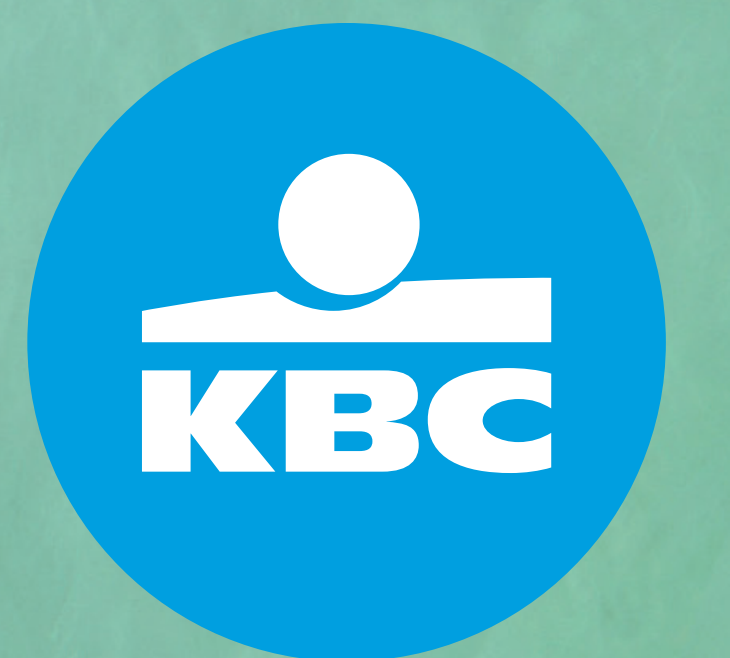


KBC Green Bond Framework

November 2023



“KBC was the first Belgian financial institution to issue a green bond in 2018.

In 2023 KBC strengthened its sustainability governance, ensuring the integration into every layer of the organisation and in all core activities.

INTRODUCTION

KBC's approach to corporate sustainability

Based in Belgium, KBC (including KBC Group, KBC Bank and its subsidiaries, and referred together as “KBC” or “we”) is a leading European financial group with a focus on providing bank-insurance products and services to retail, SME and mid-cap clients, mainly in its core countries: Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia.

KBC was the first Belgian financial institution to issue a green bond in 2018. In 2019, KBC signed the Collective Commitment to Climate Action (CCCA), thereby committing to aligning its activities with the Paris Agreement goal of limiting global warming to well below 2°C, striving for 1.5°C, a key step forward in its sustainability journey. In September 2022, KBC published its first climate report containing stringent decarbonisation targets for the sectors that cover the majority of our lending portfolio and related greenhouse gas emissions. Next to that, it included clear targets for KBC asset management's Responsible Investing funds.

KBC's sustainability strategy is oriented towards **real societal needs and the corresponding UN Global Sustainable Development Goals (“SDGs”)**. While the 17 SDGs are all interconnected and relevant and even though we work to achieve all of them through our sustainability policies, KBC has chosen to focus on five goals in greater depth. These goals are most clearly connected to our business and sustainability strategy:

- SDG 3 on “Good Health and Well-being”,
- SDG 7 on “Affordable and Clean Energy”,
- SDG 13 on “Climate Action”,
- SDG 8 on “Decent Work and Economic Growth”, and
- SDG 12 on “Responsible Consumption and Production”

Furthermore, with the funds raised through its green bond(s) (see section 2.1 “Use of Proceeds”), KBC also aims to have a positive impact on SDG 9 “Industry, Innovation and Infrastructure” and on SDG 11 “Sustainable Cities and Communities”.

In 2023 KBC strengthened its sustainability governance, re-emphasising the top level responsibility for sustainability and climate strategy, ensuring the integration of that strategy into every layer of the organisation and in all core activities, as well as clear local accountabilities in each of our core countries via the local sustainability general managers to ensure the group-wide implementation of the centrally decided sustainability and climate policies. Our climate-related governance is anchored in our overall sustainability governance¹.

In 2022 KBC received broad external recognition for its efforts on ESG (environment, social and governance) themes in the shape of several sustainability-related awards and above all by being assessed as a sustainability leader in terms of our ESG performance by several independent rating providers. KBC is one of 19 companies worldwide to have been awarded the 2022 Terra Carta Seal. The Sustainable Market Initiative's Terra Carta Seal recognises global companies which are driving innovation and demonstrating their commitment to, and momentum towards, the creation of genuinely sustainable markets. Designed by Sir Jony Ive, the Terra Carta Seal embodies the vision and ambition of His Majesty King Charles III and the Terra Carta, as a recovery plan for Nature, People and Planet. The Terra Carta Seal is underpinned by Corporate Knights' Annual Global 100 Top Sustainable Corporations List and the wider principles of the Terra Carta.

Introduction

- KBC's approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

¹ KBC Sustainability report 2022 – csr-sr-2022.pdf (kbc.com)

Sustainability highlights 2022

Strong performance in environment, social and governance (ESG) in 2022



Our ESG ratings 29/12/2023

KBC also received broad external recognition for its efforts on ESG themes in the shape of several sustainability-related awards.

