to a low carbon economy. Status by year end 2020 is 61%.

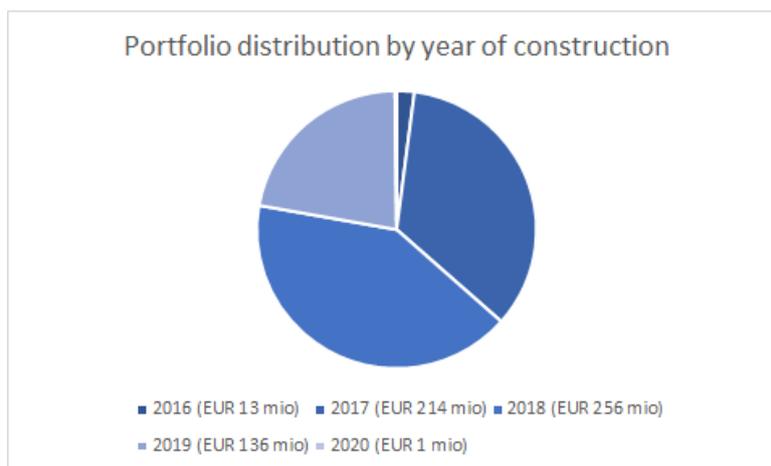
The following loans are included in our green asset portfolio:

Allocation Indicators							Impact Indicators			
Date of closing	Location	Status	Technology	Total loan size	KBC loan granted amount in EUR	KBC loan outstanding amount in EUR	Loan maturity date	Number of turbines/panels	Capacity of the project in MWp	Annual energy generation in MWh
19/06/2014	On shore - Flanders	Construction/Operational	Wind	84,034,340	86,678,211	51,043,463	02/01/2030	17	51.4	115,650
29/12/2017	On shore - Wallonia	Operational	Wind	25,000,000	21,820,000	21,820,000	30/09/2032	6	20.4	45,900
03/10/2016	Off Shore - North Sea	Operational	Wind	853,065,269	96,991,351	96,991,351	31/12/2035	42	309	1,081,500
17/11/2010	Flanders	Operational	Solar	21,351,449	17,647,674	17,647,674	30/09/2030	48	18.9	17,955
30/11/2018	Off Shore - North Sea	Construction	Wind	1,186,957,895	53,851,745	49,489,753	31/12/2037	58	487	1,704,500
31/03/2015	On Shore - Flanders	Operational	Wind	6,403,075	4,261,799	4,261,799	28/06/2030	2	4	9,000
19/12/2014	On Shore - Flanders	Operational	Wind	5,096,299	3,105,458	3,105,458	31/12/2029	2	4	9,000
19/12/2014	On Shore - Flanders	Operational	Wind	2,285,423	1,332,005	1,332,005	31/12/2029	1	2	4,500
19/01/2016	On Shore - Flanders	Operational	Wind	14,844,832	10,396,805	10,396,805	30/06/2031	3	9	20,250
29/04/2016	On Shore - Flanders	Operational	Wind	11,480,261	8,469,874	8,469,874	31/12/2031	4	9.2	20,700
29/08/2014	On Shore - Flanders	Operational	Wind	15,559,845	9,821,636	9,821,636	31/12/2029	3	9.6	21,600
30/03/2017	On Shore - Flanders	Operational	Wind	4,970,531	3,376,791	3,376,791	31/12/2031	1	3	6,750
21/12/2016	On Shore - Flanders	Operational	Wind	5,702,549	4,088,619	4,088,619	31/12/2031	1	3	6,750
27/04/2018	On Shore - Flanders	Operational	Wind	8,286,835	6,984,542	6,984,542	30/06/2033	3	6	13,500
28/11/2017	On Shore - Flanders	Operational	Wind	10,356,422	8,826,141	8,826,141	30/06/2033	2	7.2	16,200
16/12/2015	On Shore - Flanders	Operational	Wind	30,250,000	6,453,100	6,453,100	21/12/2025	10	20.25	45,563
25/10/2016	On Shore - Flanders	Operational	Wind	42,800,656	14,336,601	14,336,601	28/06/2030	13	33	74,250
06/12/2017	On Shore - Flanders	Operational	Wind	81,842,600	64,977,600	61,420,600	28/11/2031	11	33.3	74,925
25/05/2016	On Shore - Wallonia	Operational	Wind	12,719,563	10,471,495	10,471,495	31/12/2031	5	10.7	24,075
01/10/2019	On shore - NL	Construction	Wind	747,000,000	81,962,812	52,861,036	30/06/2036	89	382.7	861,075
Total				3,170,007,844	515,854,256	443,198,741			1,424	4,173,643

