

A woman with blonde hair and glasses, wearing a light-colored blazer over a white shirt, is smiling while looking at her smartphone. She is standing in front of a large window with a view of a modern building. The background is bright and slightly blurred.

KBC Group Sustainability Policy Framework

3 June 2024



1. INTRODUCTION

We have stringent sustainability policies in place for all our business activities. These policies are bundled under our sustainability framework. The framework helps identify potentially controversial activities and other areas of concern. We will either not engage in these activities, or only under stringent criteria. In this way, the policies help us to restrict activities with a harmful impact on the environment, human rights and other important issues. We also want to control and effectively manage reputational and litigation risks by using the framework.

The goal of this document is to offer a condensed but comprehensive overview of our sustainability policies for our business activities and how we apply them in our various activities. [Section 2](#) defines the scope of our sustainability policies. [Section 3](#) summarises the governance of how the policies are determined and implemented. [Section 4](#) provides insights on KBC's approach regarding human rights. This is an overarching concern, which should be constantly respected in all of KBC's activities. Finally, sections 5, 6 and 7 describe our actual policies, with [section 5](#) focusing on a series of nominative lists of companies and countries that are excluded, and [sections 6](#) and [7](#) on sectors or activities that are either excluded or restricted.

This document is complementary to KBC Group's other publications in which sustainability-linked topics are discussed, such as the Sustainability Report, the Climate Report or the Annual Report. For most policy domains, specific policy documents exist as well. Where applicable, we provide the appropriate link.



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 (ESG)-related risks. The Risk Report is intended for investors, (ESG) analysts, experts and the public at large.

OUR REPORTS

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2. SCOPE

2.1. Entities

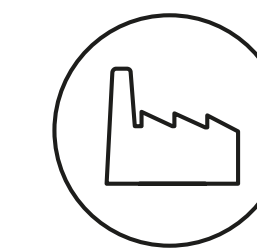
Our policies apply to all KBC Group entities, in all geographies where KBC Group is present, including our five home countries: Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia.

2.2. Activities

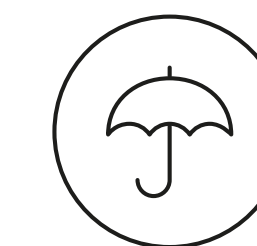
Our policies apply to all KBC Group activities. We thereby make a distinction between our core business activities and our supporting activities.

2.2.1. Core business activities

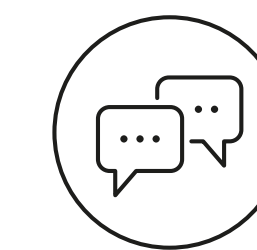
Our policies are described in [section 6](#) of this document based on the type of core business activity to which they apply. For clarification purposes, each of these activities is briefly described below.



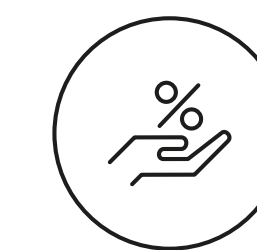
Lending: includes all activities in which a KBC Group entity takes a credit risk on a professional counterparty. This is regardless of the technicalities of the financing and thus includes, for example, straight bank credits, leasing and documentary credits. The financing of private individuals is not included in the scope of our sustainability policies.



Insurance: includes all insuring activities in which a KBC Group entity insures the risks of a professional counterparty, both life and non-life. This also includes re-insurance. Insurance of private individuals remains out of scope.



Advisory services: are mandates related to debt and equity capital market transactions. This includes initial or secondary public offerings (IPOs and SPOs), bond and commercial paper issues, as well as mandates related to mergers and acquisitions.



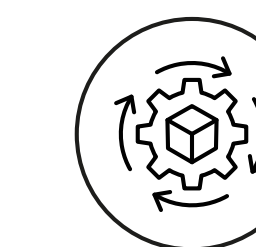
Investment advice: provided by KBC Group entities to their clients, either on an advisory basis or based on a discretionary mandate. This encompasses direct investments in financial instruments, such as shares and bonds. It also includes indirect investments, such as investment funds managed by KBC Asset Management or third parties.

2.2.2. Supporting activities

Supporting activities are activities performed within KBC to facilitate our core business activities. Supporting activities too must comply with strict sustainability rules, which are described in [section 7](#).