 <p>A Leader in addressing climate change CDP's A list Financial average service B-</p>	 <p>Negligible Risk (9.8) 2nd percentile of 342 diversified banks assessed 3rd of 342 diversified banks</p>	 <p>64 Top 7% 93rd percentile of 722 banks assessed according to the 2023 methodology</p>	 <p>AAA Leader among 488 banks assessed</p>	 <p>C+ prime 1st decile rank of 300 Commercial Banks & Capital Markets assessed</p>	 <p>4.7 Top 3% (97th percentile of banks assessed)</p>
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KBC continuously updates its Group Sustainability Framework, applying **strict sustainability policies and exclusionary criteria**² to its business activities in respect of human rights, business ethics, the environment and sensitive/controversial societal issues.

- We have clear policies in place to limit the environmental impact of our core activities within our portfolio of loans, investments and insurance activities.
- Being a signatory of the Equator Principles since 2004, we only provide project financing or advisory services to clients after the projects have been assessed based on a.o. the processes and policies of the Equator Principles.
- Via our Collective Commitment for Climate Action (CCCA) we support the Paris COP21 Agreement and the 2°C scenario, striving for 1.5°C. This commitment is translated in the KBC Sustainability Strategy via our Sustainable Finance programme. Our emission targets for 2030 and 2050 are published in our 2022 climate report. Its progress will be reported in our yearly sustainability report.
- KBC's ambition is to gradually increase the share of renewables in the total KBC Energy Credit Portfolio to at least 75% by 2030 at the latest.
- Since mid-2021, KBC group no longer has a direct exposure to thermal coal and also our indirect exposure continues to decrease due to our restrictive policies on thermal coal.
- Also already from 2021, we will no longer provide direct financing, insurance or advisory services for the exploration and extraction of any new oil and gas fields. In addition vertically integrated energy companies that operate in the field of the extraction of oil and gas are subjected to additional requirements.
- KBC acknowledges the importance of biodiversity and has introduced a comprehensive policy covering areas like forests and deforestation, protected areas, fisheries, and others.

Introduction

- KBC's approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

² See our Group Sustainability Framework https://www.kbc.com/content/dam/kbccom/doc/sustainability-reponsability/FrameworkPolicies/CSD_CorporateSustainabilityFramework.pdf

Overview of our climate targets and 2022 progress report (restated figures highlighted).

Progress will be updated in the yearly KBC Group sustainability report which will be reported on kbc.com. Data independently verified by PwC (limited assurance) as part of [the 2022 KBC Group sustainability report](#) are expressly earmarked with the adjoining symbol 🔍. Where relevant, PwC verified any subsequent changes to the 2021 baseline data and underlying calculations.

White Paper sectors	(Sub)sector within scope of target setting		Scope ¹	Scenario/ Pathway (if applicable)	Data measurement meth- odology	Financial exposure in scope in m euros ²	Metric	Baseline 2021 portfolio	2022 KBC portfolio value 🔍	2022 KBC pathway value	Progress indicator ³	2022 versus baseline 🔍	2030 target	2050 target
Energy	Energy ⁴ (whole sector)		1 + 2	Not applicable	PCAF	4 389	t CO ₂ e/m euros outstanding	453	419	434		-8%	-34%	-82%
	Electricity ⁴		1	Below 2°C (NGFS Phase 2)	PCAF	2 448	kg CO ₂ e/MWh	210	208	204		-1%	-39%	-77%
Real Estate	Commercial real estate and mortgages (whole sector excl. pure commercial development)		1 + 2	Not applicable	PCAF inspired ⁵	76 880	t CO ₂ e/m euros outstanding	27	26	26		-4% ⁶	-38%	-72%
	Mortgages and commercial residential real estate		1 + 2	Below 2°C (NGFS Phase 2)	PCAF inspired ⁵	69 294	kg CO ₂ e/m²/year	50	49	48		-3% ⁶	-43%	-85%
Transport	Vehicle loans and financial lease	Passenger cars	1	Net Zero 2050 (European Commission MIX)	PCAF inspired ⁵	2 969	g CO ₂ /km	139	140	137		+1%	-42%	-100%
		Light commercial vehicles	1		PCAF inspired ⁵	715		208	203	206		-2%	-30%	-84%
	Vehicle operational lease	Passenger cars	1		PCAF inspired ⁵	1 158		133	124	131		-7%	-81%	-100%
		Light commercial vehicles	1		PCAF inspired ⁵	71		196	197	195		+1%	-33%	-90%
Agriculture	Agriculture (whole sector)		1 + 2	Below 2°C (NGFS Phase 2)	PCAF	5 012	t CO ₂ e/m euros outstanding	1 405	1 392	1 372		-1%	-21%	-34%
Building and construction	Cement producers		1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	126	t CO ₂ /t cement	0.69	0.68	0.67		-0.4%	-16%	-68%
Metals	Steel producers		1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	767	t CO ₂ /t steel	1.34	1.51	1.31		+13%	-14%	-56%
	Aluminium producers		1 + 2	Below 2°C (TPI)	Client information	22	t CO ₂ e/t aluminium	0.59	0.59	4.64 ⁷		+1%	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, and are the result of updated estimates and calculations, as further explained below, as well as in the 'Methodologies explained' appendix of this report. For energy, electricity and aluminium our 2021 baseline is restated for reasons explained further on in 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 strictosensu 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.