Green buildings portfolio of eligible assets

The labelled portfolio of assets consists of mortgage loans for new residential real estate in Flanders that comply with the energy efficiency requirements of the Flemish Region as of 2014 (E-level ≤ 60 , corresponds to 100 kWh/m²) and for which the first drawdown has occurred after January 1, 2016.

Date of construction	Date of mortgage loan commitment	Asset location	Committed loan amount in EUR	Outstanding loan amount in EUR	Left to draw in EUR	Number of loans
2016	2016	Flanders	15,837,384	12,636,087	0	92
2017	2016	Flanders	35,332,983	28,157,205	0	189
	2017	Flanders	227,106,043	185,404,104	0	1,241
2018	2016	Flanders	448,839	362,311	0	6
	2017	Flanders	28,327,750	23,596,520	0	185
	2018	Flanders	265,573,265	231,614,778	103,035	1,441
2019	2017	Flanders	355,575	323,623	0	3
	2018	Flanders	22,989,232	20,585,069	420,461	145
	2019	Flanders	126,494,114	115,534,916	1,547,552	718
2020	2018	Flanders	425,000	408,527	0	2
	2019	Flanders	1,236,587	1,180,685	1,582	10
Total			724,126,770	619,803,826	2,072,630	4,032

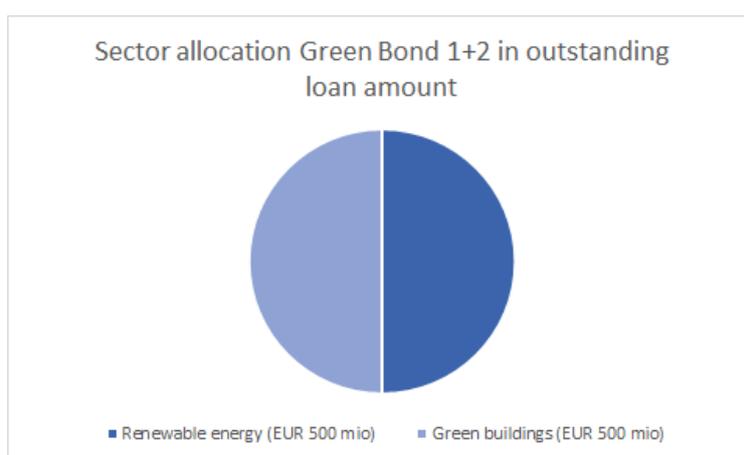


Sector allocation as of 31 March 2021

As of 31 March 2021, the EUR 500 million proceeds of the Green Bond 1 were allocated for EUR 300 million to the Green Building residential real estate sector and for EUR 187.5 million to the Renewable Energy power generation sector.

The EUR 500 million proceeds for the issuance of Green Bond 2 are allocated for EUR 200 million to the Green Building residential real estate sector and for EUR 255.5 million to the Renewable Energy power generation sector.

Currently, the projects of the renewable energy portfolio are drawn up to EUR 443 million. Unallocated proceeds in waiting for drawing under green bond 1 and 2 is EUR 57 million. Until the moment that the proceeds are fully drawn Group Treasury will hold the cash segregated in compliance with the KBC Green Bond Framework.