Own investments: are investments made by any entity of the KBC Group for its own account. This includes, for example, the investments made by our insurance entities or by the group's employees' pension funds.



Procurement: refers to relationships between KBC Group entities and their suppliers. Suppliers are all current or potential companies supplying KBC group entities, i.e. suppliers of goods and services, contractors or consultancy firms.

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3. GOVERNANCE

The governance of defining, updating and implementing KBC's sustainability policies is as much as possible embedded within KBC's overall sustainability governance. In this way, we ensure that the policies are implemented correctly throughout our group and in all our core activities.

3.1. Policy definition and updates

New policies and policy updates are generally prepared centrally by the Group's Corporate Sustainability Department (GCS).

In this process, the department often involves:

- Independent experts on our External Sustainability Board. This enables us to adapt our policies in specialised areas according to the latest scientific insights.
- The local sustainability managers and their teams in our five home countries.
- Other relevant entities at group level, such as the (credit) risk department.

Policy proposals are submitted to the Internal Sustainability Board (ISB), which is the principal forum for discussing sustainability-related issues within the group. Once a proposal has been approved by the ISB, it is submitted to the group's Executive Committee for ratification.

We update our sustainability policies at least once every two years, as a response to growing concerns for environment and society.

READ MORE

[Full details on KBC's sustainability governance](#)

[KBC Group's 2023 Sustainability Report: Sustainability governance](#)

3.2. Policy implementation

3.2.1. Drafting and distribution

GCS ensures that new policies are properly documented and distributed to all relevant entities once approved. This happens in close cooperation with other departments at group level (e.g. the credit risk department) and the home countries.

3.2.2. Due diligence and remedial action

3.2.2.1. Due diligence

We have a strict due diligence process in place to monitor compliance of our lending, insurance and advisory service operations with our sustainability framework. For this, we also use third party ESG analysts' data on the sustainability of companies, including controversies in which they could be involved.

Our due diligence process includes the possibility of requesting advice on sustainability-related matters for individual cases by sustainability experts. Reputational risk aspects are also taken into account within the scope of this advice. For certain policy domains, this advice is obligatory prior to any business transaction. In other cases, it can be requested in case of doubt. Please refer to our latest [Sustainability Report](#) for detailed figures on this expert advice.

For lending, advice requests related to our sustainability policies are processed locally, provided that the credit decision itself is also taken on the local level. Otherwise, advice is provided by the GCS department. For insurance and advisory services, as well as in relation to fundamental exclusions (see [section 5](#)), the advice is always provided by the GCS department.

3.2.2.2. Remedial action

When our policies are infringed, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. Depending on the nature of the infringement, we either

reject new applications, impose specific conditions on or end existing relationships. In some cases, we start an engagement track with a specific company and monitor progress before taking a final decision. Also, if necessary, we have escalation processes in place up to the highest management level, including the Group Executive Committee.

3.3. Responsible behaviour

We have defined responsible behaviour as a cornerstone of our sustainability strategy. To grow and maintain the trust of our stakeholders, it is crucial that all our employees always behave responsibly in everything they do. We therefore see responsible behaviour as a crucial element to successfully implement an effective and credible sustainability strategy.

Responsible behaviour is difficult to define. We have therefore decided not to draw up precise guidelines for it, but to set out the underlying principles instead. These are presented in the "My Responsible Behaviour Compass" guide. The guide also contains various situations with which employees might be confronted in their everyday work.

Moreover, we regularly organise mandatory training courses for all staff, to maintain and increase awareness on the importance of responsible behaviour. As client centricity lies at the heart of our corporate strategy, we also specifically focus on responsible selling and providing responsible advice.

It is important to note that responsible behaviour goes beyond regulation and compliance, and also extends to the written guidelines that we impose on ourselves in terms of ethical behaviour, openness and transparency, discretion and privacy. The Corporate Compliance Division ensures that those guidelines are observed, information remains confidential and privacy is respected. Part of these rules are summarised in the [Code of Conduct for KBC Employees](#).

