

Sustainability Report
KBC Group

2019



About this REPORT

You can verify the authenticity of this KBC document at <https://www.kbc.be/retail/en/verify.html>



This sustainability report describes how we address corporate sustainability, how we implement our sustainability strategy and our Sustainable Finance Programme, the policies and guidelines we observe, the targets we have set ourselves and our main achievements. Sections marked with the Sustainable Development Goals (SDGs) symbol provide more information on how we implement the SDGs.

To define the contents of this report, we have referred to the GRI Standards for sustainability reporting and to the results of the materiality assessment and the material topics identified in this process (see the 'Stakeholder engagement' section). We have also taken account of stakeholder feedback on previous reporting and best practices in sustainability reporting. To this end, we began in 2019 to map our material topics to SASB (Sustainability Accounting Standards Board) standards as well – as a supplement to the GRI standards – and to include relevant disclosure topics in the GRI content index. The GRI/SASB content index can be found at the end of the report. GRI and SASB standards meet the needs of different audiences: SASB standards focus on identifying and communicating to investors material sustainability factors likely to impact financial performance, while GRI standards provide information on a very broad array of topics to a wide variety of stakeholders, including suppliers, clients, communities and interest groups.

KBC Group has published a Sustainability Report annually since 2005¹. The previous report appeared in April 2019 and can be consulted on our corporate website. Although the 'Sustainable finance' section has been significantly expanded to report on the progress of the KBC Sustainable Finance Programme, there are no substantive differences in scope or boundary compared to the previous report.

The present report covers the entire KBC Group organisation and matches the scope of consolidation used for financial information in the consolidated annual report. The aggregate balance sheets of entities excluded from the consolidation do not exceed 1% of the consolidated balance sheet total. For HR data, however, some additional entities have been included that do not feature in the scope of financial consolidation. Our non-financial data have been collected through a group-wide process (web-tool) that includes strict hierarchical validation. All KBC entities with over 100 FTEs report on the various non-financial areas, with the exception of environmental and HR data, where full reporting is applied. However, entities in countries with fewer than 100 FTEs are out of scope of the environmental data-gathering. The reporting period is 1 October 2018–30 September 2019, unless otherwise stated in the report.

csr.feedback@kbc.be

This Sustainability Report has been prepared in accordance with the GRI Standards: Core option² and has not been externally audited.

¹ Separate Sustainability Reports were not published for 2014 and 2015. All non-financial information (as specified in the GRI Content Index for 2014 and 2015) has been made available on our corporate website, in our Annual Report and in our Report to Society.

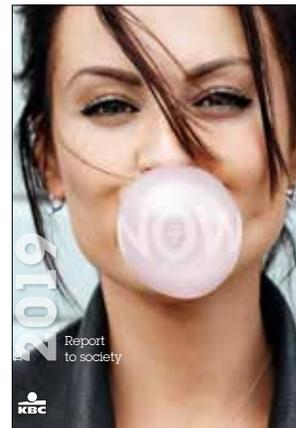
² The criteria for asserting that a report has been prepared in accordance with the GRI Standards (either Core or Comprehensive option) can be found on pages 22–23 of GRI 101: Foundation.



Provides information (including mandatory statements) on the business model, strategy, sustainability, governance, financial performance, risks and capital. Intended for investors, clients, employees and society in general. We apply the principles of integrated reporting wherever possible.



Focuses on our sustainability strategy. Contains detailed non-financial data and is aimed at sustainability experts, investors, employees, business partners, clients and non-profit organisations. Prepared according to GRI Standards (Core option) and also includes the GRI content index. Since 2019, we have also begun to map our material topics to SASB (Sustainability Accounting Standards Board) criteria, with relevant disclosure standards included in the GRI/SASB content index.



Looks more closely at how KBC accepts its role in society. Primarily intended for clients, employees and society in general.

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Dear reader,

2019 turned out to be a year of challenges for KBC. We had to come up with solutions to deal with far-reaching regulations, new financial players, rapid digitalisation, persistently low interest rates and external factors like Brexit, without being distracted from our main task of helping our clients achieve their dreams and meeting the needs of society. At the same time, further important steps were taken on the sustainability and environment fronts, which you can read about throughout this report.

And then we were confronted with the outbreak and spread of coronavirus, which quickly made society's priorities very clear. As an employer and service provider, KBC is doing everything in its power to safeguard the health of its staff and clients, while ensuring that services continue to be provided as usual. We are doing our bit to limit the spread of the virus by allowing as many staff as possible to work from home and by providing clients with advice through a wide range of phone and digital channels. Meanwhile, it is clear that the coronavirus crisis is also having an enormous impact on the economy. At present, we are currently working with the government and other stakeholders to see how we can help deal with the matter at hand. Because, regardless of how the situation pans out, we will continue assuming our responsibility towards society.

Johan Thijs
Chief Executive Officer

Thomas Leysen
Chairman of the Board of Directors



CEO STATEMENT

Dear reader,

KBC took further important steps in 2019 towards fulfilling our sustainability commitment, the ongoing development of our sustainability strategy and sharpening our sustainability ambitions.

Sustainability efforts in the course of the year focused strongly on climate change. This is hardly surprising, since the Financial Stability Board rightly pointed a few years ago to the severe risks that climate change poses to the financial system. The Task Force on Climate-related Financial Disclosures (TCFD) published its recommendations in mid-2017, since when it has become clearer each year that the financial sector needs to address its role as a significant lever in the transition to a low-carbon economy and society. In the meantime, numerous organisations and institutions, from the United Nations to investors, rating agencies, NGOs and the European Union, have been pushing the financial sector to speed up efforts to mitigate climate risks and to develop climate-resilient portfolios.



Recognising the importance of climate action, KBC had already endorsed the TCFD recommendations at the end of 2017. We bolstered this commitment last year by signing the Collective Commitment on Climate Action (CCCA) – part of the UN Environmental Programme Finance Initiative (UNEP FI) – together with 33 other financial institutions. The CCCA signatories undertake to contribute actively to the transition to a climate-neutral economy through their core activities. They promise to align their portfolio of products with the objectives of the Paris Climate Agreement and to publicly disclose their impact and progress. KBC was also one of the 132 banks that signed the UNEP FI Principles for Responsible Banking (PRB) at their official introduction during the UN Climate Action summit in September 2019.



KBC launched its Sustainable Finance Programme (SFP) at the beginning of 2019. The programme is intended to implement the TCFD recommendations as well as the upcoming EU regulations by integrating them in all relevant business units and business lines. It achieved significant momentum in 2019, with several methodological pilots to map our portfolio's impact on climate change and vice versa. Climate change was also embedded more firmly in our risk policy and management. You can discover more in this Sustainability Report on the progress and challenges of our Sustainable Finance Programme, including the availability of pilot data and standard methods.

'Green' is clearly becoming the 'new digital'. Although KBC has blacklisted certain activities and sectors, our primary objective is to support all our clients in their transition to climate resilience. To achieve this, we addressed the challenge in 2019 of engaging with our larger clients on climate and other sustainability issues.

We have stepped up efforts to train our staff to take the lead in discussions with clients on how to evolve towards a greener, circular or generally more sustainable economy.

The intensive focus on our indirect climate impact risks overshadowing the fact that we achieved a further substantial reduction in 2019 in our own direct greenhouse gas emissions attributable to energy consumption and mobility, and that we have set ourselves new long-term targets.

Sustainability means much more, of course, than climate-change mitigation and adaptation alone. We continued to work in all our core markets on the four areas – financial literacy, environmental responsibility, entrepreneurship and longevity/health – in which KBC believes it can make a difference and have a positive impact on the Sustainable Development Goals defined by the UN. This is further explained in this report. KBC Asset Management's SRI portfolio of investments in various sustainability domains grew considerably. At the same time, we closely follow up - based partly on consultation with stakeholders - our sustainability framework to make sure that our policies continue to meet the concerns and expectations of society.

Our sustainability approach has attracted a positive external response and we naturally want to keep it that way. To maintain our reputation in this area, we are firmly focusing on responsible behaviour on the part of all our employees. This goes beyond respecting rules and laws, internal policies and guidelines and requires all of us to maintain the highest standards of integrity, honesty, correctness, transparency and discretion.

KBC owes its sustainability performance to its 41 000 employees in its six core markets and other countries where we operate – a solid, responsible team we call our 'Team Blue'. The latter chose sustainability as the theme for the group-wide challenge 'Team Blue goes Green', in which over 24 000 colleagues in all countries and entities voluntarily took part in a series of actions with a positive impact on the environment and climate.

This report offers you more specific information about our sustainability approach, the progress we have achieved in 2019 and our plans for the near future. I hope it makes for interesting reading.

Johan Thijs
Chief Executive Officer
KBC Group

Sustainability HIGHLIGHTS 2019

- In 2019, **we signed the Collective Commitment to Climate Action**, an initiative of the United Nations Environmental Programme Finance Initiative (UNEP FI) and a clear expression of the more general UNEP FI Principles on Responsible Banking, to which KBC committed itself in 2018. By signing the Collective Commitment to Climate Action, KBC bolsters its determination – in cooperation with its clients – to stimulate the greening of the economy as much as possible and thus to limit global warming to well below 2°C, striving for 1.5°C, in line with the Paris Climate Agreement. **We already have targets in place to reduce our direct environmental footprint to significantly below the 2°C scenario, but KBC is also committed to addressing its indirect impact on the climate.** This means that KBC will take into account the lending to and investment in activities and projects of its clients in the calculation of that impact. **KBC will publish clear quantitative targets within three years.** To this end, we are actively involved in several pilot projects to map the impact of change. More information can be found in the ‘Sustainable finance’ section.
- Within our own operations, **we further reduced greenhouse gas emissions by 15% in 2019 compared to the previous year.** In addition to the existing targets for cutting our GHG emissions – excluding commuter travel – by a total of 25% for the period 2015–20 and 50% for the period 2015–30, **we have set ourselves the long-term target of cutting emissions by 65% for the period 2015–40.** KBC is ahead of its 2020 goals and well on track to achieve its long-term goals, with an absolute reduction of 50% for the period 2015–19. We are further committed to achieving a 90% share of renewable electricity by 2030.
- We were able to increase the **volume of sustainable funds to 12 billion euros at year-end 2019**, which is already ahead of our 10-billion-euro target for 2020. It has therefore been decided to increase the target for sustainable funds to 14 billion euros by 2021 and 20 billion by 2025. The entire range of KBC sustainable funds is **fully compliant with the Febelfin quality standard for sustainable investment** – an SRI standard that provides investors with a means to compare the sustainable products offered by different financial institutions. In some cases, **we are more stringent.** All companies that can be linked to fossil fuels, for instance, have been excluded from SRI funds as of 2019 and KBC has also become more selective in its policy towards weapons, tobacco and gambling. We have adopted our own set of policy guidelines, moreover, for sectors like gambling, adult entertainment, fur and leather goods.
- KBC has **signed the Tobacco-Free Finance Pledge** drawn up by the international organisation Tobacco Free Portfolios, which has been calling on financial institutions worldwide since 2018 to divest from the tobacco industry. The move is an affirmation of KBC’s stance in this regard. Under these commitments, **KBC’s current policy of excluding the tobacco industry from its lending, insurance and sustainable investment activities, is being extended to include KBC Asset Management’s conventional investment funds and KBC’s own investment portfolio.** The exclusion covers manufacturing, the wholesale trade and trading in tobacco products.
- KBC **signed the ‘Open letter to index providers on controversial weapons exclusions’** – an investor initiative coordinated by Swiss Sustainable Finance. A total of 174 signatories (as of 9 January 2020) call in this letter for global index providers to exclude controversial weapons from their mainstream indices so as to align their products with what has become standard practice or expectation among institutional and individual investors.
- We continued to build on **‘Team Blue’ – a group-wide initiative at KBC to strengthen ties and promote cooperation among all of the group’s staff in the different countries in which KBC operates.** Together, we’re committed to job satisfaction, sharing knowledge and creative solutions. Team Blue chose sustainability as the theme in 2019 for the group-wide challenge ‘Team Blue goes Green’, in which KBC employees were encouraged to work together with colleagues, family and friends to set up as many actions as possible with a positive impact on the environment and climate. For each employee who took part, KBC donated a tree. A total of 24 000 colleagues earned a tree in this way, with a corresponding number duly planted in our various core countries.

Our commitments

OUR NON-FINANCIAL (ESG) RATINGS:

Rating agency	Rating/score 2019	Rating/score 2018	Sustainability recognition and indices
RobecoSAM	72/100	69/100	Inclusion in the SAM Sustainability Yearbook 2020
Carbon Disclosure Project (Climate Change)	A- Leadership	A- Leadership	CDP Supplier Engagement Leader 2019
FTSE4Good	4.6/5	4.4/5	FTSE4Good Index Series
ISS Oekom	C Prime	C Prime	Prime (best-in-class)
Sustainalytics	86/100	85/100	STOXX® Global ESG Leaders indices
Vigeo Eiris	Not publicly available	Not publicly available	Euronext Vigeo index: Benelux 20, Europe 120, Eurozone 120 and Ethibel Sustainability Index Excellence Europe
MSCI	AAA	AAA	MSCI Belgium Investable Market Index (IMI), MSCI Belgium Index



Collective Commitment to Climate Action



Manjit Jus,
Global Head ESG Research and and Data at RobecoSAM:



Dexter Galvin,
Director of Corporates and Supply Chains at CDP:

'We congratulate KBC Group for achieving a place in The Sustainability Yearbook 2020, a showcase of the world's best performing companies among industry peers and in terms of financially material ESG metrics. Launched this year under the S&P Global brand and now with increased public access to the SAM ESG Scores of all companies, the Yearbook remains a highly credible source of corporate sustainability insights.' To be listed in the Yearbook, companies must be within the top 15% of their industry and score within 30% of their industry's top performing company.

'Congratulations to all the companies on the CDP Supplier Engagement Leaderboard for this year. They are showing leadership on engaging their suppliers to manage climate risk and cut emissions. Given that supply chain emissions are on average 5.5 times as high as a company's operational emissions, this couldn't be more crucial. If we are to achieve the goals of the Paris Agreement and decarbonise the economy, then other companies learning from these leaders and engaging their suppliers is going to be vital.'

KBC AT A GLANCE

Who we are

KBC is **an integrated bank-insurance group**, catering mainly for retail, private banking, SME and mid-cap clients. Through our activities, we want to help our clients to both realise and protect their dreams and projects. We are active in our core markets of Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia. We are also present to a limited extent in several other countries to support corporate clients from our core markets.