1 Client emissions in scope of target: Scope 1 or Scope 1 + 2

2 Financial exposure reflects the outstanding exposure as of 30 September 2022. For the steel and cement sectors, the financial exposure reflects the granted exposure as of 30 June 2022. For the aluminium sector, the financial exposure reflects the granted exposure as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. Reported outstanding exposures may differ from those appearing in other sections of this report, due to differences in: (i) booking entities in scope (KBC Ireland and KBC Bank Bulgaria including its subsidiaries are excluded from our climate targets but are included in KBC Group's consolidation scope) and (ii) scope of sub-sectors.

3 The progress indicator for the energy and real estate (t CO₂e/m euros outstanding) is based on a separate 2022 KBC pathway value calculation. Here, the KBC pathway value reflects the 2022 value in the linear reduction path between our 2021 baseline and our first intermediate (2030) target.

4 For the 2022 emission intensity calculations the data collection year for Scope 1 and 2 emissions and company value (debt + equity) may differ. This may lead to an overestimation or underestimation of the final emission intensity.

5 More information available in the '[Methodologies explained](#)' appendix of the KBC Sustainability Report.

6 Changes to the intensity are not solely due to improvement in KBC's portfolio performances but also to methodological choices and data quality improvements.

7 This value reflects the global climate benchmark value of the whole sector according to the TPI Below-2°C pathway and not a KBC-specific portfolio convergence value.

Introduction

- KBC's approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria




On the asset management side, KBC displays a strong approach towards Responsible Investing ("RI")

- KBC has been a pioneer and a market leader in Belgium for over 30 years. We see RI funds as our first offer and preferred investment solution. We therefore actively promote them among our clients, especially in our digital sales channels
- Our RI funds offering is available in all core countries, following a successful launch in Bulgaria in the first quarter of 2022. It is also worth noting that since November 2021, all Belgian KBC pension savings funds invest in responsible assets.
- By the end of 2022, the volume invested in these RI funds had already increased to 32.3 billion euro
- In 2022, we reviewed our RI related targets. We tightened the targets on the share of RI funds in total annual fund production. We also introduced a new target on the share of RI in total assets under distribution, replacing the former volume target. Our goal is for RI funds to account for 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 also set a new target to reduce the carbon intensity of the corporate investees in Responsible funds by 50% compared to the end of 2019 reference values by 2030.

KBC supports the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), endorses the UN Global Compact and is a member of UNEP FI.

KBC aims to support the transition to a more sustainable and climate-resilient society now and into the future, working shoulder to shoulder with its clients and other stakeholders. This is why sustainability is an integral part of our overall corporate strategy and is embedded in our day-to-day business activities, and the products and services we provide. We specifically strive to provide financial solutions and business opportunities in a number of pre-determined focus areas: environmental responsibility, financial literacy, entrepreneurship and health and longevity.

Specifically on Environmental responsibility, we take initiatives to promote energy efficiency in homes, buildings and mobility, and we support the financing of renewable energy. A number of these initiatives are incorporated in this Green Bond Framework and are mobilising KBC corporate and retail bankers across our organisation, such as the project finance, and real estate teams, to develop business solutions to promote and provide financing for energy efficiency and renewable energy.

 For more information, please see the KBC Sustainability Report prepared in accordance with the GRI & SASB Standards.

Introduction

- [KBC's approach to corporate sustainability](#)
- [Background of the Green Bond Framework](#)

Green Bond Framework

- [Use of Proceeds](#)
- [Process for project evaluation and selection](#)
- [Management of Proceeds](#)
- [Reporting](#)
- [External review](#)

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

“Green funding provides an opportunity for KBC to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective.”

Background of the Green Bond Framework

KBC is convinced that the financial industry has a key role to play in the transition to a low carbon economy and is willing to contribute to the development of a sustainable financial market.

To date, KBC has issued three green bonds in accordance with the International Capital Markets Association (ICMA) Green Bond Principles to refinance assets in the area of renewable energy and green buildings. In 2018, KBC was the first Belgian financial institution to issue a green bond, worth 500 million euros, for institutional and professional investors. In June 2020, KBC returned to the market and issued its second 500 million euro green bond. In November 2021, we successfully issued our third 750-million euro green bond.

Green funding provides an opportunity for KBC to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective.