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4. HUMAN RIGHTS POLICY

KBC is fully committed to assuming its responsibility to respect human rights throughout the group. The following commitments are a testimony to this:

- We are a signatory of the UN Global Compact Principles. We implement these in our policies to make sure they are applied in all our operations. As a part of this, we apply the “UN Guiding Principles on Business and Human Rights”. This is the global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity.
- KBC Group commits to respect the letter and the spirit of
 - The [United Nations Universal Declaration of Human Rights](#)
 - The [OECD Guidelines for Multinational Enterprises](#)
 - The principles governing fundamental rights in the eight [International Labour Organisation](#) core conventions as set out in the Declaration on Fundamental Principles and Rights at Work
 - The [UN Declaration on the Rights of Indigenous Peoples](#)
 - The [Equator Principles](#)
 - The [UK Modern Slavery Act](#)
 - and other international and regional human rights treaties containing internationally recognised standards by which the business sector must abide.
- KBC complies with the laws, rules and regulations of every country in which the KBC group entities operate.

READ MORE

[More details on our commitment to human rights](#)

[KBC Group Policy on Human Rights](#)

[KBC list of human rights offenders](#)

[Section 6.2: KBC list of human rights offenders](#)

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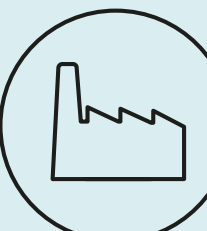





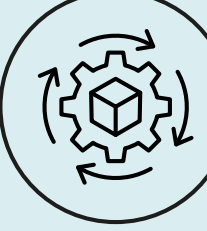
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Application of KBC's sustainability framework

		Fundamental exclusions			Additional exclusions and restrictions									
		KBC Blacklist (5.1)	KBC List of human rights offenders (5.2)	KBC List of most controversial regimes (5.3)	Energy (6.1.1)	Steel, cement and aluminium (6.1.2)	Mining (6.1.3)	Defence sector (6.1.4)	Biodiversity (6.1.5)	Gambling (6.1.6)	Tobacco and other addictive and intoxicating crops (6.1.7)	Animal-related activities (6.1.8)	Prostitution (6.1.9)	Project finance (6.1.10)
Core business activities	 Lending	●	●	●	●	●	●	●	●	●	●	●	●	●
	 Insurance	●	●	●	●	●	●	●	●	●	●	●	●	●
	 Advisory services	●	●	●	●	●	●	●	●	●	●	●	●	●
	 Investment advice – All (6.2.1)	●	●	●	●	●	●	●	●	●	●	●	●	●
	 Investment advice – RI ¹ funds only (6.2.2)	●	●	●	●	●	●	●	●	●	●	●	●	●
Supporting activities	 Own investments (7.1)	●	●	●	●	●	●	●	●	●	●	●	●	●
	 Procurement (7.2)	●	●	●	●	●	●	●	●	●	●	●	●	●

¹ RI: Responsible investing

- Applicable
- Partly applicable (more details can be found in the relevant section of the framework, as indicated)
- Not applicable

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5. FUNDAMENTAL EXCLUSIONS

Some counterparties are totally or partially excluded from doing business with KBC. They are listed on the KBC Blacklist, the KBC List of human rights offenders or the KBC List of most controversial regimes.

5.1. The KBC Blacklist

5.1.1. Content

The KBC Blacklist includes companies involved in controversial weapon systems (e.g. nuclear weapons, cluster bombs and biological or chemical weapons) and UN Global Compact Worst Offenders.

5.1.2. Scope

No KBC Group entity can engage in any type of business relationship with companies on the KBC Blacklist, either as client or as supplier. Except for the limited exceptions mentioned in section 6.2.1.2, these companies are also excluded from all forms of investment advice to clients, as well as from investments by KBC Group entities for their own account.

5.1.3. Governance

The KBC Blacklist is based on a methodology described in the KBC Group Policy on Blacklisted Companies. This methodology implies the use of input from external data-providers. The blacklist is publicly available and is updated at least twice a year by the Group Corporate Sustainability (GCS) Department and approved by the Group Executive Committee. The new list is distributed by GCS to all relevant entities within the group. In turn, those are responsible for its proper implementation and must ensure that the list is complied with at all times. In case of doubt on how the list should be applied in specific cases, entities should mandatorily request GCS' advice.

READ MORE

[More details on the policy and the blacklist itself](#)

[KBC Blacklist](#)

[KBC Group Policy on Blacklisted Companies](#)

[KBC Group Investment Policy](#)

5.2. The KBC List of human rights offenders

5.2.1. Content

We add companies that are subject to major controversies concerning their adherence to the UN Global Compact Principles to the KBC List of human rights offenders.