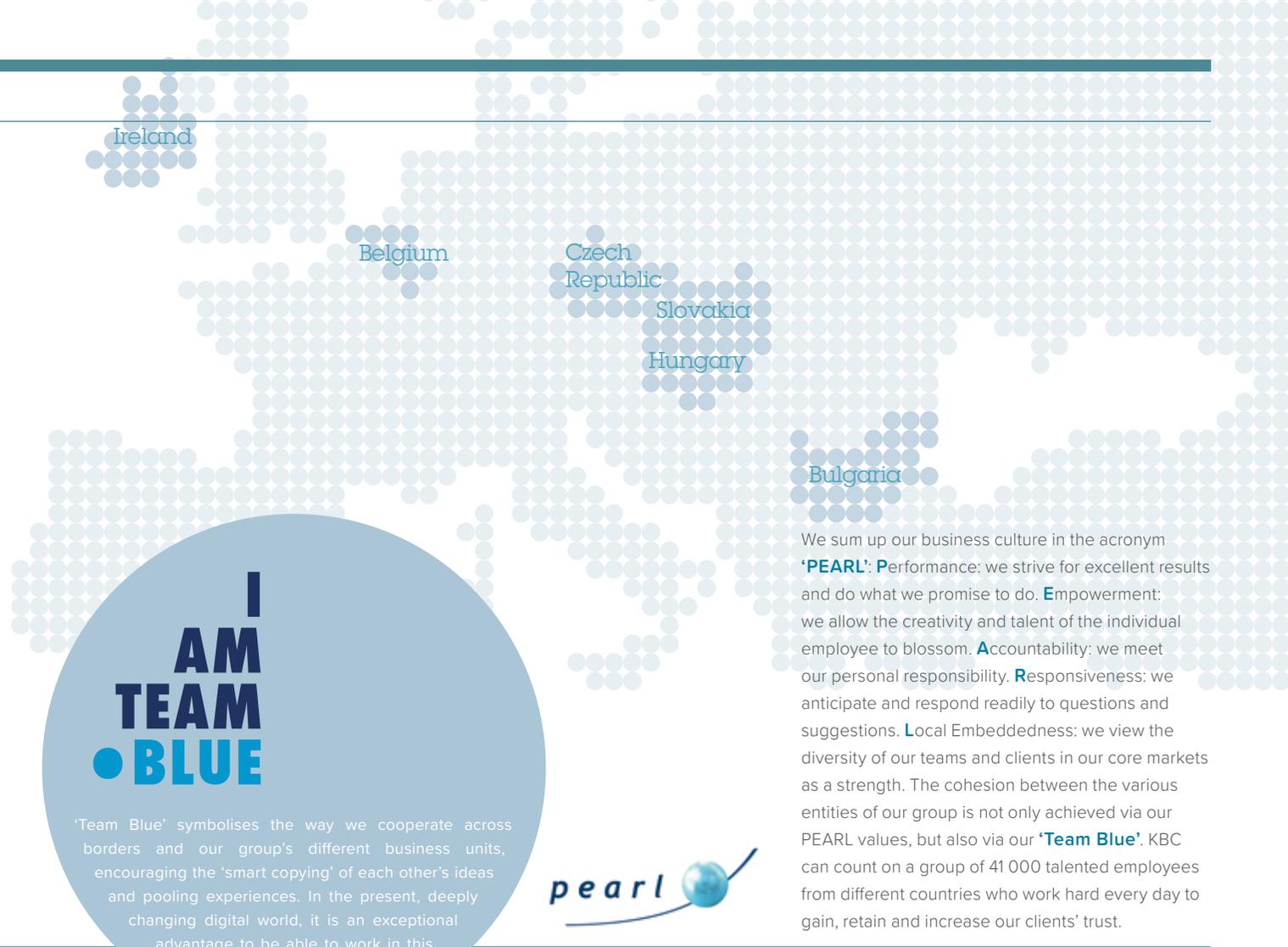
Our corporate strategy is founded on four mutually reinforcing principles:

We put our clients' interests at the heart of everything we do and always offer them a high-quality service and relevant solutions.

We look to offer our clients a **unique bank-insurance experience**.

We focus on our group's long-term development and aim in that way to achieve **sustainable and profitable growth**.

We take our responsibility towards **society and local economies** very seriously, as reflected in our everyday activities.



I
AM
TEAM
● BLUE

'Team Blue' symbolises the way we cooperate across borders and our group's different business units, encouraging the 'smart copying' of each other's ideas and pooling experiences. In the present, deeply changing digital world, it is an exceptional advantage to be able to work in this group-wide manner.

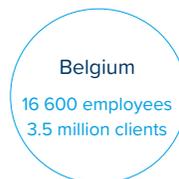


We sum up our business culture in the acronym **'PEARL'**: **P**erformance: we strive for excellent results and do what we promise to do. **E**mpowerment: we allow the creativity and talent of the individual employee to blossom. **A**ccountability: we meet our personal responsibility. **R**esponsiveness: we anticipate and respond readily to questions and suggestions. **L**ocal Embeddedness: we view the diversity of our teams and clients in our core markets as a strength. The cohesion between the various entities of our group is not only achieved via our PEARL values, but also via our **'Team Blue'**. KBC can count on a group of 41 000 talented employees from different countries who work hard every day to gain, retain and increase our clients' trust.

41 000
employees

12 million
clients

2.5 billion
euros net result



Value creation

RESOURCES

BUSINESS

OUTPUT

OUTCOME

Core activities: lending – deposits – insurance – investments – asset management payments – other financial services

FINANCIAL CAPITAL

Total equity of 20 billion euros
203 billion euros in deposits and debt securities

EMPLOYEES AND BRAND

Approximately 41 000 employees
57% women 43% men
Strong brands in all core countries
Capacity to innovate

INFRASTRUCTURE

1 278 bank branches, various distribution channels for insurance
Various electronic distribution platforms, apps and underlying ICT systems

CLIENTS AND OTHER STAKEHOLDERS

Almost 12 million clients in 6 core countries
Suppliers, government, regulators and other stakeholders

ENVIRONMENT AND SOCIETY

Direct use of electricity, gas, water, paper, etc.
More significant indirect impact through lending, investment portfolio, funds, insurance, etc.

Our values challenge us day in, day out to behave critically and responsibly. **R**espectful of our clients, colleagues, society and KBC itself, **R**esponsive and **R**esults-driven

This is what will make us the reference in all our core markets.

We create financial value for our stakeholders, by generating and distributing economic value. By making a sustainable profit, we are able to preserve our solid capital base, and reinvest in our business activities.

1.5bn euros dividend pay-out to shareholders	14% return on equity
1.4bn euros paid in interest to customers	17.1% common equity ratio
2.4bn euros in salaries, pensions and benefits to employees	
10m euros employee profit sharing	

We want to stimulate our employees through training and career development in a positive, creative and innovative working environment, thereby creating value for our employees but also for society as a whole. We offer a fair reward to our employees. This likewise contributes to the welfare of the countries in which we operate.

Firmly embedded PEARL business culture	72% of employees in Belgium are satisfied with the support they have received for their development
161 000+ training days complemented with on-the-job training and 30m euros spent on training	
Internal mobility 23%	78% job satisfaction in Czech Republic

Various new electronic applications	81% digital interaction with clients
Innovative group digital strategy within an omnichannel approach	Flexible and efficient access to financial services at the client's discretion

1.5-billion-euro investment in digitalisation in 2017–2020

We are committed to fulfilling our role in society and responding to societal needs and the expectations of our stakeholders.

Stakeholder interaction process in each core country	Total economic value shared with stakeholders: 8.6bn euros
More than 26 000 hours of voluntary work put in by employees during working hours (estimate)	Financing and coaching of over 798 start-ups via crowdending and Start it@KBC
1.2bn euros paid to governments in taxes	
1.1bn euros paid to suppliers	

KBC provides financial services that contribute to economic growth and well-being and create jobs for society at large. At the same time, we acknowledge that we can have a negative societal and environmental impact through our activities. We therefore aim to limit this impact and strive to increase our positive impact by providing more sustainable financing.

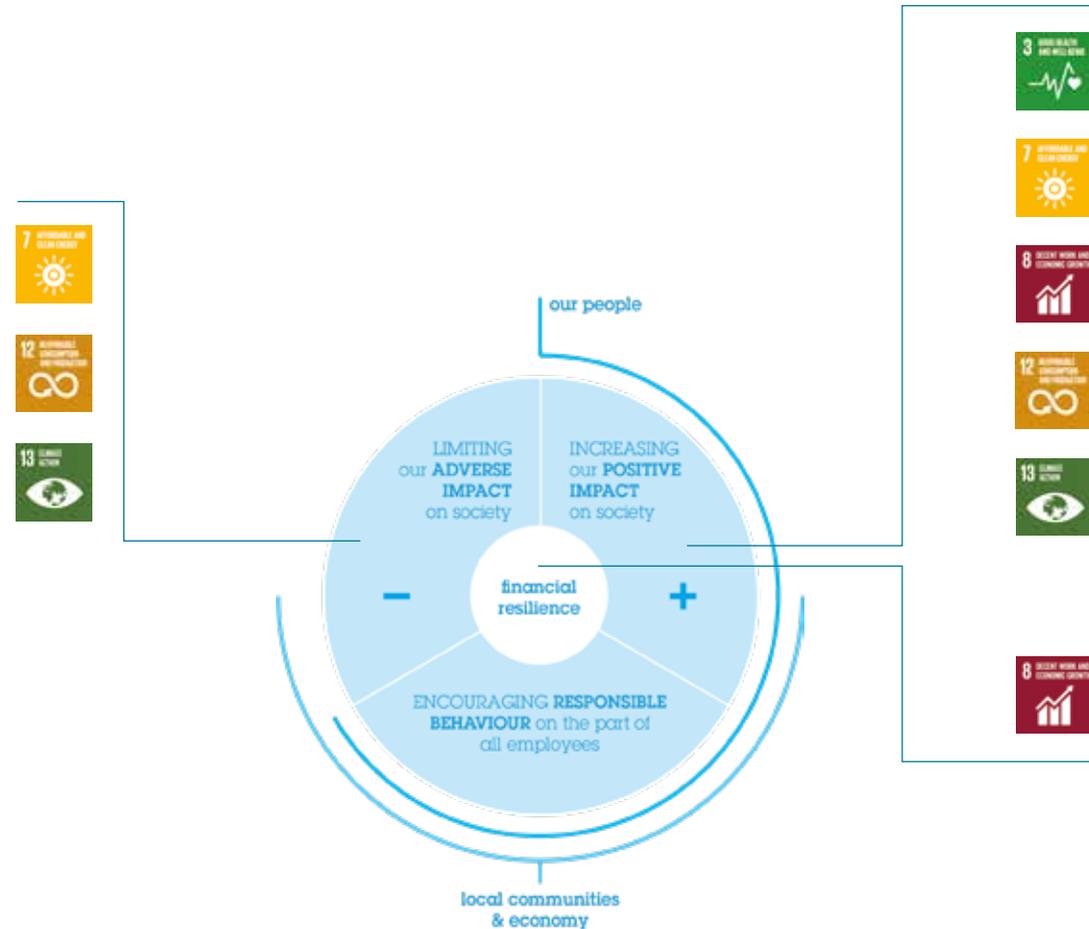
12bn euros SRI funds	Committed to steer our portfolio towards Paris climate goals
Renewable energy: 57% of lending to energy sector	473 000 tonnes avoided CO ₂ e emissions through renewable energy project finance, servicing around 514 000 households in Europe
6.8bn euros loan portfolio in the senior and healthcare sector	

Focus on initiatives in our four focus domains: environmental responsibility, longevity/ health, entrepreneurship and financial literacy
Direct GHG emissions: 50% reduction on 2015

Our sustainability STRATEGY

The cornerstones of our sustainability strategy

KBC aims to respond to the expectations of all its stakeholders and to create sustainable value, not only today but also going forward. As a financial institution, we are an important driving force for the real economy and as such have an important impact on society at large, both direct and indirect. KBC aims to avoid or limit the negative impact of its products and services as much as possible, and strives to provide financial solutions and business opportunities that have a positive impact. We focus especially on responsible behaviour as the foundation for sustainability at KBC. Doing business sustainably also means, lastly, that we must have the necessary financial resilience and pursue strict risk management. Sustainability is integrated throughout KBC's business operations and in our day-to-day business activities, and is supported by all our employees. Senior-management responsibility for sustainability and its governance ensures the integration of our sustainability strategy and goals at every layer of the organisation and in all our core activities.



UN Sustainable Development Goals

The **UN Sustainable Development Goals** (SDGs) set the global agenda for governments, businesses and civil society on addressing the major sustainable development challenges, such as how to end poverty, protect the planet and ensure prosperity for all. As a financial institution, we can add value and contribute to all SDGs through our clients and the projects we finance. While the 17 SDGs are all interconnected and relevant, and we ensure via our sustainability policy that we work on all of them, we have chosen to focus in greater depth on those SDGs where we believe KBC can have the biggest impact. The goals, in other words, that are most clearly linked to our business and sustainability strategy. The figure above shows the relationship between our sustainability strategy and the relevant SDGs. Throughout this report you will find the SDG symbols where relevant. We provide more information in these sections on how we are implementing the SDGs.



Our commitment to the climate

Climate change is one of the greatest challenges facing the world in the 21st century, which is why we have committed ourselves to contributing to the transition to a low-carbon society. We recognise that our activities have an impact on the environment, while climate change can also affect our business model. But we are aware at the same time of the leverage we can exert on behalf of the sustainable development of the planet. For that reason, we will pursue constant progress in our policies and targets. 2019 saw a milestone in our climate strategy, when we signed up to the Collective Commitment to Climate Action and the pursuit of the objectives of the Paris Climate Agreement. We also launched a structural approach to the management and

reporting of climate-related risks and opportunities via our Sustainable Finance Programme. It has been set up as part of the sustainability strategy to focus on integrating the climate approach in the group. The programme oversees and supports the business as it develops its climate-resilience in line with the TCFD recommendations and the EU Action Plan.

Sustainability integrated in our remuneration policy

Sustainability, including climate and the associated targets, has been integrated in the remuneration systems of our employees and especially our senior management.

- The variable remuneration of Executive Committee members is linked to factors including the achievement of a number of collective targets. One such target specifically relates to progress in the area of sustainability, which is evaluated every six months via the KBC Sustainability Dashboard.
- Sustainability is also integrated in management's variable remuneration. At least 10% of the variable remuneration received by senior management depends on the achievement of individual targets agreed in advance as part of the group's sustainability policy, including climate policy.



Our commitment to the UN Sustainable Development Goals

We have identified five high-impact areas that are closely connected to KBC's business and sustainability strategy, and where we believe our operations can have a fundamental impact. On the right side you can find an overview of these five SDGs, examples of how we contribute and add value, and how our strategic objectives support these SDGs. Our performance in terms of these goals can be found throughout this report.



Good health and well-being

We develop banking and insurance products that focus on health, healthcare and improving quality of life. Our social projects also focus on themes like health and road safety, and so we contribute to reducing the number of road fatalities and injuries. We promote a good work-life balance among our employees.

Strategic objectives:

Focus on business solutions that tackle the issue of longevity/ healthcare



Affordable and clean energy

We actively contribute to raising the share of renewables in the energy mix. We invest in initiatives in the field of renewable energy and energy efficiency through our banking and insurance activities and have drawn up an exit programme for the financing of non-sustainable energy solutions.

Strategic objectives:

50%+ renewables in the total energy credit portfolio by 2030
Exit programme for the financing of direct coal-related activities
Structural approach to the management and reporting of climate-related risks and opportunities through the KBC Sustainable Finance Programme
Focus on business solutions that contribute positively to environmental responsibility
Own green electricity consumption 90%+ of total electricity consumption by 2030



Decent work and economic growth

Our banking and insurance business supports entrepreneurship and job creation and contributes to sustainable economic growth. We support new businesses and invest in innovation and technology through alliances with start-ups and fintechs. We play an important role in protecting basic labour rights, fair pay, equal opportunities and training and development opportunities for all our employees.

Strategic objectives:

Key financial targets (please refer to the KBC Group Annual Report 2019 p. 1)
Focus on initiatives that support entrepreneurship



Responsible consumption and production

We support the transition to a low-carbon and circular economy. We develop sustainable banking and insurance products and services that meet a range of social and environmental challenges. Sustainable investments are offered as a fully-fledged alternative to conventional funds. We endeavour to mitigate our own negative impact on the environment by dealing sustainably with energy, paper, water, mobility and waste and by reducing our greenhouse gas emissions.

Strategic objectives:

Development of business solutions in the four selected focus areas: environmental responsibility, financial literacy, entrepreneurship and longevity/health
Volume of SRI funds over 10 billion euros by year-end 2020, over 14 billion euros by year-end 2021 and over 20 billion euros by year-end 2025



Climate action

We apply strict environmental policies to our loan, investment and insurance portfolios. We develop business solutions that help clients reduce their greenhouse gas emissions and make the transition to a low-carbon economy. We limit our own environmental impact and communicate on that. We seek to address climate-related risks and focus on related opportunities in that area.

Strategic objectives:

Structural approach to the management and reporting of climate-related risks and opportunities through the KBC Sustainable Finance Programme
Focus on business solutions that contribute positively to environmental responsibility
Reduction in direct GHG emissions (compared to 2015): -25% for the period 2015-2020, -50% for the period 2015-2030 and -65% for the period 2015-2030



Sustainability governance

We have anchored sustainability at each level within our group, guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated into our operations. Below you can find a schematic overview of our sustainability governance including specific governance in respect of climate change.