KBC Green Bonds can be issued under this Framework via KBC Group NV, KBC Bank NV or any of its other subsidiaries (collectively referred to as “KBC”). If KBC issues a KBC Green bond at the level of KBC Group NV, it will allocate an equivalent amount of the KBC Green Bond proceeds to KBC Bank NV or its relevant subsidiaries where the Eligible Assets are located. The KBC Green Bond Framework is intended to accommodate secured and unsecured transactions in various formats and currencies. Further details will be provided in the applicable announcements and transaction documentation.



The KBC Green Bond Framework is in line with the ICMA Green Bond Principles (ICMA GBP), 2021 (with 2022 Annex). The Framework aims to gradually incorporate the criteria for environmentally sustainable economic activities³, included in the EU Taxonomy Climate Delegated Act (June 2021) and intends to further align with these criteria when practically feasible. KBC intends to gradually further align its Green Bond Framework with emerging good practices, such as criteria of the European Green Bond Standard (“EU GBS”) and other relevant forthcoming regulatory requirements and guidelines.

Introduction

- KBC’s approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

³ Cfr annex 1 and the Second Party Opinion issued by Sustainalytics

GREEN BOND FRAMEWORK

The KBC Green Bond Framework is presented through the following core components, which follow the voluntary guidelines of the Green Bond Principles:

1. Use of proceeds

2. Process for project evaluation and selection

3. Management of proceeds

4. Reporting

5. External review






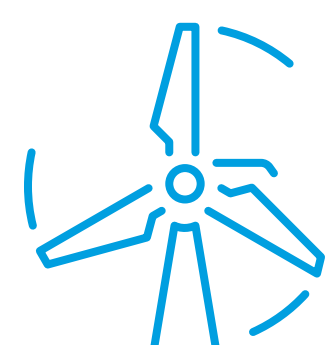
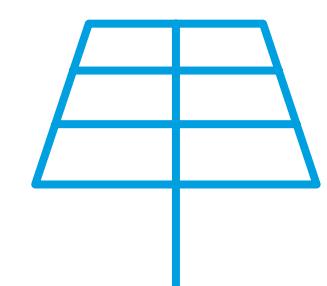


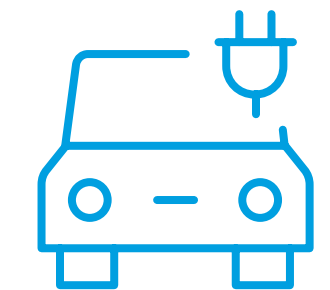




Use of Proceeds

An amount equivalent to the proceeds of Green Bond (“Use of Proceeds”) issuances is exclusively used to finance or refinance⁴, in whole or in part, projects and activities in the following categories:

- 1. Energy Efficient Buildings
- 2. Renewable Energy
- 3. Clean Transportation

To qualify as Green Bond Eligible Assets (‘Eligible Green Assets’), the selected assets are required to meet the eligibility criteria included

in the table below. The eligibility criteria under this Framework aim to be aligned with the Substantial Contribution Criteria of the EU Taxonomy Climate Delegated Act (June, 2021) for Climate Change Mitigation. In addition to meet the eligibility criteria for Substantial Contribution, the Eligible Green Assets aim to align with the Do No Significant Harm criteria and Minimum Social Safeguards when practically feasible. The Eligible Green Projects are also mapped to the UN SDGs and the related NACE codes included in the EU Taxonomy Climate Delegated Act.

ICMA GBP Category	Eligibility Criteria	EU Taxonomy Objectives and Activity	UN SDGs
Energy efficient buildings 	Mortgage loans and commercial loans to (re)finance new and existent residential buildings smaller than 5.000m², in Belgium which meet the following criteria: <ul style="list-style-type: none">• Buildings built after 31/12/2020 with Primary Energy Demand (PED) at least 10% lower than the threshold set in the national nearly zero-energy building (NZEB) requirements• Buildings built before 31/12/2020 that have at least an Energy Performance Certificate (EPC) class A, or are within the top 15 % of the national or regional building stock expressed as operational Primary Energy Demand (PED).	Climate Change Mitigation: 7.7. Acquisition and ownership of buildings (Related NACE code L68)	   
Renewable energy  	Loans to (re)finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources in the EU and the UK: <ul style="list-style-type: none">• Onshore and offshore wind energy• Solar energy	Climate Change Mitigation: 4.1. Electricity generation using solar photovoltaic technology 4.3. Electricity generation from wind power (Related NACE codes: D35.11 and F42.22.)	 
Clean transportation  	(Re)financing of the purchase, renting, leasing and operation of zero-emission vehicles in Belgium: <ul style="list-style-type: none">• Fully electric, hydrogen or other non-fossil fuel based vehicles⁵ for the transportation of passengers	Climate Change Mitigation: 6.4. Operation of personal mobility devices, cycle logistics 6.5. Transport by motorbikes, passenger cars and light commercial vehicles (Related NACE code: H49.31, H49.39, N77.11, N77.21)	  

⁴ Financing is defined as assets originated as of the year of issuance. Refinancing is defined as assets originated before the year of issuance.
⁵ For the avoidance of doubt, no plug-in hybrid vehicles are eligible”

Introduction

- KBC’s approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria



Process for project evaluation and selection

As all projects or assets go through KBC’s internal credit process (including Know-Your-Customer procedures, credit risk analysis and a credit decision), assets are expected to comply with local laws and regulations, including any applicable regulatory environmental and social requirements. The Eligible Green Assets are furthermore evaluated by an assessment against KBC’s sustainability policies and the standards of the KBC Group Sustainability Framework (including the exclusionary criteria) where applicable.