5.2.2. Scope

Companies on the KBC List of human rights offenders are excluded from lending, insurance and advisory services across the entire KBC Group. Except for the limited exceptions mentioned in section 6.2.1.2, they are also excluded from all forms of investment advice to clients as well as from investments by KBC Group entities for their own account.

5.2.3. Governance

The KBC list of human rights offenders is based on a methodology described in the KBC Group Policy on Human Rights. This methodology implies the use of input from external data-providers. It is only available internally. It is updated at least once a year by GCS and approved by the Group Executive Committee. The new list is distributed by GCS to all relevant entities within the group. These are responsible for its proper implementation and must ensure that the list is complied with at all times. In case of doubt on how the list should be applied in specific cases, entities should mandatorily request GCS' advice.

READ MORE

[More details on the policy](#)

[KBC Group Policy on Human Rights](#)

[KBC Group Investment Policy](#)

5.3. The KBC List of most controversial regimes

5.3.1. Content

The KBC List of most controversial regimes includes the world's regimes that are considered to most fundamentally violate human rights and to lack any form of good governance, rule of law or economic freedom.

5.3.2. Scope

We exclude certain counter-parties located in the countries on the KBC list of most controversial regimes from all our lending, insurance and advisory services. This applies to governments, public authorities, central and state-owned banks, and state-owned companies. Except for the limited exceptions mentioned in section 6.2.1.2, we also exclude these parties from all forms of investment advice to clients as well as from investments by KBC Group entities for their own account. We make an exception for specific transactions related to the financing of humanitarian goods.

5.3.3. Governance

The KBC list of most controversial regimes is based on a methodology described in the KBC Group Policy on Human Rights. This methodology implies the use of input from external data-providers. It is only available internally. It is updated at least once a year by GCS and approved by the Group Executive Committee. The new list is distributed by GCS to all relevant entities within the group, which are responsible for a proper implementation and must ensure that the list is complied with at all times. In case of doubt on how the list should be applied in specific cases, entities should mandatorily request the GCS' advice.

READ MORE

[More details on the policy](#)

[KBC Group Policy on Human Rights](#)

[KBC Group Investment Policy](#)

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6. ADDITIONAL EXCLUSIONS AND RESTRICTIONS IN CORE BUSINESS ACTIVITIES

Because of their controversial nature, some sectors or activities are excluded from all or part of KBC's core business activities.

6.1. Lending, insurance and advisory services

The policies that we apply to our lending, insurance and advisory services are broadly identical. We therefore describe them in a single section.

6.1.1. Energy

KBC Group supports the Paris COP21 Agreement and the 2°C scenario, striving for 1.5°C. The transition towards a low-carbon energy sector is crucial to be able to achieve this goal. We therefore have several specific policies in place for our credit, insurance and advisory services for the energy sector. Full details on these policies can be found in the [KBC Group Energy credit, insurance and advisory services policy](#). In this document, we focus on the essence of the policy.

6.1.1.1. Coal

KBC abstains from any direct financing or insurance of projects related to thermal coal (thus including electricity generation, district heating and mining)¹.

In addition, KBC does not provide any financing (i.e. general corporate or any other) to:

- new customers any portion of whose energy production capacity is coal-fired.
- existing customers whose energy production capacity is more than 25% coal-fired.

Moreover, KBC requests that all existing clients with any coal-fired energy production capacity:

- submit a realistic and detailed plan, explaining how coal is to be entirely phased out by 2030.

- commit not to engage into any new coal project (both energy production and mining), either by increasing existing capacity or by acquiring new capacity.

We request this information regardless of whether these clients are energy companies or not.

Furthermore, from 2030 onwards, KBC will abstain from any kind of financing or insurance of and advisory services to energy companies which have any coal-fired energy production capacity or are involved in mining.

KBC however remains prepared to finance renewable energy projects in order to ensure the financing of the necessary energy transition. This is the case for existing and new customers, even when a part of a client's energy production is coal-fired and the client did not submit a coal phase out plan nor did commit not to engage into new coal projects. Clients should, however, be able to demonstrate the added value of the renewable energy project regarding the energy transition. Sufficient measures also need to be in place to guarantee that the projects are entirely ring-fenced from the company's other activities.