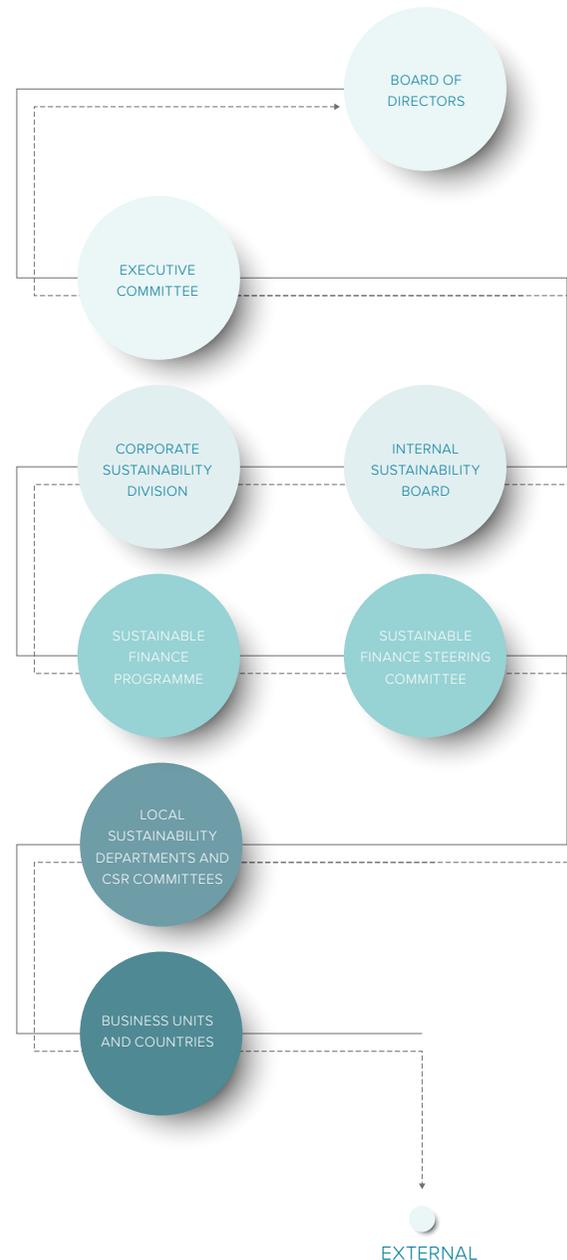
The **EXECUTIVE COMMITTEE** is the highest level with direct responsibility for sustainability, including policy on climate change.

The **CORPORATE SUSTAINABILITY DIVISION** is headed up by the Corporate Sustainability General Manager and reports directly to the Group CEO. The team is responsible for developing the sustainability strategy and implementing it across the group. The team monitors implementation of the strategy and informs the Executive Committee and the Board of Directors on progress twice a year via the KBC Sustainability Dashboard.

A **SUSTAINABLE FINANCE PROGRAMME** has been set up as part of the sustainability policy to focus on integrating the climate approach within the group. It oversees and supports the business as it develops its climate-resilience in line with the TCFD recommendations and the EU Action Plan.

The **LOCAL SUSTAINABILITY DEPARTMENTS** in each of the core countries support the senior managers on the Internal Sustainability Board in integrating the sustainability strategy and organising and communicating local sustainability initiatives. CSR committees in each country supply and validate non-financial information.

Sustainability is anchored in our core activities – bank, insurance and asset management – **IN ALL THREE BUSINESS UNITS AND SIX CORE COUNTRIES.**



The Group Executive Committee reports to the **BOARD OF DIRECTORS** on the sustainability strategy, including policy on climate change.

The **INTERNAL SUSTAINABILITY BOARD** is chaired by the CEO and comprises senior managers from all business units and core countries and the Corporate Sustainability General Manager. The sustainability strategy is drawn up, implemented and communicated under the authority of the Internal Sustainability Board.

The programme is overseen by a **SUSTAINABLE FINANCE STEERING COMMITTEE** chaired by the Group CFO. Progress is discussed regularly within the Internal Sustainability Board, the Executive Committee and the Board of Directors, including via the KBC Sustainability Dashboard. The latter is used to evaluate the programme's status report once a year.

In addition to our internal organisation, we have set up **EXTERNAL ADVISORY BOARDS** to advise KBC on various aspects of sustainability. They consist of experts from the academic world:

An **EXTERNAL SUSTAINABILITY BOARD** advises the Corporate Sustainability Division on KBC sustainability policies and strategy.

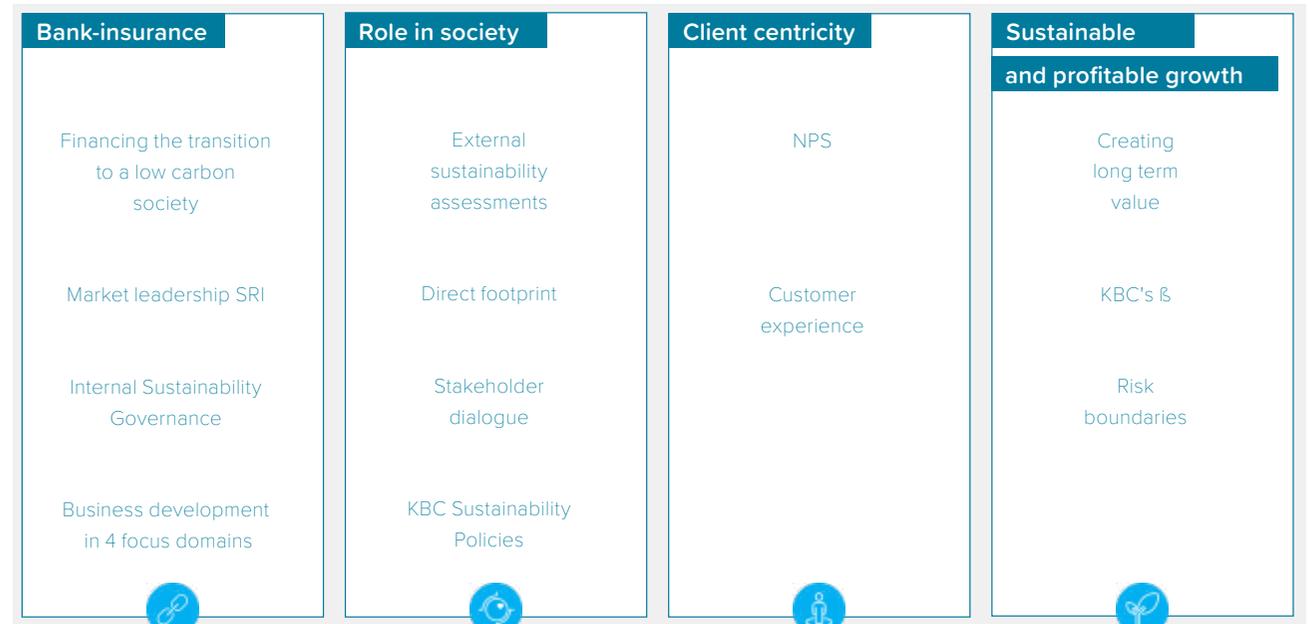
An **SRI ADVISORY BOARD** acts as an independent body for the SRI funds and oversees screening of the socially responsible character of the SRI funds offered by KBC Asset Management.

Sustainability dashboard

The implementation of our sustainability strategy is evaluated twice a year by the Executive Committee and the Board of Directors through our Corporate Sustainability Dashboard. This assessment also impacts the variable remuneration granted to the Executive Committee. For more information, please refer to the section 'Our commitment to the climate'.

Measurable and verifiable parameters have been drawn up to ensure an objective assessment. We track our progress in the area of sustainability using four general parameters and 13 parameters, which are linked to the four pillars of the KBC corporate strategy. The KBC Sustainability Dashboard was reviewed and updated in 2019 to keep pace with the changing environment, requirements and regulations and to ensure that we are focusing sufficiently on the relevant themes. Some KPIs were strengthened and new concrete targets – linked to the KBC Sustainable Finance Programme – will be proposed and decided upon in the coming period.

The elements of the existing Sustainability Dashboard are shown in the figure opposite. The most important underlying KPIs are discussed throughout this report as well as in the Annual Report.



Reputation index performance

HR-policies (employee engagement - gender diversity)

Responsible behaviour

Employee involvement



Empowering **OUR PEOPLE**

Empowering OUR PEOPLE

Our people represent our 'human capital'. Their dedication and the decisions they make in their daily activities create sustainable value for our customers and for society. We see it as our duty to create and maintain an attractive, fair and safe working environment while keeping pace with a rapidly changing society. We strive to value the individuality of our employees, promote their diversity and strengthen their personal talents and skills.



Empowered organisation

Our HR-policy is based on our PEARL business culture. The 'E' stands for empowerment, referring to our commitment to give every employee the space they need to develop their talent and creativity.

We actively stimulate the PEARL culture amongst our employees. 'Team Blue' is KBC's way of uniting employees from different countries and departments, to make them proud of their team and their company and enable them to draw on each other's experience and engage in 'smart copying'. We also promote this collective awareness in a light-hearted way, including our 'Team Blue Challenges', in which the Group CEO sets the company a task to complete. KBC staff were challenged, for instance, to set up as many initiatives as possible that would have a positive impact on the climate and environment. In return, KBC planted a tree for every employee who took part. A total of almost 24 000 trees were planted across the various core countries in which KBC operates.

Talent attraction and retention

We create a motivating working environment where our employees are given the opportunity to develop their talents and skills. We view self-deployment as key to professional growth in the future, together with KBC. Our staff can choose among a wide range of training methods, including e-learning, workplace coaching and traditional courses. We also assist our employees during the digital transformation, promote the use of digital tools. In 2019, we invested 30 million euros in learning and development.

At KBC we try to create a culture of agility through measures such as internal mobility. We want all our employees to continue to learn and enjoy their work. To promote internal mobility, we have further scaled up long-term projects and short-term assignments with multidisciplinary teams. This enables employees and teams to recruit colleagues internally to work on a specific project for a limited period of time and offers the prospect of a richer career path. It also encourages them to think creatively and develop their individual talents. In 2019, 23% of our employees opted for internal mobility.

In order to implement our strategy successfully, to create a common vision among all our employees and bring out the best in them, we have developed an ambitious programme for our senior managers. Various speakers are invited and modules focusing on bank-insurance, leadership, client-centricity and digitalisation are covered. We also invest in the training of all our managerial/executive staff through leadership programmes with an enhanced focus on progression management and coaching.

KBC Belgium is a partner of YAR Flanders, an organisation that focuses on young people with complex problems in different stages of life. Through its community-based programme, YAR Flanders offers these young people a chance to get their lives back on track. Two strands are offered: YAR Living and YAR Coaching. KBC has incorporated the YAR coaching programme in the KBC Learning & Development plan. So far, 75 employees have engaged with YAR, taking the opportunity to contribute to society while simultaneously developing their coaching skills.



Relevant SDG goals

We contribute to SDG 3 (good health and well-being) and SDG 8 (decent work and economic growth) by supporting labour rights, providing a safe, secure and healthy working environment, promoting a good work-life balance among our employees and stimulating creativity and innovation. Detailed employment and workforce indicators can be found in the 'Sustainability facts and figures' section of this report.

Diversity and inclusion

Diversity and inclusion are very important at KBC. The fact that we operate in six core countries means there is already a lot of diversity within the group. We encourage diverse teams, as these offer richer ideas and make more balanced decisions. We also strive for a PEARL culture, in which everyone feels able to be themselves and stand up for their opinions. We do not tolerate discrimination: our people enjoy equal opportunities regardless of gender, religion, ethnicity, background or other characteristics separate from their skills. Equal treatment of employees is enshrined in the KBC Code of Conduct and in the various manifestos and charters we have endorsed. We promote diversity awareness internally among our employees by organising activities such as lectures by guest speakers, discussion forums, training courses and workshops.

Gender

KBC believes in gender diversity at all levels of the organisation. In 2019 the proportion of women at the different levels of the company was:



31% of our Board of Directors

14% of our Executive Committee

21% of our senior management

43% of our junior and middle management

68% of our white and blue-collar staff

57% of the overall workforce

We recognise that the flow of women into senior management positions can be improved and are actively working on a separate policy for top talent management, in which we identify future senior managers and fast-track them to face tomorrow's challenges. Special attention is being paid in this regard to the theme of gender.

In Belgium, we launched the 'Diversity Rocks' community to promote diversity and inclusion at every level of KBC. Diversity Rocks works closely with the HR department and sets up discussion forums, organises workshops and gives more visibility to women.

Our Chief Risk Officer, Christine Van Rijssseghem, chairs 'Women in Finance' – a Febelfin project that strives for greater diversity within Belgian financial institutions. Meanwhile, KBC Belgium and 27 other Belgian financial players have signed the Charter for Gender Diversity in the Financial Sector. KBC has undertaken to place gender equality and diversity firmly on the agenda and to develop concrete action plans.

Nationalities

KBC does business across international borders, which means people of different nationalities have to be able to work together. Colleagues speak different languages and have different cultures, so it is incredibly important for our employees themselves and for KBC as an organisation that we can all work effectively with colleagues of different nationalities.

Age diversity

We also focus on age diversity. People need to work longer and sometimes need to change their priorities, while certain jobs can also become too demanding towards the end of a career.

KBC Belgium has created its Minerva programme to this end for workers aged 55 and older, which allows them to share their experience with other organisations while retaining their existing pay and employment conditions. Minerva is currently active in over 30 different organisations in the non- and social profit sector. Since its launch, 80 staff members have taken the step. As of 2019, moreover, KBC Belgium has been an active participant in the sector-level initiative TalentMobility. This aims to retrain people from the financial sector and to help them find a new job in another sector, – all on a fully voluntary basis.

KBC gives young colleagues the opportunity to develop their talents too. When filling external vacancies, we always strive for a healthy mix between experienced candidates and young people. We believe that a continuous inflow of young talent not only contributes to an inclusive and balanced workforce, but also ensures that KBC remains future-proof.

Fair working conditions

KBC has made a commitment to its employees to comply with the standards of the International Labour Organisation. The objective is to guarantee sustainable and good working conditions for our employees and thus contribute to the growth of the company. We also invest in effective social dialogue with employee representatives on topics such as remuneration and working conditions, reorganisation and welfare. The social dialogue is organised primarily on an individual country and company basis so as to take account of local legal and business-specific situations. The process resulted in collective agreements being concluded in the different countries in 2019. Meanwhile, an annual meeting of the European Works Council has been held at group level for over 20 years now. It brings together employee representatives from the various countries, senior management and a broad, international HR delegation to deal with topics of cross-border importance, thus ensuring that there is a forum at which the impact of decision-making at group level can be discussed too. In 2019, 88% of our employees were covered by collective bargaining agreements.

Group-wide governance optimisation

In enhance our operational efficiency and customer service, we embarked on the optimisation of our group-wide governance in May 2019. As a result of this exercise, our organisation will be flatter and more agile, with fewer management layers and a wider span-of-control. In Belgium, the changes will be implemented between September 2019 and the end of 2022. The workforce reduction of 1 400 KBC employees in Belgium will be entirely absorbed through natural outflow. The number of employees at ČSOB in the Czech Republic was reduced by just over a net 400 in the 12 months to 30 June. ČSOB expects this trend to continue at a pace of at least 250 staff annually in the coming three years, with the aim being to minimise compulsory redundancies through normal staff turnover and measures to promote internal redeployment.

Employee engagement

We closely monitor our employees' opinions and consult them regularly. 2019 was an important transitional year with widespread changes, for which reason we focused on short, action-oriented interviews. We are planning another group-wide engagement survey in 2020, in the same format across all countries.

The response rate of the 'Shape your Future' survey in Belgium was 53%. The majority of employees stated that what they needed most was functional training. Some 72% of the workforce is satisfied with the support they receive in their development. The survey also shows that 84% of employees understand KBC's strategic focus and know where KBC wants to go. Half of the respondents think that the strategic direction is clear, recognise their department's initiatives and feel comfortable with the changes.

In the Czech Republic 84% of our employees took the opportunity to provide their feedback via the survey. 78% of them stated that they enjoyed working at ČSOB group, 91% found it important that the business was successful, and 68% were prepared to make an extra effort over and above their everyday duties to help achieve this. Based on these results, ČSOB has decided to strengthen its change management communication, to focus more on corporate culture and to make it possible to collaborate even more effectively through simplified administration and enhanced processes.