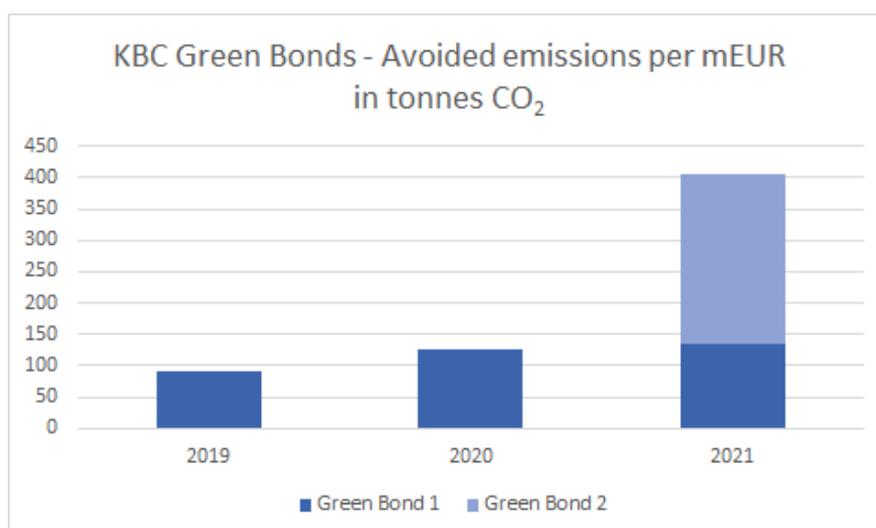
Including EUR 57 mio unallocated proceeds in waiting for drawing

Impact of the Green Bonds as per 31 March 2021

The annual avoided emissions related to the KBC Green Bond 1 as of 31 March 2021 totalled 65,084 tonnes of CO₂ or 134 tonnes per 1 million euro invested. The avoided emissions related to the KBC Green Bond 2 totalled 123,535 tonnes of CO₂ or 271 tonnes per 1 million euro invested. Information on the methodology to calculate the avoided CO₂-emissions is provided in Appendix 2. Please note that the calculations do not yet include the unallocated proceeds (EUR 57 million) in waiting for drawing under green bond 1 and 2.

The difference in avoided CO₂-emissions between both Green Bonds can be attributed to (i) the greater share of renewable energy in Green Bond 2 and (ii) the inclusion of a renewable energy project situated in the Netherlands in Green Bond 2. Electricity production in the Netherlands is more carbon intensive than in Belgium. As a consequence, avoided CO₂-emissions are higher in this bond.

Overview of the KBC Green Bond assets and annual impact		
Green Bond 1		
	Renewable Energy	Green Buildings
Allocated amount	EUR ^(A) 187.5 mio	EUR ^(A) 300 mio
Electricity produced/energy saved (MWh)	320,100	26,752
Avoided CO ₂ emissions (tonnes)	60,073	5,011
Green Bond 2		
Allocated amount	EUR ^(A) 255,5 mio	EUR ^(A) 200 mio
Electricity produced/energy saved (MWh)	455,062	17,816
Avoided CO ₂ emissions (tonnes)	124,194	3,341



The avoided emissions related to Green Bond 1 increased by 40% in 2020 compared to 2019. This is almost entirely due to the increase of the share of claimed renewable electricity on the grid and the resulting increase of the carbon intensity - and thus the emission factor - for the residual grid mix. In 2021 Green Bond 2 has a share of 67% in the avoided emissions. The reasons are explained above.

Verification

Before the first issuance was launched, Sustainalytics provided a second opinion to verify the compliance of the Green Bond Framework with the Green Bond Principles.

In the context of its certification with the Climate Bonds Initiative standards, PwC provided assurance on the allocation of proceeds. The Assurance Report can be found in Appendix 3.