6.1.1.2. Other fossil fuels

KBC refrains from financing, insuring or providing advisory services with regard to:

- oil-fired power generation, both new and upgrades.
- exploration and development of unconventional oil and gas, both existing and new, including:
 - Arctic² and Antarctic on- and off-shore oil and gas
 - deep water drilling
 - tar sands
 - shale oil and gas
 - coalbed methane
- exploration of any other new oil or gas fields.
- specialised companies that are only active in the development and extraction of oil and gas fields.

As for vertically integrated oil and gas companies, all new financing shall mature in 2030 at the latest. We make an exception to this if the company has publicly committed to no longer start operating new fields. Also, limited exceptions linked to the energy transition apply.

6.1.1.3. Nuclear

We only finance, insure or provide advisory services regarding activities related to nuclear power generation under strict conditions. For example, KBC will only participate in the financing or insurance of, or provide advisory services to new nuclear power plants if the project is part of an energy transition strategy. The project should also be supported by the local government. Moreover, we request compliance with the International Atomic Energy Agency (IAEA) Action Plan on Nuclear Safety and the European Atomic Energy Community (EURATOM) New Safety Directive.

6.1.1.4. Biomass

KBC permits the financing and the insurance of or the provision of advisory services regarding biomass, biofuels or bioliquids activities. However, the activities do need to comply fully with the following set of conditions:

- The GHG reductions achieved with the activity must comply with current EU requirements.
- The inputs must be sustainable. This means that:
 - Food is only considered to be an acceptable input if it is not (or no longer) fit for human consumption.
 - The inputs should comply with the European Commission's non-binding recommendation on sustainability criteria for biomass.
 - The inputs should be abundantly available.
 - The inputs should be transported sustainably, i.e. there should be no excessive transport of input materials or by-products.
- The financing of biomass, biofuels or bioliquids is to be limited to plants within the EU.
- The assessment of the technology risk of the activity should be positive.

¹ Thermal coal is any type of coal (hard, bituminous, sub-bituminous, brown coal or lignite, peat, and also including coal-to-gas and coal-to liquids) used to produce electricity or heat.

² "Arctic" is to be understood according to the definition of the Arctic Monitoring and Assessment Programme (AMAP).

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6.1.2. Steel, cement and aluminium

KBC provides lending, insurance or advisory services to new corporate clients whose main activities are related to steel, cement or aluminium (primary production, scrap). However, we request these clients' CO₂ emission intensity to be at or below our 2030 targets for these sectors (as published in our [2022 Climate Report](#)). If this is not the case, we request that they have a target in place that is at or below KBC's target.

6.1.3. Mining

KBC has stringent conditions in place for the financing, insuring of or providing advisory services to mining activities:

- Mines within the EU should be fully compliant with all EU, national and local legislation.
- We only provide services to mines outside the EU:
 - if they operate in a country that is compliant with the [Extractive Industry Transparency Initiative \(EITI\) standards](#) or the [ICMM Sustainable Development Framework](#), and;
 - if they have explicitly endorsed the [Voluntary Principles on Security and Human Rights](#).
 - Please refer to section 6.1.1.1. for our policy regarding coal mining.

6.1.4. Defence sector

While KBC acknowledges that the defence industry presents certain specific risks, **it also recognizes the right of sovereign states to defend themselves, in line with Article 51 of the UN Charter, and hence the necessity for the armed forces of sovereign countries to have appropriate equipment available.**

6.1.4.1. Controversial weapons

KBC does not want to be involved in any kind of business relationship with companies that are assessed to be involved in controversial weapons. This includes amongst others nuclear weapons³, cluster bombs, chemical and biological weapons, and weapons containing depleted uranium or white phosphorus. These exclusions are implemented via the KBC Blacklist (see [section 5.1](#)).

³ As banned by the 2017 UN Treaty on the Prohibition of Nuclear Weapons

6.1.4.2. Other defence-related equipment

KBC does finance, insure and provide advisory services to companies which are involved in **activities which are defence-related but not in activities which are arms-related**, without specific restrictions.