Lost-time accidents in Belgium: 43

Lost-time accident frequency rate in Belgium¹: 2.10

Lost-time accident severity rate in Belgium²: 0.05



¹ Lost-time accident frequency rate = number of accidents at work x 1 000 000/total number of hours worked by our employees

² Lost-time accident severity rate = number of days lost due to accidents at work x 1 000/total number of hours worked by employees

Safe and healthy working environment

At KBC, we take the well-being of our employees very seriously and strive for a positive working environment where our employees feel good, recognised, resilient and involved and where working conditions are adapted to personal needs. After all, healthy employees working in a safe environment feel at ease with themselves and are strong enough to use their own creativity in pursuit of client-focused solutions.

We aim to keep our employees as fit and deployable as possible in the long term, both mentally and physically. We offer them innovative benefits, health and safety programmes and sports and exercise facilities in our buildings, and try to detect stress and prevent burn-out. We also ensure comfortable and safe working spaces.

KBC makes considerable efforts, furthermore, to enable its employees to combine their professional and private lives by offering them the possibility of teleworking, flexible working hours and various options for working part-time, childcare during summer holiday, a children's day-care centre, benefits for special occasions like marriages or the birth of a child, health insurance for all employees and re-insertion programmes after periods of absence.

In the Czech Republic, regular health and safety training is provided and the Occupational Health & Safety programme is reviewed annually according to the internal guidelines.

In Belgium, the Committee for Prevention and Well-being at Work (CPBW) is responsible for drawing up and monitoring the general prevention and protection plan and aspects such as the protection of workplace health and safety the adaptation of the working environment, evaluation and solution of psychological risks and problems such as stress. In 2019, the KBC Belgium's prevention service received ISO 45001 certification from Vinçotte, which means KBC Belgium has set up a formal health and safety management system.



How **WE DO IT**

How WE DO IT

Responsible business

Responsible behaviour

At KBC we seek to uphold a significant and positive role in society. We understand that winning and retaining the trust of all our stakeholders is fundamental to our 'social licence to operate'. Acting and behaving in a responsible way, each and every day, at every layer of the organisation is extremely important to gain the trust of society.

KBC views responsible behaviour as crucial to an effective and credible sustainability strategy. The mindset of everyone at KBC should go beyond regulation and compliance: compliance in everything we do with all relevant rules and regulations and with corporate policies and guidelines to ensure ethical business is viewed as the very minimum.

Our KBC values challenge us day in, day out to behave critically and responsibly:

- respectful to our clients, colleagues, society and KBC itself,
- responsive and
- results-driven.

Accountability

Senior management is accountable for creating the right environment and nurturing the right behaviour in the organisation, thereby actively shaping collective attitudes within KBC. Each employee is accountable for showing a keen awareness of KBC's expectations for responsible behaviour, and for acting accordingly. For this purpose, we have set up a solid set of risk frameworks, standards, policies, processes, structures and ensure proper oversight.



**Trust is based on competence, open communication and personal integrity.
Integrity in combination with sound risk awareness is the foundation of responsible behaviour.**

My Responsible Behaviour Compass

Responsible behaviour is hard to define in concrete terms and so we have specifically decided not to draw up precise guidelines for it, but to set out the underlying principles instead. These are presented in 'My Responsible Behaviour Compass'. This guide is not an all-embracing document listing every situation with which employees might be confronted in their everyday work, as there needs to be room for common sense and a professional, multidimensional awareness. It does, however, set out the principles to be respected, which have to be translated into every decision and action we take.

Dilemma training

Our dilemmas take many forms. We also recognise that the requirements of society are constantly changing. It is the core responsibility of senior management to set the framework that allows employees to make the right choices. KBC University provides management with dilemma training. Theory is taught and practised using concrete situations. Senior managers are then tasked with disseminating it throughout the organisation. At the end of 2019, 81% of the top 300 managers have completed the Responsible Behaviour programme at KBC University. The fact that the figure is not 100% partly reflects recent senior management appointments.

We have created an intranet forum where our employees can post and describe situations where different KBC values can appear to be at odds. When we examine these 'dilemmas' together, we notice that there is no 'right' or 'wrong' answer and that the challenge is to test your own decision against the views of your colleagues. The discussions arising from this approach heighten awareness of the importance of responsible behaviour.



Relevant SDG goal

Our focus on responsible behaviour as the foundation for sustainability at KBC is not linked to a specific SDG but to the minimum expectation towards all companies committed to achieving the SDGs: recognition of their responsibility to comply with all relevant legislation, to uphold internationally recognised minimum standards and to respect universal rights.

Business ethics

We offer our banking and insurance services based on sound company values. We comply in everything we do with all relevant rules and regulations and with corporate policies and guidelines to ensure ethical business. Not only do we respect the relevant laws and regulations, we also impose stringent rules on ourselves in terms of ethical behaviour, openness and transparency, discretion and privacy. KBC's Corporate Compliance Division ensures that guidelines are observed, information remains confidential and privacy is respected. All policies are reviewed on a regular basis and updated if necessary to ensure we meet the changing environment, requirements and regulations at all times. We communicate transparently on our policy guidelines and codes of conduct, which are published on our corporate website.

More information on our Integrity Policy and its application is provided in the 'Corporate governance statement' section of the Annual Report 2019.

We invest continuously to raise our employees' awareness of issues relating to integrity and compliance. This is achieved through a combination of classroom and individual web-based training programmes, the publication of specific newsletters and journals, and web-based and e-learning courses designed to reach specific target groups in a flexible way. For more details, please refer to the 'Corporate governance statement' section in the annual report and the 'Sustainability facts and figures' section of this report.

Human Rights

Our approach to human rights is guided by the UN Guiding Principles on Business and Human Rights and is set out in the KBC Group Policy on Human Rights. As a financial institution, we recognise that we may be implicated in practices that harm human rights at different levels and through our various roles.

KBC fulfils its commitment to respect human rights in relation to its core stakeholders – customers, suppliers and employees – through specific policies and human rights due-diligence processes. In the process, we take account of the severity of existing and potential adverse human-rights impact when identifying and addressing such effects. As a financial institution, KBC's highest risk in terms of potential involvement with human rights violations arises through its client relationships, through its credit and insurance portfolio, its asset management activities and its own investments.

Read more on KBC's approach to human rights in the KBC Group Annual Report 2019 'Our focus on human rights'.

Policies

- Code of Conduct for KBC Group Employees
- KBC Group Anti-Money Laundering Policy
- KBC Group Ethics & Fraud Policy
- KBC Group Anti-Corruption and Bribery Policy
- US Patriot Act Certification
- KBC Tax Strategy
- Policy for the Protection of Whistleblowers at KBC Group
- KBC Group Corporate Public Affairs Policy
- KBC Dealing Code

Sustainability policies

Our sustainability framework with its clear guiding principles forms the sustainable backbone of our business activities.

We apply strict sustainability policies to our business activities in respect of human rights, environment and climate, business ethics and sensitive/controversial societal issues. These sustainability policies are reviewed and updated at least every two years to make sure that our policies continue to meet the concerns and expectations of society. KBC is assisted in this by a panel of outside experts, the External Sustainability Board, which advises the Corporate Sustainability Division.

Updated and new sustainability policies

The two-yearly update of the sustainability framework is scheduled for 2020. In 2019, an intermediate update of the policy for the tobacco sector was decided, reflecting KBC’s commitment under the Tobacco-Free Finance Pledge. Under this commitment, KBC’s policy of excluding the tobacco industry from its lending, insurance and sustainable investment activities was extended to include KBC Asset Management’s conventional investment funds and KBC’s own investment portfolio. The exclusion covers manufacturing, the wholesale trade and trading in tobacco products.

Application of KBC’s sustainability framework

Sustainability policies^{1,2}

	Lending	Insurance	Advisory Services	Investments (proprietary assets)	Asset Management: conventional funds	Asset Management: SRI funds ³	Suppliers
Human rights	•	•	•	•	•	•	•
Controversial weapons (including nuclear and white phosphorous weapons)	•	•	•	•	•	•	•
Controversial regimes	•	•	•	•	•	•	•
Soft commodity speculation	•	•	•	•	•	•	•
Animal welfare/Fur	•	•	•			•	
Arms-related activities	•	•	•			•	
Deforestation	•	•	•				
Energy	•	•	•			•	
Equator Principles	•						
Gambling	•	•	•			•	
Intoxicating crops/Tobacco	•	•	•	•	•	•	
Land acquisition and the involuntary resettlement of indigenous people	•	•	•				
Mining	•	•	•				
Palm oil and soy	•	•	•				
Prostitution	•	•	•				
Adult entertainment						•	

1 For an overview of the KBC policies and guidelines to ensure ethical business, please refer to the 'Responsible business' section of this report.

2 A complete overview of the policies can be found on the KBC website.

3 For a complete overview of KBC AM's exclusion policies for sustainable funds, please refer to the KBC website.

Indicator	Goal/ambition level	2019	2018
Sustainability policies	Regular review (every two years) of our sustainability policies	Update scheduled in 2020	In 2018 KBC's sustainability framework was updated with new and stricter policies.

Due diligence, remedy and mitigation

We have developed a specific due-diligence process for lending, insurance activities and advisory services. This likewise incorporates procedures to deal with any infringements that are detected. Our investment activities (asset management and own investments) are also subject to internal screening. SRI funds, moreover, have to meet additional controls. The criteria are monitored by the SRI Advisory Board, which is fully independent of KBC (please refer to 'Socially Responsible Investments' in the 'Sustainable finance' section of this report).

We monitor compliance with our sustainability policies in a number of ways:

- Active internal screening of our lending, insurance and investment operations for the correct application of our sustainability policies;
- A general ESG assessment of the sustainability performance of the relevant companies by external parties, with the emphasis on sustainability strategy and companies' public sustainability policies and on any recent controversies in which they have been involved.

In the event of doubt and for particular activities, the advice is sought of the Corporate Sustainability Division. A total of 221 requests for advice on environmental, social and governance issues were submitted in 2019. Of these, 148 received positive recommendations, 6 received positive recommendations with strict conditions and 67 were given negative recommendations.

Examples of measures in the event that infringements are detected:

- Zero tolerance across all our business activities for companies on the blacklist;
- Exclusion of companies that do not comply with the UN Global Compact Principles, as assessed by an external ESG evaluator, for loans, insurance, advisory services and proprietary assets;
- Enforcement, in consultation with the relevant parties, of an exit strategy or specific conditions on existing credit or insurance relationships and advisory services, and the rejection of new applications (entire relationship or specific business).

Sustainable finance

Financial institutions play a crucial role in achieving the UN Sustainable Development Goals and in the fight against climate change thanks to their unique position in directing capital through loans, investments and advisory services. KBC is committed to contributing to a sustainable society, both directly through our own operations and indirectly by helping our customers to be more sustainable.

As a bank-insurer, we can achieve the highest impact through our financing, insurance and investment activities – the loans and funding we provide to customers. To this end, we operate a clear policy regarding which products we sell to which clients and we also apply a restrictive credit and insurance approach to applications from controversial sectors. Conversely, we support sectors or companies that take account of environmental, social and governance considerations in their investment decisions and we seek to offer our customers business solutions from within our core operations that support the transition to a sustainable society. More information in this regard can be found in

the ‘Sustainable business solutions’ section of this report.

Sustainable finance products channel funds to finance customer transactions in sectors like renewable energy, energy efficiency, waste management and water treatment, as well as access to social goods and services such as education, health and employment. We started to map KBC’s level of sustainable financing, which takes close account of the European Commission’s taxonomy of sustainable finance. This provides clarity on which activities are considered environmentally sustainable.

The table below breaks down our sustainable finance at year-end 2019. Mapping is an ongoing process, and so it is important to note that this analysis is not complete. It will be fine-tuned and completed in the years ahead.

Our commitment to the climate

We recognise that climate change is one of the greatest challenges facing the world and will have a significant and lasting impact on economic

growth and prosperity. As a large financial institution, KBC has an important role to play in the transition to a low-carbon society. 2019 saw a milestone in our climate strategy, when we signed up to the Collective Commitment to Climate Action and the pursuit of the objectives of the Paris Climate Agreement. We also launched a structural approach to the management and reporting of climate-related risks and opportunities via our Sustainable Finance Programme.

Climate aspects in our business model

As a financial institution, we have an influence on climate change in two ways. The first is directly through our own operations: our own energy consumption, for instance. Our dependence on natural resources is relatively limited compared to industrial companies, but we nevertheless manage our direct greenhouse gas emissions with the goal of steadily reducing them in line with fixed targets. More information can be found in the textbox on the next page. Our second and largest environmental impact is indirect: through financing, investing and insuring other parties

who could have a direct impact (whether positive or negative) on the climate.

Climate change also impacts our business as a financial institution, in the shape of both transitional and physical risks and of opportunities arising from climate change.

The topic is important from all these perspectives for our stakeholders too, who expect us to take action and to communicate on a transparent manner. The TCFD recommendations have become the globally accepted standard for climate-related financial disclosures. As a TCFD endorser, we describe in this section KBC’s ongoing climate change actions as structured according to the **four pillars of the TCFD Framework**: governance, strategy, risk management, metrics and targets. We report on what we have achieved to date and how we see our future work in a world that is constantly changing.



Relevant SDG goals

We contribute to climate action (SDG 13) and affordable and clean energy (SDG 7) by reducing our indirect environmental impact. This is done through strict environmental policies for our loan, investment and insurance portfolios, by discouraging the finance of unsustainable energy solutions and by promoting renewable energy and energy-efficiency initiatives. Our focus on reducing our own environmental footprint also contributes to SDG 12 and SDG 13. We contribute to good health and well-being (SDG 3) through our specific focus on social-profit institutions and local governments. KBC’s focus on sustainable investment funds is linked to SDG 3, SDG 7 and SDG 12.

Sustainable finance (KBC Group, million of euros)	2019	2018
Green finance		
Renewable energy and biofuel sector	1 768	1235
Social finance		
Healthcare sector	5 783	5621
Education sector	975	943
Socially Responsible Investments		
SRI funds under distribution	12 016	8 970
Total	20 542	16 769

Our direct environmental impact

KBC is actively working to reduce its direct environmental impact. We have set a new long-term target to reduce our own greenhouse gas emissions (excluding commuter travel) by 65% by 2040. We are also committed to source at least 90% of our electricity consumption from renewable energy by 2030. In 2019, KBC cut GHG emissions by 15% compared to the previous year, thanks mainly to lower electricity consumption and a higher proportion of green electricity, as well as reduced emissions from transport. You will find more details on our direct footprint in the ‘Sustainability facts and figures’ section of this report.

Indicator	Goal/ambition level	2019	2018
Total GHG emissions excluding commuter travel (absolute and per FTE)	-25% for the period 2015-2020	Absolute: -50%	Absolute: -38%
	-50% for the period 2015-2030	Intensity: -48%	Intensity: -37%
	-65% for the period 2015-2040		
Own green electricity consumption	90% green electricity by 2030	83%	78%

Governance

Climate governance forms part of our general sustainability governance, which ensures that the implementation of strategic steps relating to climate change is respected by all relevant business lines. You can find a diagram of the latter in the ‘Sustainability governance’ section.

A Sustainable Finance Programme has been set up to focus on integrating KBC’s climate approach across the group. It oversees and supports the business as it develops its climate-resilience in line with the TCFD recommendations and the EU Action Plan.

The project is headed by a programme manager belonging to the Corporate Sustainability Division, backed up by a team of specialists from Corporate Sustainability, Risk and Credit Risk. This core team is in contact with all relevant departments, including Insurance, Asset Management, Corporate Banking, Treasury, Group Finance, KBC pension funds, Group Legal and KBC Securities. We have also appointed climate contacts in each core country.

The programme is overseen by a Steering Committee chaired by the Group CFO. Progress is discussed regularly within the Internal Sustainability Board, the Executive Committee and the Board of Directors, including via the KBC Sustainability Dashboard. The latter is used to evaluate the programme’s status report once a year within the Board of Directors, which also discusses the theme in depth once a year. The current status is also discussed annually by the supervisory boards of the key entities in the group’s different core countries.

The management of climate-related risks is fully embedded in our existing risk management governance (see ‘Risk management’). The Senior General Managers of the Group Risk and Group Credit Risk bodies sit on the Sustainable Finance Programme Steering Committee, while the Senior General Manager of the Group Credit Risk body also sits on the Internal Sustainability Board.

An intensive internal communication plan was rolled out in 2019 to engage all the relevant decision-making bodies and departments with climate-related risks, opportunities and commitments.

