



KBC GROUP BIODIVERSITY POLICY

KBC acknowledges the importance of biodiversity¹ as it contributes to economic prosperity and human development. Nature is an important supplier of resources to many different economic sectors and offers essential services such as, for example, purification of water, flood protection, pollination and carbon sequestration. For KBC conservation and the sustainable use of biodiversity are preconditions for sustainable development.

But biodiversity is under pressure. The current biodiversity loss is caused by:

- habitat fragmentation, degradation and destruction ;
- unsustainable production and consumption, resulting in an overshoot of the Earth's biological capacity to restore from overexploitation of forests, oceans, rivers and soils, and causing pollution and climate change;
- the introduction of invasive species.

Moreover, human intrusion into wild habitats and fragmentation of habitats increases the risk of transmission of animal diseases to humans. This is not only due to increased contact, but also because populations of wild animals become less fit in shrinking habitats and are therefore more susceptible to disease.

Based on the above considerations, KBC has introduced a comprehensive policy on biodiversity, *which will become applicable as of July 1, 2020*.

Commitment

KBC engages to reduce its direct and indirect impact on biodiversity and to increase its contribution to the sustainable use and management of biodiversity.

Implementation

Forests

Forests are very important ecosystems, providing a range of essential ecosystem services, from reliable flows of clean water to productive soil, carbon sequestration and recreational opportunities. Forests in particular also have intrinsic biological, ecological, social or cultural values, often of exceptional significance.

Nevertheless, the rate at which forests are disappearing and the CO₂ emissions from tree cover loss continue to increase.

¹ Biodiversity: The variability among living organisms from all sources, including managed and unmanaged terrestrial, marine and other aquatic ecosystems, and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. (Convention on Biological Diversity)

Therefore KBC will abstain from financing activities involving deforestation of primary forests and tropical rainforests, and of removal of high conservation value (HCV²) forests.

Moreover, other activities related to forest exploitation and logging will only be financed if certain conditions are fulfilled. Within the strictly regulated EU forestry activities compliance with the applicable legislation is sufficient. For exploitation and logging outside the EU we only provide financing if the counterparty is a member of the Forest Stewardship Council³ (FSC) or the Programme for the Endorsement of Forest Certification⁴ (PEFC) and complies or publicly commits to comply with the FSC or PEFC standards for 100% of its forests and for the forest supply chain within a timeframe of maximum 5 years.

Protected areas

Because of the international importance of their ecological, cultural and social value, certain areas – forests as well as other ecosystems – are designated and protected as UNESCO World Heritage Sites⁵, Wetlands of International importance on the Ramsar List⁶ or IUCN-listed protected areas⁷. KBC will not finance activities located in or significantly impacting those areas.

Endangered and invasive species

Land use change, overexploitation, climate change, pollution and the introduction of invasive species threaten more species with global extinction than ever before and species are disappearing at an ever faster rate. Species diversity is nevertheless essential for the maintenance of healthy ecosystems and of the services they provide as a system or by specific species (e.g. pollination, medicines). KBC therefore wants to focus not only on the protection of sensitive areas, but also on vulnerable species.

We will not finance activities involving the use of endangered species⁸ or non-human primates for any testing and experimental purposes. We will also abstain from financing trade for commercial purposes in endangered species of animals and plants or derived products as regulated under the CITES Convention⁹ and trade (wholesale and retail) in invasive alien species¹⁰.

² <https://hcvnetwork.org/>

³ <https://www.fsc.org/>

⁴ <https://www.pefc.org/>

⁵ <https://whc.unesco.org/en/about/>

⁶ <https://www.ramsar.org/>

⁷ <https://www.iucn.org/>

⁸ <https://www.iucnredlist.org/>

⁹ <https://www.cites.org/>

¹⁰ I.e. 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

Fisheries

In line with the aforementioned considerations KBC also doesn't want to finance fishing practices that irreversibly damage aquatic habitats and ecosystems, nor shark finning or commercial whaling.

Oil and gas

Given the concerns about the environmental and health issues in unconventional oil and gas exploration and development, KBC will not finance activities involving Arctic and Antarctic on- and off-shore oil and gas, deepwater drilling, tar sands and shale oil and gas.

Palm oil

The production of palm oil is related to deforestation, soil degradation and in some cases also land grabbing and labour issues. Therefore KBC is only willing to consider financing these activities when the counterparty is member of the Roundtable on Sustainable Palm Oil (RSPO)¹¹, commits to get 100% of its plantations and supply chain RSPO certified within a timeframe of maximum 5 year, and commits to abstain from producing palm oil at the expense of primary forests, High Conservation Value Areas (HVCA's), High Carbon Stocks (HCS) and peatland.

Soy

The production of soy is one of the largest agricultural drivers of deforestation worldwide and is linked to the displacement of small farmers and indigenous peoples. KBC only wants to finance these activities when the counterparty is member of the Roundtable on Responsible Soy (RTRS)¹², complies with the RTRS production¹³ or chain of custody¹⁴ standard or commits to comply with it within a timeframe of maximum 3 year. The counterparty also has to commit to abstain from growing soy at the expense of primary forests, High Conservation Value Areas (HVCA's) and High Carbon Stocks (HCS).

Cocoa

Cocoa is often grown at the expense of rainforest and old growth forest. The shift from shade- to sun-grown cocoa increases this impact and causes additional environmental and health problems due to the use of biocides. Moreover child labor is widespread in the cocoa production. Therefore KBC will only finance cocoa-related activities if the counterparty has a positive ESG track record and publicly commits to abstain from growing cocoa at the expense of old growth tropical forests and High Conservation Value forests.

Coffee

Just like cocoa, the production of coffee impacts old growth forests, an impact reinforced by the shift from shade- to sun-grown production. A lot of water is needed in the production of

¹¹ <https://rspo.org/members/all>

¹² www.responsiblesoy.org/about-rtrs/members/?lang=en

¹³ <http://www.responsiblesoy.org/mercado/volumenes-y-productores-certificados/?lang=en>

¹⁴ <http://www.responsiblesoy.org/mercado/empresas-certificadas-en-cadena-de-custodia/?lang=en>

coffee and surface water is polluted. And coffee farmers are often underpaid. Given these concerns, KBC will only finance coffee-related activities if the counterparty has a positive ESG track record and publicly commits to abstain from growing coffee at the expense of old growth tropical forests and High Conservation Value forests (HVCA's), to take measures to reduce and prevent water pollution and to reduce water use during processing.

Sugarcane

Sugar cane plantations have major environmental and social impacts, e.g. deforestation, a high water demand, freshwater pollution, soil erosion, the loss of forests and coastal wetlands, child labor and poor working conditions. And the market for sugarcane derivatives (sugar, biofuels and bioplastics) is growing fast. Therefore KBC will only finance these activities if the counterparty is member of Bonsucro¹⁵, has a positive ESG track record and publicly commits to abstain from growing sugarcane at the expense of old growth tropical forests, wetlands and other High Conservation Value Areas (HVCA's), and to take measures to reduce and prevent soil erosion and water use and pollution.

KBC offers you the possibility to check the authenticity of this document on www.kbc.com/en/authenticity

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¹⁵ <https://www.bonsucro.com/>