KBC is also willing to finance, insure or provide advisory services to companies involved in **arms-related activities**, but only under strict conditions, to be applied cumulatively:

- at least 80% of a company's arms-related sales should be in relation to arms equipment of which armies or police forces of NATO-countries or Ukraine are the end-users;
- only companies involved in arms-related activities which are located in one of KBC's home countries (Belgium, Bulgaria, the Czech Republic, Hungary, Slovakia) or which are part of a group headquartered in one of those countries, are eligible for financing/insurance/advisory services; **traders and other kinds of middlemen involved in arms equipment are excluded;**
- only companies involved in arms-related activities for which it is clear that they are not involved in the supply of arms equipment to armies or police forces of countries under UN, EU or US embargo are eligible for financing/insurance/advisory services;
- on top of the regular credit/insurance/advisory services acceptance process, every individual request is subject to the ad hoc approval by the highest management echelons.

Moreover, in case the financing, insurance or advisory service is linked to a specific arms equipment delivery, only transactions in relation to the supply of arms equipment of which armies or police forces of NATO-countries or Ukraine are the end-users are eligible. This condition comes on top of the other conditions described above.

KBC has set up a strict governance in order to ensure that the above conditions are respected.

READ MORE

[Full details on our defence sector policy](#)
[KBC Group Defence sector policy](#)
[2022 Climate Report](#)

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6.1.5. Biodiversity

KBC has made a commitment to reducing its direct and indirect impact on biodiversity and to increasing its contribution to the sustainable use and management of biodiversity. We therefore have a dedicated biodiversity policy in place. Below, we summarise the different elements of this policy.

6.1.5.1. Forests

Deforestation and forest degradation are important drivers of climate change and biodiversity loss. Deforestation is mostly driven by exploitation of forest commodities. Counterparties that make forest commodities and from them derived products (e.g., furniture, chocolate, leather) available on the EU market or export these products from the EU are in scope of, and will have to be compliant with the EU Regulation on deforestation-free products that is expected to become effective as of January 2025.

Given the above, KBC's policy focuses on activities which are *not* in scope of the EU Regulation on deforestation, thereby setting a number of requirements for activities outside of the EU.

The following *forest commodities* are in scope of the policy: palm oil, soy, wood, rubber, cocoa, coffee and sugarcane. The *counterparties* in scope are producers of such commodities with any production capacity outside the EU and traders in such commodities, providing that they source *and* sell the commodities outside the EU. Retailers remain out of scope.

The producers and traders in scope must commit to have their plantation and/or supply chain fully certified under an internationally recognized certification scheme by 31 May 2028 for existing clients, and by 1 January 2030 for new clients. Acceptable certificates are:

- Palm oil Roundtable on Sustainable Palm Oil (RSPO)
- Soy Roundtable on Responsible Soy (RTRS)

READ MORE

[Full details on our biodiversity policy](#)
[KBC Group Biodiversity policy](#)

- Wood/Rubber Forest Stewardship Council (FSC) and/or
- Programme for the Endorsement of Forest Certification (PEFC)
- Cocoa Rainforest Alliance or equivalent
- Coffee Rainforest Alliance, 4C or equivalent
- Sugarcane Bonsucro

Producers in scope must also commit to abstain from producing or harvesting the forest commodity at the expense of old growth forests or peatland, High Conservation Value (HCV) or High Carbon Stocks (HCS) areas, and to take measures to reduce and prevent soil erosion and water use and pollution.

6.1.5.2. Protected areas

KBC will not finance, insure or provide advisory services in relation to activities located in or significantly impacting protected areas. This applies to areas designated and protected as UNESCO World Heritage Sites, Wetlands of International importance on the Ramsar List or IUCN-listed protected areas (category I and II areas).

6.1.5.3. Endangered and invasive species

KBC will not finance, insure or provide advisory services to activities involving the use of endangered species or non-human primates for any testing and experimental purposes. KBC also abstains from providing those services to activities related to trade for commercial purposes in endangered species of animals and plants or derived products as regulated under the CITES Convention. Nor do we provide services to activities involving trade in invasive alien species⁴.

6.1.5.4. Cattle farming

We will not finance, insure or provide advisory services to farms with more than 200 000 ruminants (i.e. cows, sheep and goats). KBC is also not willing to finance, insure or provide advisory services regarding cattle farming in Latin America nor traders in beef or cattle if they source the cattle or beef from Latin America and also sell it outside the EU. Retailers are out of scope.