Strategy

Climate change has been enshrined throughout our sustainability strategy and more specifically in one of that strategy's key focus areas: environmental responsibility (for more details please refer to 'Our sustainability strategy'). This entails a commitment to responsibly manage the direct and indirect environmental impact of and on our activities. Where possible and in accordance with our sustainability strategy, we aim in this way to enhance our positive impact and to mitigate our negative impact on the environment, with a view to supporting the transition towards a low-carbon economy. We regularly tighten our approach, taking into account scientific and technological developments, social trends and the changing views of our stakeholders.

Important elements of our climate and environmental policy include:

- developing specific banking, insurance and investment products and services to support a sustainable, low-carbon and climate-resilient society (see 'Sustainable business solutions' in this report);
- applying and regularly revising a strict policy to limit the negative environmental impact of our activities through measures like specific policies on energy and other socially-sensitive sectors (palm oil, soy, mining, deforestation, land acquisition, etc.), abiding by the Equator Principles on project financing and the KBC Blacklist;
- setting ambitious targets for reducing our direct greenhouse gas emissions and reporting on this;
- creating awareness of environmental responsibility amongst our internal (employees) and external (clients, suppliers, etc.) stakeholders;
- adjusting our activities in line with the Paris Climate Agreement to limit the global temperature increase;
- tracking TCFD recommendations: we catalogue our climate risks while also responding to the opportunities offered by the climate issue. We contribute to the development of methodologies to measure the impact of the climate on our business model with a view to formulating evidence-based targets.

2019 was a milestone year for KBC's climate change strategy, and we have taken significant new steps.

- In September 2019, KBC was one of a small group of banks that publicly endorsed the Collective Commitment to Climate Action – part of the United Nations Environmental Programme Finance Initiative (UNEP FI). Earlier in the year, KBC had already undertaken to align its policy guidelines and business approach with the goals of the Paris Climate Agreement. With this Collective Commitment to Climate Action, KBC commits itself – in cooperation with its customers – to stimulate the greening of the economy as much as possible and thus to limit global warming to well-below 2°C, striving for 1.5°C, in line with the Paris Climate Agreement. We will do so by working together in developing methodologies to measure climate impact and alignment with climate goals. Within no more than three years, we will set and publish sector-specific, scenario-based targets for this portfolio alignment. KBC has already started the first pilot projects for this purpose (please refer to the 'Metrics and targets' section below). In this way, KBC is building on previous policies and initiatives that give shape to the sustainable fulfilment of our social role.
- We shifted our engagement ambitions up a gear – an explicit part of the Sustainable Finance Programme agenda. We believe that the transition of our existing clients to a greener economy is key and see it as our role to support them and act as a partner in their transformation to a more sustainable future. A pilot was initiated at the Belgium Business Unit in 2019 to engage in dialogue with business

customers and support them in their transition to a greener economy. Our approach consists of the following steps:

- Raising our employees' awareness and knowledge;
- Raising our clients' awareness;
- Collaborating with clients in their transition to a low-carbon business with the green financial products that KBC can offer them;
- Drawing where necessary on external support by putting them in contact with partner organisations that can help realise energy-saving initiatives.
- Our suppliers are important stakeholders too and we want them to integrate social, ethical and environmental criteria. Product-related environmental requirements have also been embedded in the internal process for screening suppliers, including the duty to notify KBC about new environmentally friendly products and the use of environmentally friendly packaging.
- We actively adjust our business model, not only to mitigate or avoid negative consequences, but also to respond to new opportunities. This entails both further expanding our sustainable product and service offering in the field of investment, insurance, leasing and so on, and actively supporting clients in their transition to lower-carbon operations.
- We are preparing a strategic update of the most carbon-intensive business lines and industrial sectors in our portfolio, integrating climate-related risks, opportunities and targets. The final aim is to chart the resilience of our business model in the longer term, taking account of different climate scenarios and time horizons.

Green bond

In 2018, KBC became the first Belgian financial institution to issue a green bond for institutional and professional investors. This 500-million-euro issue with a term of five years complies with the Green Bond Principles, a set of guidelines produced by the International Capital Markets Association (ICMA), under which the proceeds of the bond issue can only be used to finance or refinance sustainable projects.

Green Loans and Green Bonds for corporate clients

KBC Bank is promoting sustainable financial solutions amongst its corporate clients, including by means of Green and Sustainability Bonds and Green Loans and Sustainability-Linked Loans. They are structured in accordance with the ICMA Green/Sustainability Bond Principles and the Loan Market Association Green/Sustainability-Linked Loan Principles.

KBC Bank, for instance, coordinated a Green Loan for the marine engineering group Jan De Nul.

Luc Popelier, CEO International Markets Division KBC Group: 'KBC is proud to have been able to assist Jan De Nul as coordinator and sustainability coordinator, in the development of this syndicated green loan. We built on our existing knowledge and experience with green bonds to structure and coordinate this loan. Among other things, KBC was responsible for drawing up the Green Financing Framework, which describes the criteria that these sustainable ships have to meet in order to qualify for the green loan. During the design phase, Jan De Nul thought very carefully about the environmental impact and the solutions to minimise that impact. This is a good example of how we deal with sustainable financing and actively contribute to environmental challenges.'

Green Project Finance

KBC is actively involved in renewable energy project finance across all core countries. At the end of 2019, KBC Group's portfolio of renewable energy project finance stood at 1.6 billion euros (granted amount), generating green energy for around 514 000 households. The avoided emissions related to this portfolio amounts to 473 000 tonnes CO₂e.

Project finance transactions in other sectors also contribute positively to a low-carbon society. In Belgium, for example, KBC was mandated as lead arranger of the infrastructure project Smart Lighting in the Walloon Region. The Lumière Wallonie project entails the modernisation and maintenance of public lighting along motorways and main roads in the Walloon Region and sets out to reduce energy consumption by no less than 76%.

Green mortgages

As a result of the European Energy Performance of Buildings Directive (EPBD), residential mortgage lending supports the purchase and construction of energy-efficient homes. As a retail bank KBC Ireland has a relevant portfolio of mortgage loans. In Ireland the EPBD came into force in 2009. As of end 2019, the outstanding loans for newly built dwellings since 2009 amounts to approximately 1 billion euros. It is estimated that about 63% of outstanding loans are related to dwellings with a Building Energy Rating (BER) A and an energy performance between 0 and 150 kWh/m²/y, and 32% relates to dwellings with a BER B (energy performance between 75 and 150 kWh/m²/y) – calculated based on the average BER for newly constructed homes in Ireland 2009-2014).

Green insurance

Examples in the area of home insurance in Belgium include standard cover for solar panels and covering the additional cost of construction in accordance with new building regulations when reconstruction is required after damage. From January 2020 onwards, KBC clients can insure themselves against damage to crops and fruit caused by extreme and unfavourable weather conditions via a contract with Onderlinge Hagelverzekering Maatschappij AgriVer B.A. and with Onderlinge Fruittelers Hagelverzekering (OFH). The KBC insurance agents play their role of intermediary and expert to the full by guiding and supporting farmers in taking out this new insurance.

Risk Management

The KBC Risk Management Framework defines the group-wide standards for risk management. It covers all the risks to which KBC is exposed and so climate-related risks too are gradually being embedded in existing risk management processes.



Climate-related risks are the risks related to the transition to a low-carbon economy and the risk from climate-related physical events that impact our business.



Examples of climate-related risks include acutely or chronically changing weather patterns, such as severe storms and prolonged droughts. These can increase the level of claims under the insurance we provide and also impact our loans or investments. The latter applies where counterparties are affected by climate change or the transition to a lower-carbon society, prompting direct losses through repayment problems. Other climate-related risks arise from the impact on KBC of potential changes to the relevant legislation and capital requirements, litigation, changes in client behaviour (including the risk of missed opportunities) and technological innovations.

Governance

The KBC Risk Management Framework is supported by solid risk governance:

- The management of climate-related risks is fully embedded in our existing Risk Management Governance;
- Risk is actively addressed by the core team of the Sustainable Finance Programme, which

focuses on integrating climate-related matters throughout the group;

- The Senior General Managers of Group Risk and Group Credit Risk are members of the Sustainable Finance Programme Steering Committee and one of them also sits on the Internal Sustainability Board.

Risk identification and classification

We continuously scan the internal and external environment for new and emerging risks in the short term (1–3 year horizon), medium term (3–20 years) and long term (20–30 years). This group-wide process involves all relevant stakeholders, including entities from the business side,

corporate sustainability and asset management. To ensure proactive climate-related risk identification in an integrated environment, we:

- organise internal communication and training for employees and management;
- have set up a Sustainable Finance Legal Working Group to follow up new and changing regulations;
- take account of sustainability and climate-related policies when deciding on new products or services;
- have identified and defined climate risk in our risk taxonomy;
- regularly report on climate-related risk signals to senior management.

Climate change has been identified as a top risk in the past and is becoming increasingly important, due in part to the heightened sense of urgency regarding transition risks. Key identified risks are used as input for several other risk management exercises and tools, such as risk-appetite setting, stress testing and the aligned planning cycle.

Cascading and setting risk appetite

Our risk-appetite objectives support the group to define and realise its strategic sustainability goals. These include maintaining a strong corporate culture that encourages responsible environmental and social behaviour, achieving long-term sustainable growth and ensuring stable earnings. To be less vulnerable to changes in the external environment – including climate change – we pursue diversity and flexibility in our business mix, client segments, distribution channels and geographies, where we refrain from focusing on short-term gains at the expense of long-term stability.

These high-level risk-appetite objectives have been further specified for a number of risk types in accordance with our climate-related policies and will be gradually enhanced based on new insights (see ‘Risk measurement’):

- A group-wide zero tolerance policy is in place for new business with any company on the KBC blacklist. This policy has been fully embedded in the organisation as part of the operational risk management framework;
- Controversial activities identified in our standards for sustainable and responsible lending are managed through sound lending and insurance processes, acceptance policies and product characteristics. They are actively screened by the business side, with quality controls performed by the second and third lines of defence. They also define the playing field for credit and insurance risks.

Risk measurement

We are working together with external parties on a series of tools and methodologies to heighten our ability to identify and measure climate-related risks (see the ‘Metrics and targets’ section below). These tools will provide further insights into the impact not only of climate change on our business model, but also that of our activities on the environment.

Risk analysis, monitoring and reporting

Indicators for climate-related risks and opportunities have been integrated in the KBC Sustainability Dashboard, enabling us to monitor progress in the implementation of our sustainability strategy and to make any necessary adjustments. Climate-related risks will be further enshrined in our internal risk reports, ICAAP/ORSA and external reports, and stress testing will be used as a key tool to gain insights into climate-related vulnerabilities.

The impact of more extreme weather conditions has already been factored into our insurance activities. We use a number of internal and external measures, backed up with stress tests, to analyse the potential impact of extreme natural events on our non-life (property) portfolio. External broker and vendor models are used at all KBC insurance entities to model extreme events of this kind. KBC insists on an active dialogue regarding the inclusion of climate change in the scenario analysis performed by these providers.

Forward-looking trends, such as changes in storm and precipitation patterns and flood frequency are monitored as part of the Insurance Risk Management Framework and related processes (see ‘Technical insurance risks’). Physical risks in other regions around the world are closely monitored too, as they can affect the global reinsurance market on which KBC relies. Climate change does not represent a significant technical insurance risk for KBC in the short to medium term, due mainly to the effectively diversified nature of KBC Insurance’s activities, the focus on our core markets in Belgium and Central Europe, and the annual renewal of policies and related reinsurance contracts.

Several initiatives have been started to improve our understanding of how to measure ESG and climate-related risks. The insights gained will be used to explore how we can further integrate these risks into our credit assessment process and modelling (including forecast credit

losses) and adapt our policies where necessary. Management has the ability, moreover, to overrule the expected credit losses and to capture events that are not part of the financial assessment, such as growing insights into ESG and climate-related risks. This approach has yet to be applied.

Metrics and targets

To support the transition to a low-carbon society and help achieve the Paris climate targets, we have defined a number of targets in the area of sustainability and climate and have closely tracked our environmental impact performance for several years now. The targets relate to our indirect impact (volume of SRI funds, share of loans for renewable energy and the run-down of coal-related lending) and limiting our own direct environmental impact (reducing our own greenhouse gas emissions and our use of green electricity). You can find an overview of these targets below and elsewhere in this report.

Key challenges facing financial institutions when implementing TCFD are the lack of objective data and metrics with which to assess the climate risks associated with their portfolios and their indirect carbon impact as a bank, insurer and asset manager, and setting targets in this regard. Several parties are currently developing a variety of methodologies, three of which appear to be evolving into a kind of standard: PACTA, UNEP FI and PCAF. Each has a different scope and complementary objectives.

In keeping with the commitments we endorsed in 2019, we are co-operating on the development of these methodologies and have already begun work, in collaboration with other banks, on three different pilot projects: The focus is on the loan portfolio, in which the following climate-sensitive industrial sectors (at the highest aggregate level) have been identified based on their relative size (see table below). Car loans, car leasing and

residential real estate also fall within our scope as these too have a substantial impact on climate change.

New data will also be needed to identify green assets (other than renewable energy) based on technical environmental criteria, including the forthcoming EU Taxonomy. This represents a major challenge and we are starting out in this regard too with a structured approach.

Indicator	Goal/ambition level	2019	2018
Share of renewables in the total energy credit portfolio	Minimum 50% by 2030	57%	44%
Financing of coal-related activities	Reduce financing of coal sector and coal-fired power generation to zero by 2023*	36 million euros	34 million euros

* We exclude oil, gas and coal extraction and oil and coal-fired power generation. ČSOB in the Czech Republic will be the sole and temporary exception to this with regard to the financing of ecological improvements to coal-fired, centrally-controlled heating networks. Detailed information on this matter is provided in the KBC Energy Policy, which is available at www.kbc.com. KBC will continue to review its policy on coal in 2020 as part of its strengthened climate ambition and the new commitments entered into in this regard in 2019. This could broaden the scope of reporting in the future. Figures exclude UBB in Bulgaria.

Most climate-sensitive industrial sectors**	2019
– outstanding loan amounts (in billions of EUR), KBC group	
Real estate	11.2
Building and construction	6.8
Agriculture, farming, fishing	4.7
Automotive	4.6
Food production	3.0
Electricity	2.8
Metals	2.5
Chemicals	2.2
Total	37.8

**Reporting limited to sectors representing over 5% of industrial loans designated as climate-sensitive at year-end 2019. Although climate change could have an impact on all industries and sectors, the climate-sensitive sectors were selected on the basis of a number of factors, including the TCFD recommendations (2017), pending more standardised frameworks and analyses.

Pilot projects:

To better understand the potential financial impact of transition scenarios on our activities and our vulnerability to carbon-intensive sectors and business lines, we now pursue three methodological tracks, covering a number of our key exposures. Once methodologies of this kind have been further elaborated and implemented, we will be able to measure our indirect impact via the most carbon-intensive sectors and business lines, formulate and track new targets, and report on this. Each pilot project will be thoroughly evaluated before further steps are taken.

Paris Agreement Capital Transition Assessment (PACTA)

We belong to a group of 17 international banks that are measuring the extent to which our large industrial clients and their assets are aligned with the Paris climate goals. This methodology measures credit exposure to transitional technologies in some of the most carbon-intensive sectors, such as steel, automotive, shipping, aviation, electricity, oil and gas, coal and cement. We also launched a PACTA pilot project at the beginning of 2020 for our asset management activities and investment portfolios.

Read more about the methodology and preliminary results of the PACTA pilot in Appendix 1 of this report.

UNEP FI

We are involved with a project to further develop the methodology used within the UNEP FI programme, the goal of which is to identify the physical and transition risks arising from certain climate scenarios for the most significantly affected sectors in our loan portfolios. We are currently familiarising ourselves with the methodology and have begun the analysis of physical risks for mortgage loans in Flanders and transition risks for the metals sector.