Appendix 1 - KBC Green Bond Framework - Use of proceeds and eligibility criteria

1. Renewable Energy	
<i>Renewable energy power generation</i>	<ul style="list-style-type: none"> • Loans to finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources: <ul style="list-style-type: none"> ○ Onshore and offshore wind energy ○ Solar energy ○ Geothermal energy (with direct emissions ≤ 100g CO₂/kWh) ○ Energy from biomass, that is: <ul style="list-style-type: none"> ▪ not grown in areas converted from land with previously high carbon stock such as wetlands or forests ▪ not obtained from land with high biodiversity such as primary forests or highly biodiverse grasslands ▪ not suitable for human consumption ▪ and subject to sustainable transport¹: no excessive transport of input material or end product ○ Waste-to-energy
2. Energy Efficiency	
<i>KBC 'Green Energy Loans'</i>	<ul style="list-style-type: none"> • 'Green energy loans' for home improvements of KBC retail clients where at least 50% of the home improvements are for energy-efficiency purposes, including: <ul style="list-style-type: none"> ○ new central heating or solar boilers ○ water pumps and other geothermal energy systems ○ high-efficiency glazing ○ new insulation ○ thermostatic taps ○ solar panels ○ energy audits <p>Note: As retail clients are required to use at least 50% of the loan for energy-efficiency purposes, conservatively 50% of the outstanding loan amount is viewed as 'eligible'.</p>
3. Clean Transportation	
<i>Low carbon land transport</i>	<ul style="list-style-type: none"> • Loans to finance low carbon land transport: <ul style="list-style-type: none"> ○ Public passenger transport, including electric, hybrid-electric, hydrogen or other non-fossil fuel vehicles, rail transport, metros, trams, cable cars, and bicycle schemes ○ Private light-duty and heavy goods vehicles that are electric, hybrid-electric, hydrogen or other non-fossil fuel based. ○ Dedicated freight railway lines (excluding transport with the main objective of transporting fossil fuels) ○ Supporting infrastructure for low carbon land transport e.g. IT upgrades, signalling, communication technologies and charging infrastructure

¹ As normal course of business, except for some small local biomass plants, all biomass related projects of KBC are screened on case-by-case basis by the KBC Corporate Sustainability Department

4. Green Buildings	
<i>Residential real estate</i>	<ul style="list-style-type: none"> Real estate loans for newly constructed energy efficient residential buildings in the Flemish Region that comply with the "Energieprestatie en Binnenklimaat" (EPB) requirements included in the building code of the Flemish Region as of 2014 or later (E-level \leq 60) and for which the first drawdown has occurred after January 1, 2016.
<i>Commercial real estate</i>	<ul style="list-style-type: none"> New or recently built commercial real estate buildings belonging to the top 15% of the commercial real estate building stock in terms of energy performance in the country of location, or which have obtained any of the following green building certificates: <ul style="list-style-type: none"> LEED: [\geq "Gold"] BREEAM: [\geq "Very Good"] HQE: [\geq "Excellent"]
5. Pollution Prevention & Control	
<i>Waste reduction & recycling</i>	<p>Loans to finance equipment, development, manufacturing, construction, operation and maintenance of facilities and infrastructure for waste prevention, reduction and recycling, including:</p> <ul style="list-style-type: none"> sharing, repairing, reusing, refurbishing and remanufacturing of goods and recycling of waste
6. Water Management	
<i>Sustainable water & wastewater management</i>	<p>Loans to finance equipment, development, manufacturing, construction, operation and maintenance of:</p> <ul style="list-style-type: none"> water recycling and wastewater treatment facilities water storage facilities water distribution systems with improved efficiency/quality urban drainage systems flood mitigation infrastructure, such as infiltration infrastructure
7. Sustainable Land Use	
<i>Sustainable land use</i>	<p>Loans to finance sustainable land use:</p> <ul style="list-style-type: none"> Sustainable agriculture in the EU, comprised of organic farming as certified in compliance with the EU and national regulation Environmentally sustainable forestry² including afforestation or reforestation, and preservation or restoration of natural landscapes soil remediation

² Defined as PEFC or FSC certified forestry

Appendix 2 - How we calculate avoided emissions

Green building-residential real estate

Key principles

1. Financing share: the avoided emissions calculation is applied to the financing share of the amount allocated to Green Buildings of KBC Green Bond 1 (i.e. EUR 300 mio) and KBC Green Bond 2 (i.e. EUR 200 mio).
2. To calculate avoided emissions, we compare the energy performance of these Green Buildings with the energy performance of an average dwelling in Flanders (Belgium) and convert it to CO₂e-emissions.
3. All calculations are based on publicly available data.

To calculate the avoided emissions, we have developed an internal methodology which has subsequently been verified by a specialised consultancy firm, Vinçotte. This independent verification consisted of a review of the methodology, of the secondary data and the emission factors input as well of used and the avoided greenhouse gas emissions calculations for the allocated assets at the time of issuance. For the calculations as of 31/03/2021, the same methodology is used and the emission factors have been updated.