⁴ Animals and plants that are introduced accidentally or deliberately into a natural environment where they are not normally found, with serious negative consequences for their new environment

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6.1.5.5. Fisheries

KBC does not finance, insure or provide advisory services to fishing practices that irreversibly damage aquatic habitats and ecosystems, shark finning or commercial whaling. Moreover, KBC encourages its clients to subscribe to and implement voluntary standards such as the [Marine Stewardship Council \(MSC\)](#) and the [Aquaculture Stewardship Council \(ASC\)](#).

6.1.6. Gambling

KBC rules out financing, insurance or advisory services to companies with a relevant involvement in gambling activities. This also includes sports- and online gambling. Moreover, we will only grant financing to companies with a minor involvement in the gambling sector if their gambling-related activities are legal. The client also needs to provide credible and reasonable assurance that the financing will not be used for activities related to gambling. Finally, diversified retailers who also sell some gambling products and services remain out of scope of this exclusion.

6.1.7. Tobacco and other addictive and intoxicating crops

KBC applies a strict policy of excluding the tobacco industry from its lending, insurance and advisory services activities. The exclusion covers manufacturing, the wholesale trade and trading in tobacco and other addictive and intoxicating products. This also includes e-cigarettes. This policy is in line with the [Tobacco-Free Finance Pledge](#) to which KBC signed up in 2019.

Cannabis-based products meant for human consumption, including retail, are also in scope of this restriction. An exception is made for medicinal cannabis in countries where a legal framework is available.

6.1.8. Animal-related activities

KBC excludes financing, insurance or advisory services to:

- Any illegal animal-related activities. This includes all activities during which animals are made to fight for entertainment as well as illegal trade in endangered species.
- Farming of animals raised for fur, as well as the production, processing, wholesale and trading or specialised retail of fur.
- The breeding, housing, trading and exploitation of animals used for funfairs and circuses.

6.1.9. Prostitution

KBC does not provide financing, insurance or advisory services to any kind of prostitution-related activity.

6.1.10. Project finance

Project finance is a specific part of KBC's lending activities. In 2004, KBC officially subscribed to the Equator Principles. These are the leading financial industry benchmark for determining, assessing and managing environmental and social risks in major industrial and infrastructure projects. As a consequence, KBC will not provide financing to projects where the counterparty is unwilling or unable to comply with the Equator Principles. We provide more information on the Equator Principles and project finance by KBC on our [corporate website](#) and in our latest [Sustainability Report](#).

READ MORE

More details on our policy on animal-related activities
[KBC Group Animal Welfare Statement](#)

6.2. Investment advice

Several exclusions apply to our investment advice activities. The fundamental exclusions are described in [section 5](#) of this document. Hence, we do not provide investment advice on counterparties that are on the KBC Blacklist, the KBC List of human rights offenders, or located in the countries on the KBC List of most controversial regimes. Nor do we give investment advice on financial instruments issued by companies involved in the extraction of thermal coal, power generation using thermal coal, or activities related to tobacco. Finally, additional exclusions apply to the Responsible Investing (RI) funds of KBC Asset Management. The following parts give further details on these exclusions.

6.2.1. Applicable to all investment advice activities

6.2.1.1. Thermal coal

We exclude companies that are in any way involved in the extraction of thermal coal or use thermal coal for power generation from all investment advice⁵.

One exception applies: KBC entities can advise clients to invest in Green Bonds issued by counterparties involved in these activities, provided that the bond is:

- Fully compliant with the negative screening used for Responsible Investing Funds, with the exception of the Fossil Fuels Policy.
- In accordance with the use-of-proceeds principles of the [International Capital Market Association \(ICMA\)](#).
- Verified by a reputed external review provider to assess whether the Bond complies with the Principles of the ICMA through a pre-issuance external review.
- Labelled as a Green Bond according to the Bloomberg framework.

⁵ Thermal coal is coal used for power generation, as opposed to metallurgical coal (i.e. coal used for the production of steel), which currently remains out of scope of this exclusion.

READ MORE

Full details on the exclusions related to thermal coal and tobacco
[KBC Group Investment Policy](#)

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Moreover, the bond issuer or its parent company must have committed to phase out of thermal coal-related activities by 1 January 2030. It needs to have done so either through a public statement or a commitment obtained through engagement.