Platform Carbon Accounting Financials (PCAF)

We have undertaken to evaluate and communicate the greenhouse gas emissions associated with our portfolios of the most carbon-intensive loans and investments within three years. To that end, we signed up in 2019 to the PCAF initiative, which has evolved into a carbon accounting standard for financial institutions. We reported for the first time in 2019 on the emissions avoided through the KBC Green Bond issued in 2018 (the underlying assets of which consist of green mortgage loans and project finance for renewable energy in Belgium). We publish this impact report on our corporate website. On 30 September 2019, the emissions avoided annually through the KBC Green Bond totalled 48 090 tonnes of CO₂e or 96.2 tonnes per 1 million euros invested. We also began a pilot project to measure our greenhouse gas emissions in Belgium relating to residential mortgage loans, car loans, car leasing and commercial real estate.

Read more on the methodology and the first results of the PCAF pilot in appendix 2 of this report.

Our future work

We will continue our work in the field of sustainability, with a view to achieving continuous progress in our priority areas and towards our ambition of making sustainable finance work. The table on the right shows the progress made under the Sustainable Finance Programme (SFP) towards meeting the TCFD recommendations as of year-end 2019, together with the focus points for 2020.

Pillar	Recommendations	Progress made as of year-end 2019	Focus points in 2020
Governance	<ul style="list-style-type: none"> a. Describe the board's oversight of climate-related risks and opportunities b. Describe management's role in assessing and managing climate-related risks and opportunities 	<ul style="list-style-type: none"> - Climate governance included in our overall sustainability governance - Management of climate-related risks embedded in our existing Risk Management Governance - SFP's core team to integrate climate approach throughout the Group – the programme is overseen by a Steering Committee chaired by the Group CFO - Indicators related to climate-related risks and opportunities and the progress of the SFP in the implementation of our climate strategy are integrated into the KBC Sustainability Dashboard, submitted twice a year to the Executive Committee and the Board of Directors to measure progress (twice in 2019) - Annual in-depth discussion on SFP progress by the Board of Directors (once in 2019) - Sustainability KPI included in the variable remuneration of Executive Committee members and senior management 	<ul style="list-style-type: none"> - Further integrate climate-related responsibilities in the charters of all relevant decision-making bodies at KBC Group - Regular discussions on SFP progress by the Internal Sustainability Board, Executive Committee, Board of Directors and the Supervisory Boards of KBC's core countries - Start to report progress and new KPIs in the Sustainability Dashboard of KBC Group - Sustainability KPI settings for senior management to potentially include a clear link to the SFP
Strategy	<ul style="list-style-type: none"> a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario 	<ul style="list-style-type: none"> - Climate included in our overall sustainability strategy, confirmed by signing the Collective Commitment to Climate Action in 2019 - First steps to understand the impact of climate change on our business model, but also the impact of our activities on the environment - First identification of climate-sensitive corporate industrial sectors (loan portfolio) - Launch of three pilot projects (PACTA, PCAF and UNEP FI) working on a series of tools and methodologies to: <ul style="list-style-type: none"> i) enhance our ability to identify and measure climate-related risks and guide and inform our strategy; and ii) quantify the indirect impact of our most carbon-intensive sectors and business lines - Climate change identified as a top risk for KBC with increasing importance. This is used as input for other risk management exercises and tools, such as risk-appetite setting, stress testing and the aligned planning cycle - Identification of business opportunities in retail and corporate segment - Updated and tightened KPIs 	<ul style="list-style-type: none"> - Set up strategic teams to integrate climate-related risks, opportunities and targets in the strategy of the most carbon-intensive sectors and to further develop the methodologies used in this respect - Start mapping our portfolio in line with the EU Taxonomy - Further work on customer engagement, starting in Belgium with the training of all relationship managers at Corporate Banking and preliminary dialogues with corporate customers - New KPIs linked to the KBC SFP will be proposed and decided upon in the coming period
Risk	<ul style="list-style-type: none"> a. Describe the organisation's processes for identifying and assessing climate-related risks b. Describe the organisation's processes for managing climate-related risks c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated in the organisation's overall risk management 	<ul style="list-style-type: none"> - Climate-related risks are gradually being embedded in existing risk management processes, through the KBC Risk Management Framework defining group-wide standards for risk management of all risks - Group-wide risk identification process to ensure we cover all material risks to which we are, or may become, exposed to, with specific actions to ensure proactive, climate-related risk identification in an integrated environment - Regular reporting to senior management of climate-related risk signals in response to risk scan exercises and insights from ongoing methodological pilots - Climate change identified as a top risk for KBC, which is used as input in other risk management exercises and tools, such as risk-appetite setting, stress testing and the aligned planning cycle - Risk-appetite objectives to help the group realise its strategic sustainability goals (to be gradually improved based on new insights) - Active role of risk and credit risk in the SFP - Specific due diligence process at client and transaction level with respect to our sustainability policies, including procedures to deal with any infringements that are detected 	<ul style="list-style-type: none"> - Further integrate climate change in KBC's risk management processes and our internal and external risk reporting based on insights gained from the ongoing methodological pilots (metrics and targets) - Stress testing will be a key tool to identify climate-risk-related vulnerabilities - Highlight risks of stranded assets in various sectors
Metrics and targets	<ul style="list-style-type: none"> a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets 	<ul style="list-style-type: none"> - Launch of three pilot projects (PACTA, PCAF and UNEP FI) working on a series of tools and methodologies to: <ul style="list-style-type: none"> i) enhance our ability to identify and measure climate-related risks and guide and inform our strategy; and ii) quantify the indirect impact of our most carbon-intensive sectors and business lines - Evaluate and publish first results of these pilots - Scope 1, 2 and 3 (business and commuter travel, paper and water consumption and waste generation) GHG emissions reported and externally verified in accordance with ISO 14064-3 - Reporting against targets set (both internally and externally in our annual reporting): <ul style="list-style-type: none"> - Direct: 65% reduction in direct GHG emissions by 2040 and 90% green electricity share by 2030 - Indirect: 50% share of renewables in the total energy credit portfolio by 2030, reduce financing of coal sector and coal-fired power generation to zero by 2023 and 20 billion euros in SRI funds by 2025 	<ul style="list-style-type: none"> - Continue the development of the methodological pilots (PACTA, UNEP FI, PCAF), in co-operation with other banks and stakeholders and expand the scope of the pilots in a subsequent phase - Monitor and evaluate alternative and potential methodologies - Evaluate current targets and possibly propose additional ones for reducing direct GHG emissions, possibly related to specific underlying activities

Equator Principles

KBC has observed the Equator Principles (EP) – a voluntary set of guidelines for the financial industry to determine, assess and manage the social and environmental impact of large projects – since 2004. The fourth update of the Equator Principles was adopted in November 2019 and will come into effect from July 2020. Amendments and new commitments have been made in relation to human rights, climate change, indigenous peoples and biodiversity. The scope of the EPs has also been extended to capture more project-related transactions.

In line with the requirements of the Equator Principles, we provide financing or advisory services only when the borrower is willing to comply with the environmental and social processes and policies of these Principles. To this end, we have appointed an Equator Principles coordinator within each entity to act in concert with the central credit department, where ultimate responsibility for reviewing the environmental and social aspects of projects is located.

In 2019, KBC had 17 transactions under the Equator Principles, one category A project (projects with potential significant adverse environmental and social risks and/or severe impact), five category B projects (projects with potential limited adverse environmental and social risks and/or impact that are less severe) and 11 category C projects (risks considered minimal and projects in legal compliance in the country of execution). The Category A project requires strict monitoring of the environmental impact as well as reporting to the competent authorities, which is also included in the credit agreement. Furthermore, the project is required to do its own monitoring and present the results to the Authorities, including the regional environmental protection agencies. More detailed reporting can be found in the 'Sustainability facts and figures' section.

UNEP FI Principles for Responsible banking

KBC was an Early Endorser of the UNEP FI Principles for Responsible Banking (PRB) in 2018 and it goes without saying that we signed up as a Founding Signatory at the UN Climate Action Summit in September 2019. The Principles provide a guiding framework for a sustainable banking system, and help the industry to demonstrate how it is making a positive contribution to society. By committing to this framework, banks will adapt their businesses to the UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

The PRBs are structured around six lines of action: alignment, impact, clients, stakeholders, governance and target-setting, and transparency and accountability. The signatories undertake to be transparent and clear about how their products and services create value for their clients and investors, as well as society.

The Principles are familiar territory to us and clearly reflect the key elements of our own, well-established sustainability vision, which we have been developing, communicating, implementing and improving for several years now. Committing to the UNEP FI Principles therefore flows logically from KBC's sustainability strategy.

Our first self-assessment regarding the implementation of the Principles can be found in the section 'Principles for Responsible Banking' at the end of this report.

Socially Responsible Investments

One of the cornerstones of our sustainability strategy and climate policy is our focus on sustainable investments. KBC has been a pioneer in the field of socially responsible investing for almost 30 years. We view SRI as another powerful tool with which to help achieve a more sustainable society.

We want to give our clients the opportunity to invest in sustainable companies and countries that recognise their social and environmental responsibility. This allows us to contribute together towards a more sustainable society and to help limit the adverse impact that businesses can have on society. In 2019, we were able to increase the volume of SRI funds to 12 billion euros. At the same time, we have raised our target for the volume of SRI funds from 10 billion euros by 2020 to 14 billion by 2021 and 20 billion by 2025.

Awareness

Our employees offer sustainable investments alongside conventional ones, thereby raising awareness amongst our clients and enabling them to make properly founded choices. Our branch staff receive regular training and information to increase their awareness and knowledge of SRI funds.

Exclusion criteria

In the case of conventional funds, we apply the minimum exclusions based on the KBC Group Blacklist of businesses that are involved with controversial weapons systems and businesses viewed as 'serious' infringers of UN Global Compact Principles, and controversial regimes. Investment products involving food-price speculation are entirely excluded. We took the further decision in 2019 to exclude the tobacco industry from KBC Asset Management's conventional investment funds and from KBC's own investment portfolio.

For sustainable funds, we go much further in terms of excluding and restricting controversial activities. These funds invest exclusively in companies and countries that meet a number of strict selection criteria relating to the environment, social aspects and corporate governance. Exclusion policies are in place for activities such as weapons, gambling and adult entertainment. As of 2019, moreover, all companies that can be linked to fossil fuels have been excluded from all sustainable investment funds. For a complete overview of the exclusion criteria, please refer to the KBC website.

Independence

KBC works closely with an external panel of independent experts called the SRI Advisory Board. This advises us on our sustainability policy and screening results. We sit down with them each quarter, challenging one another and taking on board the different expert opinions. In this way, we ensure that the highest possible standards are met for sustainable investments.

Proxy voting

KBC Asset Management uses proxy voting to represent clients who invest in companies through our equity funds at shareholders' meetings. This active voting policy is applied to several themes, recognising that business, corporate governance and sustainability issues all determine the value of a company in the medium and long term. In addition, KBC Asset Management wants to encourage companies to use engagement to promote sustainable business practices or raise controversial issues. Further details can be found under 'Proxy voting and Engagement Policy' on the KBC website.

KBC's socially responsible investments have been granted the Febelfin 'Towards Sustainability' label:



- A clear sustainability strategy is in place
- Very harmful companies or activities are excluded
- A transparent policy is pursued in relation to socially questionable practices

The label provides investors with clear and comparable information across different financial institutions. KBC's exclusion criteria are fully in line with those required by the Febelfin quality standard and even surpass it, as KBC applies criteria that are even stricter for many sectors.

Febelfin is the business federation for the Belgian financial sector. It represents the interests of its members together with those of policymakers, supervisors, professional federations and interest groups at national and European level.

Indicator	Goal/ambition level	2019	2018
Volume of SRI funds at KBC Asset Management	10 billion euros by year-end 2020 14 billion euros by year-end 2021 20 billion euros by year-end 2025	12 billion euros	9 billion euros

Impact investing

Through its partnership with BRS, KBC is also active in microfinance and microinsurance. By investing in microfinance institutions, investors can earn a return while making a social impact.

BRS Microfinance Coop

BRS Microfinance Coop – a joint initiative of KBC, Cera and BRS vzw – invests capital raised through the issue of cooperative shares in microfinance institutions in Africa, Latin America or Asia, which in turn provide microcredit to local entrepreneurs and farmers, or to the cooperatives that unite them. In 2019, 12 microfinance institutions were financed, which together reach 2.9 million entrepreneurs in ten developing countries. BRS Microfinance Coop strives for a financial and social return for every partner. This is possible because they thoroughly screen the organisations in which they invest for their financial and social qualities and cooperative spirit.

BRS vzw

BRS vzw (the Belgian Raffeyen Foundation), in which KBC is a structural partner, helps to sustainably improve the quality of life of the poorer population in the South through microfinance and microinsurance. Not only by providing money, but above all through advice and in dialogue with the partners involved, based on the unique practical experience and knowledge of (cooperative) banking and insurance. BRS offers poor people who are economically active fair opportunities to escape poverty and improve their own lives. One of BRS' major strengths is its specialist consultancy, for which it relies on expert volunteers.

Within this unique cooperation model, current and retired KBC employees work with the management teams at the microfinance institutions themselves. The sharing of knowledge between professionals from the developed and developing worlds is both effective and enriching.

Microinsurance

Microinsurance can really make a difference in the Global South. An insurance policy can, for instance, prevent people falling into a spiral of poverty when a breadwinner falls ill or a family member dies. Telling the story of microinsurance remains a big challenge. Unlike microcredits, which offer entrepreneurs clear opportunities to grow, the impact of insurance is less obvious. You take out insurance in case you suffer a setback. Hopefully that won't happen and you won't need to call on your policy. For people on a low income, investing to cover a risk that might never materialise does not always come naturally.

For that reason, BRS pays special attention to the value of the insurance products to the customers themselves. KBC shares its experience as a bank-insurer through BRS to enhance that value for the insurance offered by microfinance institutions.



 BRS Microfinance Coop

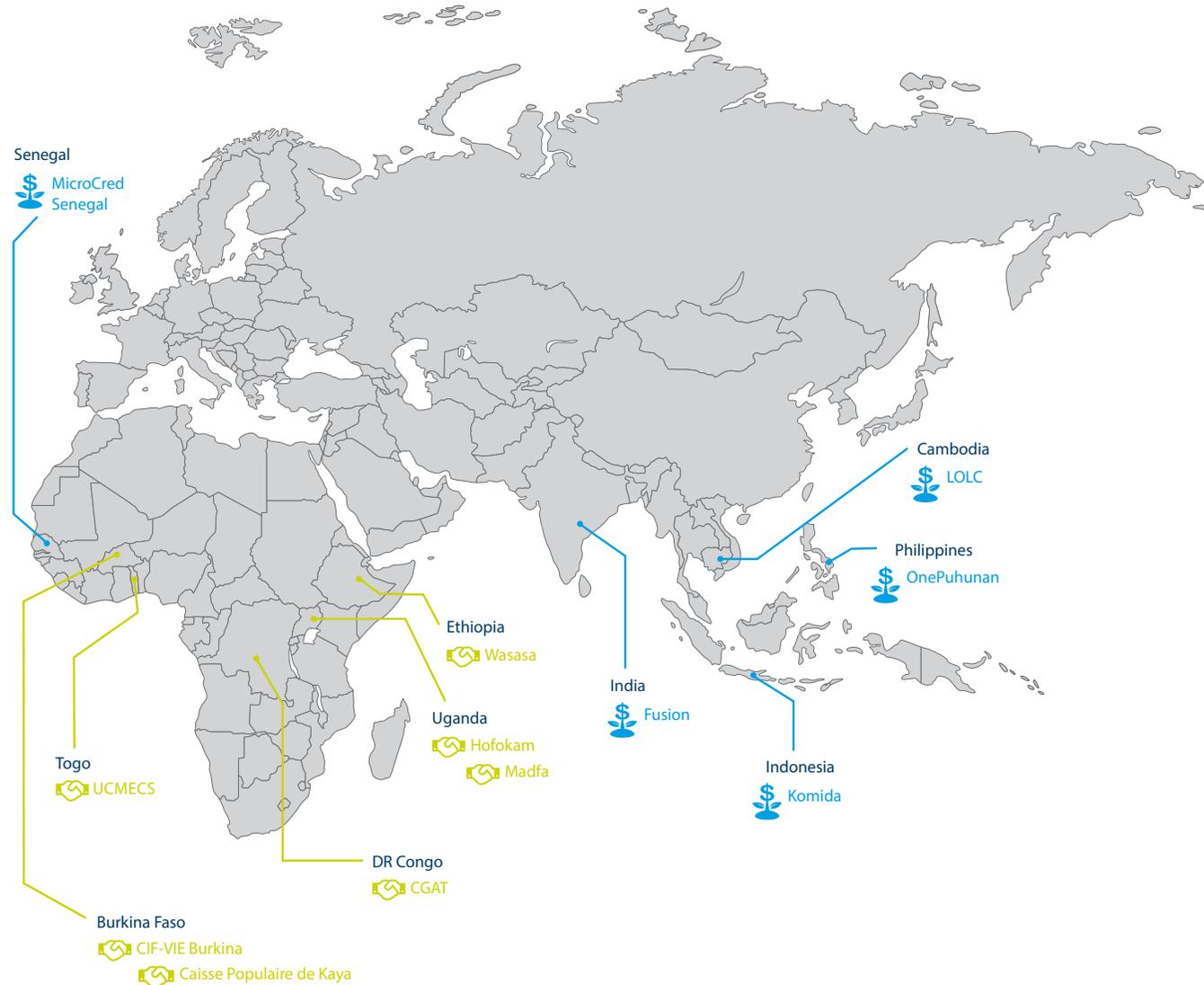
At the end of 2019, BRS Microfinance Coop had 14 million euros in outstanding loans (loans to microfinance institutions and investment in microfinance funds). These microfinance institutions together reach 2.9 million customers.