KBC business units provide information on the compliance of the projects with the criteria for Eligible Green Assets. The definition of the Eligibility Criteria aims to be aligned with the EU Taxonomy Substantial Contribution Criteria for climate mitigation, subject to interpretation and guidance from current and future EU Directives and Q&A sessions. In case of any changes in the relevant criteria by the EU, KBC aims to adjust its Green Bond portfolio of Eligible Green Assets within the timeframe stated in the final draft of the 2023 Green Bond Standard. The Framework aims to align with the Do Not Significant Harm criteria and the Minimum Social Safeguards, to the extent possible. See Annex 1 for more details.

Upon submission of projects by the business units, the Green & Social Bond Committee, comprised of representatives including at least one general manager from Group Treasury, Group Corporate Sustainability and representatives from the business units (in scope of Eligible Green Assets), will verify the compliance of the projects with the Use of Proceeds requirements and select projects as Eligible Green Assets ⁶.

The Green & Social Bond Committee will document the assessment process with the view to demonstrate to an external verifier that funded loans meet the applicable eligibility criteria.

Management of Proceeds

The proceeds of the Green Bonds will be managed by the Treasury team of KBC Group on a portfolio basis. As long as the Green Bonds are outstanding, it is intended to exclusively allocate an amount equivalent to the proceeds to a Green Bond portfolio of Eligible Green Assets in line with the above mentioned eligibility criteria and evaluation and section process.

KBC will label all allocated Eligible Green Assets in its internal information systems and will monitor these allocations at least on an annual basis. If an asset no longer meets the eligibility criteria, does not exist anymore or has been repaid early, KBC will remove the loan from the Green Bond portfolio and will strive to replace it with an Eligible Green Asset as soon as possible, subject to availability.

KBC will fully allocate Green Bonds on issuance date. In case insufficient Eligible Green Assets are available, KBC commits to hold the balance of proceeds not allocated to Eligible Green Assets within the treasury of the Group, invested in money market products, cash and/or cash equivalent.

Based on the internal monitoring of the portfolio of Eligible Green Assets, the Green & Social Bond Committee will review and approve allocations of bond proceeds to Eligible Green Assets at least on an annual basis.

Introduction

- KBC’s approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

⁶ Cfr selection criteria as outlined in Appendix 2.

Reporting

KBC intends to publicly report on the allocation and the non-financial impact of the Eligible Green Assets included in its Green Bond portfolio on portfolio level, at least on an annual basis. The report will be published on KBC’s website: <https://www.kbc.com/en/investor-relations/debt-issuance/kbc-green-bond.html>

Allocation of proceeds reporting

On at least an annual basis or in case of a significant change, KBC will prepare a report to update investors on the allocation of the net proceeds of the Green Bonds to Eligible Green Assets. This report provides information about:

- The total amount of proceeds allocated to Eligible Green Assets
- The allocated amounts to Eligible Green Assets per Use of Proceeds category
- Origination timeframe and maturity profile of the assets per Use of Proceeds category
- The amount of unallocated proceeds
- The share of financing ⁷ vs. refinancing

Impact reporting

On an annual basis or in case of a significant change, KBC intends to report on the impact of the Eligible Green Assets by category from a sustainable and environmental perspective. KBC aims to report on the impact indicators listed below, subject to the availability of information and baseline data and based on methodologies that will be publicly available. KBC intends to follow the guidelines described in the ‘Handbook Harmonized Framework for Impact Reporting’ published in June 2023. ⁸

Examples of quantitative impact indicators

For Renewable Energy

- Installed renewable energy capacity in GW or MW
- Expected or actual annual renewable energy generation in MWh
- Estimated annual GHG emissions avoided (in tCO₂e)

For Green Buildings

- Year of construction
- Certification level
- Estimated annual energy savings in MWh or GWh compared to a baseline
- Estimated annual GHG emissions avoided/reduced in tons of CO₂e

For Clean Transportation

- Estimated annual GHG emissions avoided/reduced in tons of CO₂ emissions

Both allocation report and non-financial impact report will be made publicly available in the Green Bond section of KBC’s Investor Relations webpage ⁹.

External review

KBC intends to appoint one or more external parties to provide a pre-issuance verification in the form of a Second Party Opinion (SPO) on the Green Bond Framework and a post-issuance verification on the green bonds issued.