To determine the baseline of [average dwelling energy efficiency](#), we use average data on usable floor area for new apartments and houses and average data on electricity and energy consumption for heating per household. The calculation of the heat-related primary energy consumption is based on the average share of the main energy sources used for heating by households in Flanders: heating oil, natural gas and electricity.

For [new houses and apartments](#), we assume the same floor area and electricity consumption (excl. for heating) as for average dwellings. Since 2006, new buildings need to comply with specific energy performance requirements, expressed as E-levels. E-levels must be recalculated to energy performance in kWh/m² based on statistical data of the Flemish government.

To translate the energy performance to the use of primary energy sources, the conservative assumption was made that in green buildings the same share and type of primary energy sources are used for heating as in average dwellings.

To calculate the avoided emissions, the energy use per source is converted into CO₂e-emissions using the following conversion factors:

- for heating oil and gas: UK Government GHG Conversion Factors for Company Reporting 2020
- for electricity: Association of Issuing Bodies - European Residual Mixes 2019

Renewable Energy

The impact of Renewable Energy projects is calculated based on the expected average electricity production of the financed projects and prorated according to the share of KBC in the total loan size.

For the conversion of capacity to average electricity production we use the following factors:

- 3500 full load hours for offshore wind
- 2250 full load hours for onshore wind
- 95% efficiency for PV-panels.

For calculation of the avoided emissions, we use the conversion factors of the Association of Issuing Bodies - European Residual Mixes 2019.

Appendix 3 – Assurance report



To the Board of Directors of KBC Groep SA/NV

INDEPENDENT LIMITED ASSURANCE REPORT ON THE KBC GREEN BOND ANNUAL IMPACT REPORT FOR THE YEAR ENDED 31 MARCH 2021 OF KBC GROEP SA/NV

This report has been prepared in accordance with the terms of our contract dated 21 October 2020 (the "Agreement"), whereby we have been engaged to issue an independent limited assurance report in connection with selected data, marked with the symbol (A), regarding the allocation of the KBC Green Bond proceeds to Eligible Assets, of the KBC Green Bond - Impact Report as of and for the year ended 31 March 2021 (the "Report").

The Directors' Responsibility

The Directors of KBC Groep SA/NV ("the Company") are responsible for the preparation and presentation of the selected data marked with the symbol (A) in the Report (the allocation of the Green Bond proceeds to Eligible Assets), as of and for the period ended 31 March 2021 (the "Subject Matter Information"), in accordance with the Eligibility criteria disclosed in the KBC Green Bond Framework and included in the Appendix 1 of the Report (the "Criteria").

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.

Our Independence and Quality Control

We have complied with the legal requirements in respect of 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 organizing the audit profession and its public oversight of registered auditors, and with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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. Our assurance report has been prepared in accordance with the terms of our engagement contract.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information". 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 does not comply, in all material respects, with the Criteria.

PwC Bedrijfsrevisoren bv - PwC Reviseurs d'Entreprises srl - Risk Assurance Services
Maatschappelijke zetel/Siège social: Woluwe Garden, Woluwedal 18, B-1932 Sint-Stevens-Woluwe
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In a limited-assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable- assurance engagement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Subject Matter Information in respect of the Criteria. The scope of our work comprised the following procedures:

- 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 as of and for the year ended 31 March 2021 presented in the Report;
- conducting interviews with responsible officers;
- inspecting internal and external documents.

The scope of our work is limited to assurance over the selected data marked with the symbol (A) in the Report (the allocation of the Green Bond proceeds to Eligible Assets), as of and for the period ended 31 March 2021. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report.

Conclusion

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Subject Matter Information (the selected data marked with the symbol (A)), does not comply, in all material respects, with the Criteria.

Other matter - Restriction on Use and Distribution of our Report

Our report is intended solely for the use of the Company, in connection with their Report as of and for the year ended 31 March 2021 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.

Sint-Stevens-Woluwe, 03 May 2021

PwC Bedrijfsrevisoren BV/Reviseurs d'Entreprises SRL
represented by

Marc Daelman¹
Registered auditor

¹ Marc Daelman bv, member of the Board of Directors, represented by its permanent representative Marc Daelman