6.2.1.2. Tobacco

Companies that have activities related to tobacco are excluded from all investment advice. Companies are excluded as soon as one of the following conditions is fulfilled:

- A screening reveals that the company derives any revenue from the production of tobacco, or essential parts including filters, tobacco paper or flavours of e-cigarettes.
- Non-essential products or services related to tobacco, such as packaging and processing machinery, account for more than 10% of revenues.
- A retailer derives more than 5% of sales from tobacco products.
- The company has significant ownership in one of these.

6.2.1.3. Exceptions

Investments in financial instruments falling under one of the exclusions as mentioned under [sections 5](#) and [sections 6.2.1.1](#) and [6.2.1.2](#) remain possible in the following cases:

- **Execution only:** We sometimes process transactions on financial instruments of excluded counterparties if these are made on the initiative of the client. In this context, 'transactions' refers to client buy and sell orders in financial instruments issued by excluded counterparties or kept in client securities accounts.
- **Index-linked investments funds** are aimed at following the composition of a particular stock or bond index. In some cases, we invest in this type of funds. KBC Asset Management can define which index-linked investments funds are allowed.
- **Structured funds** will comply at launch with the exclusions mentioned in this document. However during their lifetime, the composition of the basket will not reflect changes in the KBC Group Investment Policy. Yet, we will not include new shares from a corporate action if, in the meantime, the related company has been excluded based on our Group Investment Policy.

- **Hedge funds and institutional mandates:** It is currently not possible to enforce a list of excluded counterparties from hedge funds or institutional mandates.

6.2.2. Applicable to Responsible investing funds of KBC Asset Management only

KBC Asset Management offers a broad range of Responsible investing (RI) funds. They are KBC's first offering and preferred investment solution. More information on our RI funds is available in our [Sustainability Report](#).

Our exclusion policies for RI funds go one step further than those for our other funds by applying additional exclusion policies. This includes exclusions for, amongst others, gambling, conventional weapons, fur and specialty leather, adult entertainment, palm oil and fossil fuels other than thermal coal. In addition, we apply a norm-based policy that excludes companies involved in severe controversies relating to environmental, social or governance issues.

READ MORE

Full details on the additional exclusions applied to the RI funds of KBC Asset Management [KBC Exclusion policy for responsible investing funds](#)

More information on the RI funds of KBC Asset Management [KBC Sustainability Report 2023: Responsible Investing on behalf of our clients](#)

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7. ADDITIONAL EXCLUSIONS AND RESTRICTIONS IN SUPPORTING ACTIVITIES

7.1. Own investments

Some KBC entities invest for their own account. An example of such investments are the investments by KBC group's insurance companies of their reserves.

KBC aims to apply the same strict sustainability rules to its own investments as it does to the investments it advises to its clients. This means that the exclusions based on the KBC Blacklist, the KBC List of human rights offenders and the KBC List of most controversial regimes (see [section 5](#)) fully apply to own investments, as do the exclusions on thermal coal and on tobacco (as described in [sections 6.2.1.1](#) and [6.2.1.2](#)) respectively.

On top of that, most exclusions applied by KBC Asset Management on Responsible investing funds apply to KBC's own investments as well, meaning that companies significantly involved in weapons, fossil fuels other than coal, gambling, palm oil, adult entertainment, fur and specialty leather are excluded too.

READ MORE

Full details on our sustainability policies with regards to own investments
[KBC Group Investment Policy](#)

7.2. Procurement

Suppliers are amongst KBC's main stakeholders. We therefore want them to integrate principles that duly reflect our environmental, social and ethical concerns in their own purchase, sales and outsourcing procedures.

Therefore, the following policies have been put in place:

- Any form of supplier relationship with a company on the KBC Blacklist is excluded (see [section 5.1](#));
- Suppliers must subscribe to a [code of conduct](#), which lists a set of principles. For example, suppliers must:
 - Respect local and international labour regulations with regard to working hours and wages.
 - Have a non-discrimination policy in place that prohibits discrimination on the basis of gender, race, social or physical handicap, religion or origin.
 - Conduct their activities with due respect for the environment and take initiatives to reduce their ecological footprint.

Under the code of conduct for suppliers, KBC is allowed to conduct interim screenings to evaluate whether suppliers are complying with the agreed requirements. KBC has the right to terminate the relationship with the supplier if any violations come to light that cannot be resolved within an appropriate period of time.

READ MORE

Full details on our sustainability policies with regards to procurement
[KBC Code of conduct for suppliers](#)

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