The pre-issuance verification verifies alignment of the green bonds with one or more of the appropriate standards in the green bonds market (such as the GBP, the EU Taxonomy or any other similar standards, as applicable and as selected by the Issuer).

The post-issuance verification verifies the relevant Allocation Report when net proceeds from an issuance of green bonds have been allocated in full towards Eligible Green Assets. Both the pre- and post-issuance verification are intended to become available on KBC’s Investor Relations website.

Introduction

- KBC’s approach to corporate sustainability
- Background of the Green Bond Framework

Green Bond Framework

- Use of Proceeds
- Process for project evaluation and selection
- Management of Proceeds
- Reporting
- External review

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

⁷ Financing is defined as assets originated as of the year of issuance. Refinancing is defined as assets originated before the year of issuance.

⁸ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Handbook-Harmonised-framework-for-impact-reporting-June-2023-220623.pdf>

⁹ <https://www.kbc.com/en/investor-relations/debt-issuance/kbc-green-bond.html>

APPENDIX 1 – EU TAXONOMY

The Framework incorporates the criteria for environmentally sustainable economic activities, included in the EU Taxonomy Climate Delegated Act (June 2021) and intends to further align with these criteria when practically feasible.

Substantial contribution criteria and do not significant harm for the selected categories

With respect to the general DNSH criteria regarding Climate Change Adaptation, we refer to the 2023 (internal) physical and transition Risk Analysis, including Real Estate, Energy and Transport, which are relevant for the selected categories in the Framework. The assessment was a cooperation between sector, risk, sustainability and insurance experts, and the results were presented to our Internal Sustainability Board. The aim was to assess the materiality of different risk drivers (amongst others the climate-related hazards), and to propose mitigating actions at least for the most material risks. The conclusions of this exercise are used for the selection of Eligible Green Assets to comply with the DNSH criteria on Climate Change Adaptation where practically feasible.

Energy Efficient Buildings – residential buildings

In Belgium, the legislation on the Energy Performance of Buildings has been transferred to the regional level (Belgium consists of 3 regions: Flanders, Wallonia and Brussels Capital Region)⁹. This results in differences in the implementation of the regulation between the 3 regions.

The top 15% in primary energy demand has been determined on a Belgian financial sector level (Febelfin) and is set at a level lower or equal to 159 kWh/m²/year¹⁰. As of 1/1/2014, the building code in all 3 regions requires a Primary Energy Demand level lower than 159kWh/m²/year for new buildings, i.e.

- Flanders: E-level of maximum 60 and a maximum primary energy demand of 70kWh/m²/yr
- Wallonia: E-level of maximum 80 and a maximum primary energy demand of 130kWh/m²/yr
- Brussels: E-level of 70, which translates into a maximum primary energy demand lower than 159kWh/m²/yr

The determination of the **NZEB -10%** requirements is based on statistical data on EPB declarations on a regional level and corresponds to a maximum primary energy demand of 47kWh/m²/year in Flanders (which corresponds to an E-level of ca 27)¹¹ and Wallonia.

In Flanders, the building code requires the NZEB level (E-level of max 30) as of the 1st of January 2021. However, when consulting the EPB declarations for buildings with a maximum E-level norm of 30 or lower,¹² it shows that already 96.6% of newly constructed residential buildings reach the NZEB -10% norm (E-level of max 27).¹³ To accommodate for the 3.4% of buildings with an E-level > 27, we will select 10% more loans on a portfolio basis. This methodology has also been determined and supported on Belgian financial sector level (Febelfin).

Practically, this means that we select the following Eligible Green Mortgage Loans:

- Loans financing the acquisition of a residential building in Belgium with a building year before 1/1/2021 and with a maximum primary energy demand of 159kWh/m² (top 15%)
- Loans financing the acquisition of a residential building in Flanders or Wallonia with a building year after 1/1/2021 and with a maximum primary energy demand of 47kWh/m²/yr (NZEB -10%)
- Loans financing the construction of new energy efficient residential buildings in Belgium with the energy requirements included in the regional building code as of 2014 or later and for which the 1st drawdown has occurred as of 01/01/2016 but before 31/12/2022 (top 15%)

- Loans financing the construction of new energy efficient residential buildings in Flanders with the energy requirements included in the regional building code as of 1/1/2021 and for which the 1st drawdown has occurred as of 1/1/2023 (NZEB -10%).

Based on the Risk Analysis mentioned above, the water-related risks were identified as the most material risk for the Belgian real estate sector (especially pluvial and fluvial risk). KBC's yearly Climate Risk Impact Maps (for bank and insurance) also confirm that Belgium is most vulnerable towards water-related risks. Mortgage loans in flood-prone areas will be excluded from the selection. Properties subject to flood risk are identified by means of regional flood maps¹⁴.