 BRS vzw

 Project finance
171 162 euro

 Consultancy
821 days of coaching and training (BRS vzw)
295 days of training via Microfact
143 480 euro (including Microfact)

 Training



Sustainable business solutions

As a bank-insurer, KBC is interconnected with all levels of society and has an impact on many different areas. In 2016 we selected four areas in which we can enhance our positive impact and make a difference from within our core operations by offering business solutions: financial literacy, environmental responsibility, entrepreneurship and longevity/healthcare.

Financial literacy

Financial literacy has three dimensions for KBC: Financial advice and clear communication, financial behaviour and financial education

Financial advice and clear communication

We help our clients make responsible decisions across a wide range of financial products and services through clear and transparent communication. We want our customers to understand the details of a product or service and the consequences of their choice as thoroughly as possible. Clear communication on these details is not always straightforward, given the duties imposed on us by the legislator: sending out letters on risks, cost and fees, for instance.

In 2017, KBC Belgium launched a large-scale project to simplify and improve our client

communication. We continued that work in 2018 and 2019, screening and simplifying the relevance of all written transactional communication with our clients (is this communication still necessary?), digitalisation (can we restrict this to digital channels?) and financial literacy (can we make this clearer and more understandable for the client?).

Financial behaviour

Digitalisation provides us with a lot of data. Data-analysis is essential to understand and respond to our clients' behaviour and to offer tailored information, products and services. But not every client feels comfortable with this. That's why we want to actively inform our clients about the use of their data and communicate with them openly and honestly, so they can take control over their data. Protecting their information and using it only in the way they expect of us is crucially important and will remain so in the future. The customised information concept we offer our clients, gives them the opportunity to take control over their privacy and decide whether they want to remain informed about tailor made offers and solutions.

Financial education

Financial education is needed to combat widespread financial illiteracy and because of the

benefits it offers individuals, families and society at large. To this end, KBC has launched several initiatives, including digital lessons, lessons given by KBC employees in schools and internship programmes.

Get-a-teacher

Get-a-teacher, an initiative of KBC Belgium to optimise the financial knowledge of young people, was developed in 2017. Having initially been offered in the Dutch-speaking part of the country, it was extended in 2019 to schools in Wallonia, the Brussels Capital Region and German-speaking Belgium. Secondary schools, colleges of higher education and universities can invite a KBC tutor to show students how to deal with money, manage budgets and start businesses. To date, 2 326 teaching packages have been applied for, reaching almost 100 teachers, 856 schools and 37 000 students.

Cijfers en centen

The 'Numbers and Cents' ('Cijfers en centen') scheme uses KBC experts to enhance the financial literacy not only of young but also slightly older people. Short videos explain financial terms in an easy-to-understand way and answer questions such as 'why are savings rates so low',

'what state are our pensions in' and 'how are big companies approaching sustainability'?

Financial education for schools project

ČSOB, in collaboration with the National Institute for Education in the Czech Republic, has developed educational material on a range of topics, including cybersecurity, household budgeting, debt enforcement and knowledge of financial products. Over 400 ČSOB ambassadors reached 31 200 pupils at 393 different schools in 2019.

Cyber security campaign – K&H edukacio

K&H's cybersecurity campaign aims to raise the digital awareness of clients and the public by informing them of what tools are available, how to use them and how to behave safely and securely in the online world. The K&H e-dukacio cybersecurity campaign went live in June 2019. The programme includes a dedicated microsite with learning material and a quiz. Participants received a digi-certificate after completing the test, which they can share via social media. The page was visited 43 000 times in 2019 and 16 500 people took part in the online quiz.



Relevant SDG goals

We support responsible consumption and production (SDG 12) by helping our clients address several environmental and social challenges on which we have chosen to focus, including the development of business solutions for our focus area 'financial literacy'.

Indicator	Goal/ambition level	2019	2018
Business solution in each of the focus areas	Develop sustainable banking and insurance products and services to meet a range of social and environmental challenges	See the sections below and the Annual Report 2019 for concrete examples for each of the focus areas	See the Sustainability Report 2018 and the Annual Report 2018

Community involvement

We also support societal projects, campaigns and activities linked to our strategy, principles and our four focus areas. These community involvement projects can be found throughout this report.

K&H Ready, steady, money! – financial competition.

After running successfully for many years, the K&H Ready, steady, money! financial competition has been revamped and opened up to secondary-school students. In designing the 'ready#CaSh' vlog series and the accompanying mobile application, we took account of the content-consumption habits of Generations Z and Alpha to make the financial learning experience attractive, exciting and effortless for our young participants. To date, there have been 13 000 downloads, 8 264 students entered the competition in 2019, and a total of more than 46 000 students have been reached in the space of nine years.

UBB is a long-standing partner of 'Safe House' orphanages in Bulgaria. We have created fun and engaging content over the years to help develop the children's basic financial literacy. In 2019 we created our own board game 'All the Money', which aims to teach young people about the right and wrong actions they can take when it comes to their finances.

The ČSOB Education Fund is ČSOB's oldest common philanthropic project. It was created in 1995 in cooperation with the 'Committee of Good Will – Olga Havel Foundation' to support talented secondary school and university students who would otherwise not be able to study because of health problems or social barriers. From the start of the programme to the end of 2019, we have provided scholarships to 604 students. Another 593 students received a contribution to their education or study materials. In total, we have spent more than 1.4 million euros on educational assistance.

Entrepreneurship

KBC encourages and supports innovation and entrepreneurship and contributes to economic growth, which is one of our fundamental objectives.

We invest our clients' savings in businesses that are worthy of them. We actively support sectors and companies that do business in a socially responsible manner, such as projects focused on the production of renewable energy and the social profit sector (education, hospitals and retirement and nursing homes). We invest in innovation and technology through alliances with start-ups and fintechs.

Start-it

Start it @KBC was launched in 2013. This business accelerator not only provides accommodation for start-ups, but above all support and advice, so that they can sustainably and successfully grow their business model. The main focus in 2019 was on diversity, the creation of Start it X to support corporate innovation, and the expansion of the network and offering. We collaborate with partners like Accenture, Telenet, DPG Media and 29 others, as well as 135 mentors.

The Start-it programme has also been rolled out in Hungary and Czech Republic in the form of Start-it@K&H and Start-it@CSOB. So far, we have offered guidance to more than 771 start-ups. In just a few years, Start it @KBC has become the largest accelerator in Belgium. It is also unique in that it is the only accelerator that is completely free of charge: no shares or subscription fees are required.

KBC Vindr

Doing business is not always easy, especially for small local entrepreneurs. Managing finances and personnel, knowing the business through and through, keeping up with the latest trends and learning about online business are vital but time-consuming. The matchmaking platform KBC Vindr enables entrepreneurs to expand their network, share experiences and tips, and above all learn from each other. With more than 10 000 users and just under 3 500 matches in some 440 sectors, this digital community has already amply proved its value.

Match'it

Research suggests a wave of business takeovers is coming in the years ahead, not only amongst small, independent enterprises, but also in the

larger family SME segment. For these larger companies too, finding a suitable counterparty is the first and by far the most important step in the acquisition process. Match'it supports buyers and sellers in this search by offering a secure digital platform, on which buyers and sellers of SMEs can discreetly exchange information and enter into negotiations. The programme has so far been rolled out in Belgium and Slovakia.

Collaboration with fintechs

KBC collaborates with Cashforce and BrightAnalytics to provide Belgian businesses with enhanced support for their working capital management, cash flow forecasting and management reporting.

Bolero Crowdlending & Crowdfunding

Some companies grow so rapidly that we can no longer keep up with them. When that happens, we advise them to look at alternative forms of finance, besides bank loans, such as crowdfunding and crowdlending. Today's entrepreneurs are also much more aware of a good mix of financing solutions. KBC raised almost 9.5 million euros in 2019 for a total of 15 projects.

Community involvement

Challenge YOU

UBB teamed up with Junior Achievement Bulgaria to launch 'Challenge YOU' – a 12-week student business start-up programme to support successful entrepreneurial initiatives. Within three months, 61 participants had formed 23 teams to develop ideas or a product or service prototype and to present the business rationale for their project.

KBC Ireland continued its successful collaboration in 2019 with Enactus Ireland to support higher-education students develop ideas for social enterprise. It took on six interns through the programme. Another ten Enactus students presented their social enterprise ideas to our staff at a Pitch Perfect Bootcamp. The students with the two winning projects received a grant from KBC Ireland to support the development of their business idea



Relevant SDG goal

Our focus on 'entrepreneurship' as one of the focus areas is specifically linked to decent work and economic growth (SDG 8) and responsible consumption and production (SDG 12).

Longevity and health

According to the latest forecasts, the share of over-55s in the total population will increase steadily until 2040. From 2030 onwards, for the first time in history, the proportion of over-65s will be higher than that of under-18s. The ageing and greying of our society will have far-reaching economic and social consequences.

KBC wants to make a positive contribution to the issues surrounding an ageing population by offering specific solutions through its core activities. Belgium and the Czech Republic are focusing on longevity while the other core countries are developing products and services geared towards improving quality of life, healthcare and health in general.

Life and illness cover

OnePlanFlex is an insurance offering that provides the client not only with life cover but also with specific illness cover. The product differs from other life plans in that it protects the holder in the event of an unexpected event that impacts their well-being. In 2019, 41% of KBC Ireland policy sales were OnePlan-related.

Avoid getting lost in old age

ČSOB in the Czech Republic developed a web portal in collaboration with the non-profit Sue Ryder

organisation. ‘Don’t get lost in old age’, as the portal is called, provides a single point of reference for information and advice that senior citizens and their loved ones would otherwise have to seek out laboriously from various different sources. Information and advice are readily accessible to anyone, including via a recently set-up phone hotline. Senior citizens can obtain advice on the use of a range of care services, ask for help in obtaining financial support or seek legal advice.

DZI SOS app ‘Follow me’

DZI has developed a health insurance app in collaboration with VIVACOM and Sirma Holdings. E-SOS is a free mobile application that allows rapid contact with emergency services and the user’s personal contacts. An SOS button enables the user to connect directly to 112 teams, as well as to share their exact location and health-related data with the selected emergency contacts. The app also allows selected contacts to be tracked, to help the user keep in touch with friends and family.

Fitbit Pay

Fitbit Pay was launched in 2018 as part of KBC Ireland Digital Wallet solutions. KBCI was one of the first brands globally to partner with Fitbit – a payment product solution for health-conscious clients, which

integrates with their existing fitness device. Since 2019, Fitbit has also been available for KBC, CBC and KBC Brussels clients. KBC focuses on health and wellbeing through innovation within our partnerships.

DIGIwajs

The digital evolution is still scary for some of our older clients. DigiWise is KBC’s response: the programme has been providing a guided introduction to the use of smartphones at our branches for several years now. We also organise ‘Digi-Tuesdays’, at which participants get to explore our own KBC apps and learn more about secure internet banking. Last year, 38 000 customers between the ages of 55 and 80 ‘went digital’ in this way – an increase of 17% compared to 2018. And we want to help even more clients to cross the digital threshold.

Accessibility

KBC wants to make financial services accessible to disabled people. Everyone has the right to arrange their banking affairs with as much ease of use as is necessary. For that reason, we are constantly improving the accessibility of our services and branches.

We take disabled access into account when designing our bank branches. Accessibility legislation only applies to new construction projects, but KBC Belgium seeks to comply with it to as great an extent as possible when refurbishing branches too.

ČSOB in the Czech Republic runs the eScribe transcription service for people with hearing difficulties. These clients are supported by simultaneous online transcription, which removes the barrier between them and the line operator. Navigation beacons and ATMs have been adapted to blind and partially sighted clients.

Community involvement

KBC has been a partner of the cancer research fundraising campaign ‘Kom op tegen Kanker’ since it began in 1989. It also supports annual events and provides regular support in kind such as various materials, communication channels, auditoria and conference rooms.

Even so, this partnership is given shape first and foremost by the efforts of a great many employees. On each occasion, for instance, 150 KBC volunteers register the donations phoned in during the finale. What’s more, 30 KBC teams took part in 2019 in the 1 000 km cycle event for ‘Kom op tegen Kanker’, with each team raising 5 000 euros. And 23 KBC teams pulled on their running shoes in 2019 for the 100 km run for the charity, raising 2 500 euros each in the process.

Managing wellness has never been so prevalent in Irish society, which is why KBCI has made health and wellbeing a key focus. It acted as title sponsor of the KBC Dublin Marathon in 2019, marking the event’s 40th anniversary. In the first year of a three-year partnership, 22 500 runners, 300 000 supporters and 1 500 volunteers took part. KBCI’s continuing partnership with Wellfest – Ireland’s leading health and wellness festival – allows KBCI to play an active role in bringing wellness to society. Some 7 500 people attended the festival, which inspires and educates people about nutrition, fitness and mental health. Over 2 000 people took part in KBC WellGood, the online wellness programme, which provides health and wellbeing tips, tools and challenges to benefit participants.



Relevant SDG goals

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

Environmental responsibility

We are committed to increasing our positive impact on the environment, which we achieve by developing innovative business solutions in environmental areas like sustainable mobility and energy. In this way, we actively contribute to the transition to a low-carbon and circular economy.

Energy-saving projects

Business clients

We support our business clients in their transition to greater sustainability. This is done on the one hand by offering green financial products ourselves and on the other by bringing clients into contact with partner organisations, which can help them with energy-saving initiatives such as Light-as-a-Service and energy scans.

ČSOB EU Smart Energy Credit

We greatly value our clients' commitment to reducing their carbon emissions. To help them, we have developed a credit product – ČSOB EU Smart Energy Credit – in cooperation with the European Investment Bank (EIB) as part of its Climate Action programme. This enables us to provide finance for energy-saving projects on very favourable terms. ČSOB was the first Czech

bank to be granted this credit facility by the EIB. Between 2017 and the end of 2019, ČSOB has allocated 30 million euros to eligible projects.

ČSOB Green Grants

The ČSOB EU Centre has been active for several years now, identifying energy-saving potential and performing energy audits for our business clients. Potential financing in the form of both bank loans and EU grants from the EU Funds are also part of the advisory services provided by ČSOB EU Centre. In 2019, 28 energy-saving projects were supported with Green Grants.

Light-as-a-Service

In 2019, a full-service concept from KBC and Signify (formerly Philips Lighting) was launched for companies to switch to energy-efficient lighting. In exchange for a fixed monthly contribution, all worries are taken out of our clients' hands, from study and installation to daily management and maintenance. The model enables our business clients to switch to energy-efficient lighting without high start-up costs. The saving in energy, which compensates for all or part of the monthly LaaS contribution, can be seen immediately after installation. And if it turns out that the promised energy efficiency is not met, KBC will reimburse

part of the annual LaaS bill. The concept was presented to 40 business clients in 2019.

Private individuals

Energy and renovation check

The Energy and Renovation Check enables retail clients in Flanders (Belgium) to find out straight away whether their home complies with the Flemish Regional Government's energy targets, what energy-saving measures could usefully be taken, what each of these measures would cost and how quickly they can get a return on their investment. KBC is working with EnergyVille/VITO to provide this advice.