Renewable Energy – Wind and Solar

Eligible Wind and Solar projects in this category are either located in Belgium or its neighbouring countries, i.e. the Netherlands, France, Germany and the UK. These assets comply with the Substantial Contribution Criteria by default, as all the Eligible Green Wind and Solar Projects are operational. Wind projects have an average economic lifetime of 20 to 25 years, Solar Projects 20–30 years. All Eligible Wind and Solar Projects are assessed, based on the Equator Principles.

The 2023 Risk Analysis (cfr supra), indicated that Wind (storm and tornado) and Water (sea level rise and flooding) are potentially the most material risks, but these risks are evaluated lower compared to other infrastructures. The reasoning behind this is that these assets are designed to withstand the elements, taking into account the changing weather patterns.

Regarding the DNSH criteria on Water and Biodiversity, we primarily rely on European, national and local legislation that incorporate Environmental Impact Assessment (EIA) requirements in the permitting process. Any material issues mentioned in the EIA, should be translated into prevention/mitigating actions in the permit.

Introduction

- [KBC's approach to corporate sustainability](#)
- [Background of the Green Bond Framework](#)

Green Bond Framework

- [Use of Proceeds](#)
- [Process for project evaluation and selection](#)
- [Management of Proceeds](#)
- [Reporting](#)
- [External review](#)

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

⁹ Energieprestatiecertificaten | Belgium.be Energieprestatiecertificaten | Belgium.be

¹⁰ Based on data from Statbel (the Belgian Statistics Office), Vlaams Energie- en Klimaatagentschap (VEKA – Flanders region), Service Public de Wallonie (SPW – Walloon region) and Bruxelles Environnement (Brussels Capital region)

¹¹ Currently insufficient statistical data available for the Brussels Capital Region to determine the corresponding PED. For Wallonia the corresponding E-level is ca 40,5.

¹² Overzicht resultaten EPB-aangiftes | Vlaanderen.be (retrieved on 21/08/2023)

¹³ Note that there is a fiscal incentive to do better than NZEB which explains this "overperformance".

¹⁴ For Flanders this is based on regional government maps using a high-impact scenario for 2050 (taking into account Representative concentration Pathway – RCP 8.5). For Brussels and Wallonia, this is based on a combination of JRC maps for fluvial risks and in-house simulations of pluvial risks.

With respect to the DNSH criteria regarding circular economy, we rely on contractual agreements on maintenance, availability and performance, implying that equipment of high durability is used, and that components can be dismantled and refurbished to some extent. With respect to recyclability, different studies show that 85–90% of a wind turbine’s components and 90–95% of a photo-voltaic installation are recyclable. However, a wind turbine’s blades pose a special challenge to be recycled, which is being approached from an industry perspective.

Clean transportation – Electrical vehicles and bicycles

As we only select full electric vehicles (no plug-in hybrid vehicles) and bicycles (regular or electric), the assets comply with the Substantial Contribution Criteria by default.

With respect to the DNSH criteria regarding circular economy, KBC Autolease does not directly deal with end-of-life waste management, as KBC Autolease buys new EVs and bicycles and resells them to the market after ca 4 years (on average). We note that there are several mitigating procedures in place, both during the lease period (maintenance, total loss) and after the lease period (remarketing, Extended Produced Responsibility).

Regarding the criteria on Pollution prevention and Control and more specifically the rolling noise requirements and Rolling Resistance Coefficient, today it is not possible to trace the tyre type on every car, amongst others because car manufacturers have multiple tyre choices per car model, some tyres change in winter vs summer etc.

Minimum Social Safeguards

KBC meets its responsibility to respect human rights, social justice and labour rights throughout the group and undertakes to respect the letter and the spirit of: (i) the Universal Declaration of Human Rights; (ii) the principles concerning fundamental rights in the eight International Labour Organisation core conventions as set out in the Declaration on Fundamental Principles and Rights at Work; (iii) the UN Declaration on the Rights of Indigenous Peoples; (iv) the OECD Guidelines for Multinational Enterprises and (v) the UK Modern Slavery Act, to which end KBC has published a Modern Slavery Statement since 2017. In addition, we have been UN Global Compact signatories since 2006 and have incorporated the ten principles on human rights, labour, environment and anti-corruption in our policies, so that they are applied throughout our activities.

KBC views its employees’ rights to freedom of association, collective bargaining, a healthy and safe workplace, and freedom from discrimination as fundamental. We are thus fully committed to respecting and upholding our employees’ human rights. These principles are dealt with in more detail in the ‘Code of Conduct for KBC Group Employees’ and the ‘KBC Diversity & Inclusion Policy’ (see www.kbc.com). Strict national and international laws and regulations are in place in all our core countries to protect human rights. We expect our employees to act in accordance with the regulations and to behave responsibly in everything they do. We also have specific procedures in place to guarantee compliance and to deal with complaints, including the ‘Policy for the Protection of Whistleblowers’.

Our suppliers are an important stakeholder in our value chain and so we work closely with them too. Our stringent rules and frameworks for procurement, sale and subcontracting activities with suppliers are summarised in the ‘KBC Code of Conduct for Suppliers’ and apply in all our core countries. We have translated our Code of Conduct for Suppliers into an internal procedure in the shape of a step-by-step plan that our procurement department can use. Suppliers we work with are screened against the KBC Blacklist of controversial firms with which KBC does not wish to do business. We also refer to Worldcheck and apply a standard questionnaire (on human rights, labour, environment and anti-corruption) when screening key suppliers. Suppliers that meet our expectations receive a positive evaluation and sign the KBC Sustainability Code of Conduct for Suppliers. If any infringements are detected within the contract period that cannot be put right fundamentally within an appropriate amount of time, we terminate the agreement.

We expect our clients to at least comply with local and international laws and regulations, and our Compliance department ensures that this is the case. Our day-to-day operations are all performed subject to the KBC Group Policy on Blacklisted Companies¹⁵, the KBC Group Human Rights Policy and the KBC Group Policy on Controversial Regimes. These exclude companies or countries that are involved in, for instance, a serious infringement of human rights or with controversial weapons systems. We also pay considerable attention to privacy and data protection and closely monitor compliance with them.

Introduction

- [KBC’s approach to corporate sustainability](#)
- [Background of the Green Bond Framework](#)

Green Bond Framework


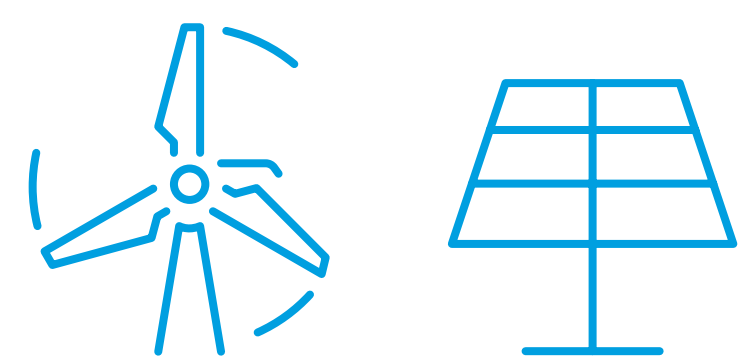
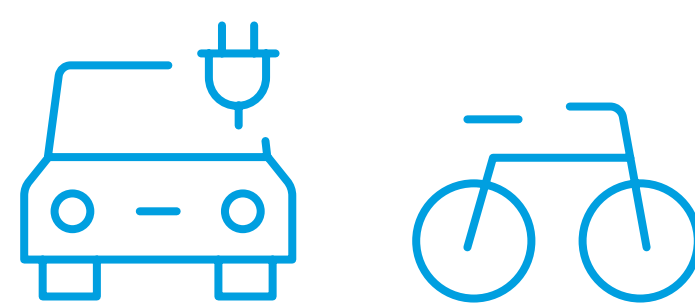
- [Use of Proceeds](#)
- [Process for project evaluation and selection](#)
- [Management of Proceeds](#)
- [Reporting](#)
- [External review](#)

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

15 CSD_KBCBlacklist.pdf

APPENDIX 2 – SELECTION CRITERIA

Use of proceeds category	Selection criteria
<div>Energy efficient Buildings</div> <div></div>	<ul style="list-style-type: none">Loans (re)financing the acquisition of a residential building in Belgium with a building year before 1/1/2021 and with a maximum primary energy demand of 159kWh/m².Loans (re)financing the acquisition of a residential building in Flanders or Wallonia with a building year after 1/1/2021 and with a maximum primary energy demand of 47kWh/m²/yr.Loans (re)financing the construction of new energy efficient residential buildings in Belgium with the energy requirements included in the regional building code as of 2014 or later and for which the 1st drawdown has occurred as of 01/01/2016 but before 31/12/2022.Loans (re)financing the construction of new energy efficient residential buildings in Flanders with the energy requirements included in the regional building code as of 1/1/2021 and for which the 1st drawdown has occurred as of 1/1/2023. <p>Mortgage loans in flood-prone areas will be excluded from the selection. Properties subject to flood risk are identified by means of regional flood maps.</p>
<div>Renewable energy</div> <div></div>	<p>Loans to (re)finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy generation sources in Belgium, France, the Netherlands, Germany and the UK:</p> <ul style="list-style-type: none">Onshore and offshore wind energySolar energy
<div>Clean transportation</div> <div></div>	<p>(Re)financing of the purchase, renting, leasing and operation of zero-emission vehicles in Belgium:</p> <ul style="list-style-type: none">Fully electric cars (no plug-in hybrid vehicles)Bicycles (regular or electric)

Introduction

- [KBC's approach to corporate sustainability](#)
- [Background of the Green Bond Framework](#)

Green Bond Framework

- [Use of Proceeds](#)
- [Process for project evaluation and selection](#)
- [Management of Proceeds](#)
- [Reporting](#)
- [External review](#)

Appendix 1 – EU taxonomy

Appendix 2 – Selection Criteria

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