Green non-life insurances

KBC offers an attractive fire insurance premium for forms of housing that make efficient use of space, such as cohousing and secondary suites. Free coverage is also provided for measures intended to make older homes energy-neutral. Solar panels and heat pumps, for example, are included under the cover without a premium increase and a higher rate is not charged to insure near-zero energy or passive houses, even though the cost price of such buildings is higher. In the event of serious damage, we will reimburse not only the costs of rebuilding the house, but also the additional costs of building in accordance with the new applicable building standards.

Community involvement

ČSOB has been committed to road safety for several years. The successful road safety project 'Attention Zebra' provides renewed and safe pedestrian crossings near schools and kindergartens. The project runs in cooperation with Slovak cities and is supported by the ČSOB Foundation.

'Go With The Velo' is a cycling campaign by Cera, KBC and Mobiel 21, in collaboration with VAB and numerous other partners. These joined forces again in 2019 to get Flemish and Brussels residents on their bikes. Cycling is not only good for our health, but also for the environment and easy mobility. 76 bike-based initiatives received financial support and a communication package.

The 'K&H for Sustainable Agriculture' scholarship proved a success in 2019. Eight young agricultural scientists were selected from a total of 58 applicants to design new procedures with the potential to change both the future of farming and the sector's public image. K&H offered financial support – almost half a million euros – to the research students, who are committed to sustainable agricultural development.



Relevant SDG goals

There is a clear link between KBC's business solutions for our focus area 'environmental responsibility' and several of the SDGs: climate action (SDG13), affordable and clean energy (SDG 7) and responsible consumption and production (SDG 12).

Mobility

We are committed to the challenge of sustainable mobility and road safety and are convinced we can make a positive contribution by offering our clients solutions. KBC Insurance, VAB and KBC Autolease joined forces in 2016 in a strategic project called KBC Mobility, and the trend towards multi-mobility has been picked up and shaped by KBC Autolease.

Charging solutions in leasing contracts

Since the beginning of 2020, KBC has included charging solutions in its vehicle lease contracts, to which end we have been working with NewMotion. In addition to the financial rental of the vehicle, the electric full-service lease contract includes classic services such as repairs, maintenance, tyres and insurance, plus a home charging point, a subscription to allow charging at home and on the road, and an app that shows available charging points nearby.

Mobility services through the KBC Mobile app

The KBC Mobile app enables users to do more than just banking. KBC's association with Olympus Mobility means that users of the app can easily combine different forms of public transport (train, tram and bus), check train services online and in real time, buy tickets, pay car parking and use transport-sharing services.

Cycle lease

Cycle leasing is part of the multi-mobility model presented by KBC. It enables businesses to offer their employees various modes of mobility, including a bicycle – which is healthier and eco-friendlier. In 2019, the counter stood at 15 000 lease contracts. KBC Cycle Leasing cooperates with some 360 local dealers, ensuring maximum convenience for bicycle users and helping KBC meet its goal as a financial institution of supporting the local economy. KBC Cycle leasing also takes account of social and economic factors: KBC Autolease collaborates with the Ateljee charity, for instance, to take care of bicycle maintenance for certain clients.

Electric car insurance

DZI cooperates with SPARK, the first fully electric car-sharing company in Bulgaria, which provides affordable eco-friendly mobility solutions in Sofia. DZI supports the project as the insurer of the electric car network. The company has so far insured 70 electric cars.

Circular procurement

In 2017, KBC signed the 'Green Deal for Circular Procurement', committing ourselves to set up two circular procurement processes in 2018. KBC Belgium submitted two selected projects to this end. The first is an ICT project focusing on mobile phones, in which our employees get to lease a smartphone for 24 months, following which KBC guarantees that the devices will enjoy a further life within Europe. The second is a facility project with BioOrg, which means our buildings in Belgium are cleaned according to the BioOrg concept. Surfaces of all types are sprayed with 100% natural organisms, to ensure faster, better and entirely organic cleaning.



Stakeholder **ENGAGEMENT**

Stakeholder **ENGAGEMENT**

Identifying our stakeholders

KBC is committed to meeting the needs and expectations of all our stakeholders, both now and in the future. We can only fully live up to KBC's importance in society if we maintain a dialogue with them. We maintain regular contact at various levels with a diverse group of stakeholders: our clients, our employees, our investors and

our suppliers, but also governments, NGOs and representatives of society. In this way, we broaden our view of the world while keeping abreast of what's important to these different groups and informing our stakeholders of what's going on at KBC. It's a process that richly benefits our strategy and business operations.

Stakeholder groups	Engagement and dialogue
 Clients	Annual client satisfaction NPS and reputation surveys Regular client panels and client consultations Complaints management Local engagement by branch network and relationship managers
 Employees	Employee surveys Regular consultation with the Health & Safety Committees, prevention advisors and trade union representatives Annual meeting of the European Works Council Regular evaluation of all staff
 Investors	Investor days Regular roadshows for investors and analysts Annual General Meeting Review by credit rating agencies Sustainability assessments such as DJSI, CDP, Sustainalytics, FTSE4Good, Bankwijzer Belgium and Ethibel
society 	Suppliers CSR questionnaire as integral part of the supplier assessment Support suppliers willing to make the adjustments needed to comply with the Code of Conduct for Suppliers Annual stakeholder dialogue
	Government & regulators Membership of banking and insurance sector federations Membership of other national and international representative bodies to establish and maintain relationships with political actors, achieve closer follow-up of regulatory initiatives impacting the financial sector (e.g. public consultations) Active participation at networking events
	NGOs & broader community Annual stakeholder dialogue Regular (one-on-one) meetings with NGOs Membership of sustainability network organisations Membership of local works councils Research papers and media analysis

Developments in 2019

A variety of problems and challenges are discussed with and raised by various stakeholders in the course of the year. A growing interest in climate-related topics was apparent in 2019 on the part of clients, investors, NGOs and the broader community. Key stakeholder interactions last year included:

- Concerns raised by several NGOs (organisers of the 'Move Your Money' campaign) regarding the financing of coal-fired plants and new fossil fuel extraction, as well as energy-sector firms that do not demonstrably subscribe to the Paris climate goals or will not achieve those goals by 2050. KBC responded to these concerns by reaffirming its commitment to align its policy guidelines and business approach with the Paris climate goals. More information can be found in the 'Sustainable finance' section in this report.
- KBC and the sustainability consultancy firm Sustainalize joined forces to deliver insights into the sustainability reporting landscape, practical lessons from companies and other stakeholders' perspectives. More than 80 participants representing various Belgian organisations, came to learn more about reporting sustainability information.
- At its annual stakeholder dialogue, KBC presented its sustainability approach and initiatives, and introduced the KBC Sustainable Finance Programme. Our stakeholders were invited to share their ideas, suggestions and critique about the social role of financial institutions and the way in which KBC addresses that role. Key issues raised included investment in fossil fuel and the balance between sustainability and profitability. More information can be found in the Report to Society on p. 38.
- The 'Horizon 2050' lecture series – a cooperation between KBC and Cera – contributes to the social debate and shares inspiring insights and knowledge with a broad group of stakeholders. This year, two lectures were organised: one on 'Sustainable mobility' and the challenges faced by the transport sector and possible solutions and the other on the 'Labour market 2050', which focused on the rapid development of our economy and jobs market.

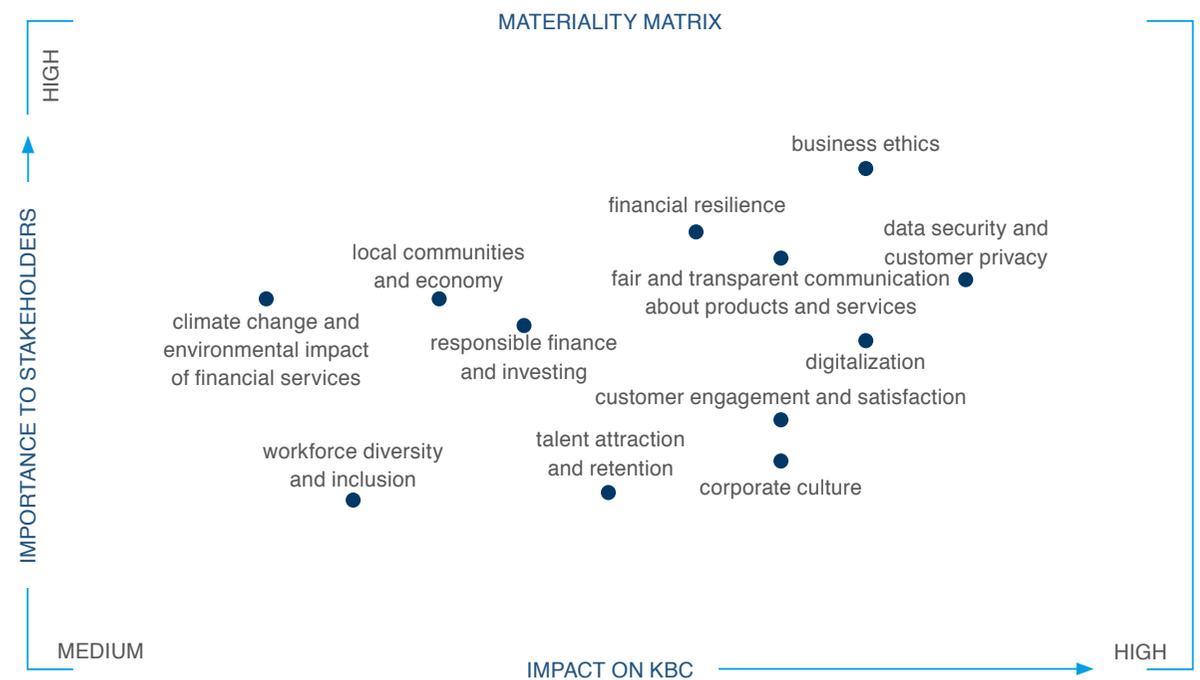
Materiality assessment

Our materiality assessment – performed every two years in cooperation with a third party – enables us to identify which themes our stakeholders consider the most important, what priority they place on them and to which extent these themes might impact KBC's performance and reputation.

The materiality analysis was based on 30 topics selected using 'big data research' and ESG frameworks. The 12 themes that have the greatest impact on KBC and are most important to our stakeholders are set out in the graph below (an enlargement of the upper right corner of the complete materiality matrix). The importance of these themes was established using a variety of research techniques (surveys, interviews and desk research) among our key stakeholders (clients, employees, NGOs, policy-makers, investors and business organisations). The impact of the themes was determined through internal workshops with management.

The materiality analysis showed that the most relevant themes for KBC were business ethics, financial resilience, fair and transparent communication about products and services, data security and client privacy, and digitalisation. We found that the climate change and environment theme have increased in importance since the previous materiality exercise and that we need to focus even more on our employees as the driving force behind our business and strategy. Our people are one of the main drivers to creating sustainable value as a bank-insurer, and our focus is on empowering them (see the 'Empowering our people' section). Climate change and the environment are covered throughout our sustainability strategy and in our day-to-day business via our focus on limiting the adverse impact of our operations and increasing our positive impact on society. See the 'Our sustainability strategy' section in this report.

For a schematic overview of our materiality analysis and a complete overview of the material topics, we refer to the section 'Material topics' of this report.





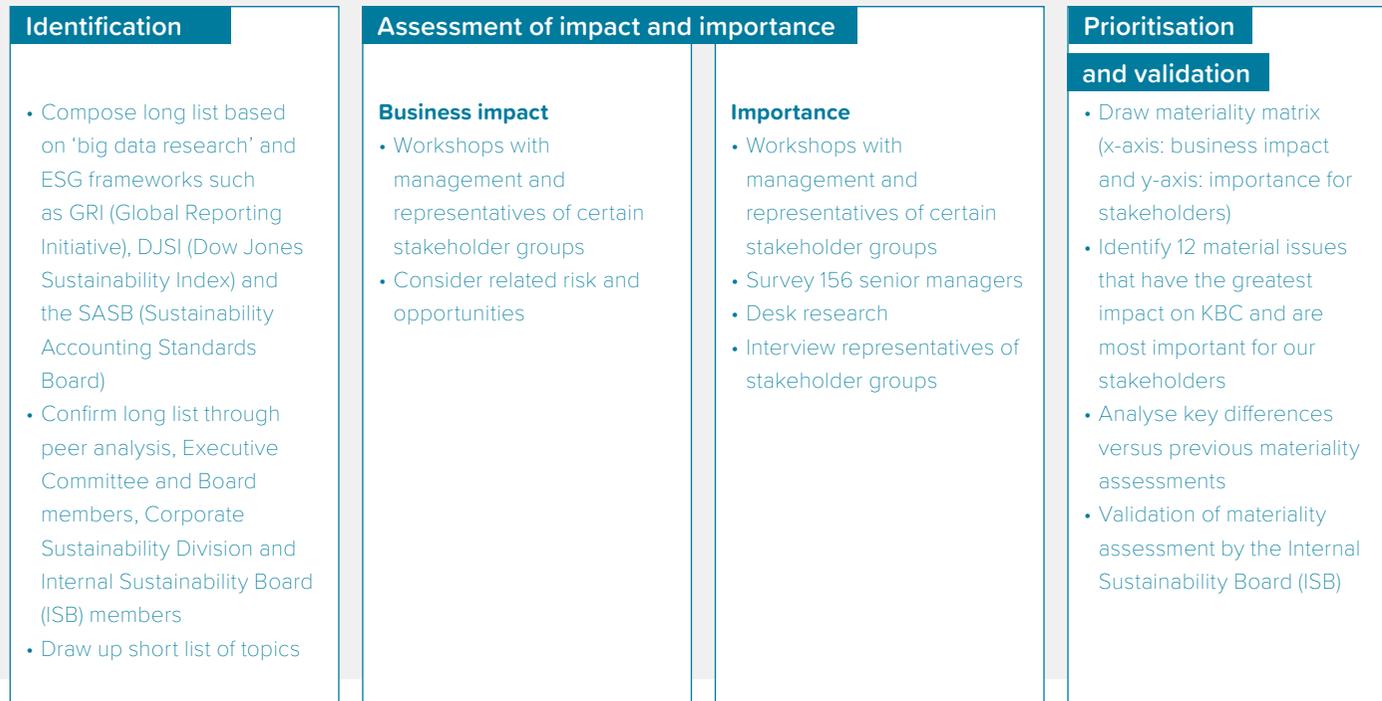
Material **TOPICS**

Material TOPICS

Determining material topics

The materiality analysis helps us to identify the topics that have the greatest impact on KBC and are considered the most important by our stakeholders. It guides us in further adjusting and refining our sustainability approach and makes sure we focus on the most material topics. The materiality assessment is carried out every two years. The most recent dates from 2018 and did not reveal any major shifts in terms of these topics. It showed that KBC

performs strongly on the most material topics – business ethics and financial resilience – that climate change is becoming more important for our stakeholders, and that we need to focus even more on our employees as the driving force behind our business and strategy. A flowchart of our materiality analysis process is shown below.



Material topics

The table below gives an overview of the material topics. We give a description of each material topic and to which stakeholder group the topic matters most (boundary).

Material topic	Description	Stakeholders	GRI/SASB	SDG relevance (high impact areas)	Reference
Business ethics	Ethical business is the precondition for our 'licence to operate'. Only by doing business responsible can we maintain and reinforce the trust of our stakeholders. Fair, transparent and moral conduct: compliance with laws and regulations, fiduciary duty, code of conduct, responsible behaviour at all layers of the organisation.	   	GRI 205 Anti-Corruption SASB Commercial Bank Sector Disclosure: Business Ethics		See Annual Report 2019 p. 14-15, p. 44, p. 159-161 See Sustainability Report 2019 p. 18-19
Financial resilience	Striving for sustainable and profitable growth is the foundation of our strategy. Only by focusing on long-term sustained financial performance and strict risk management, are we able to resist economic shocks and honour our commitments towards all stakeholders without external support.	   	GRI 205 Anti-Corruption SASB Commercial Bank Sector Disclosure: Systemic Risk Management		See Annual Report 2019 p. 40-42, p. 62-66, p. 76-89 See Sustainability Report 2019 p. 8-10
Data security and customer privacy	We protect our clients' from outside attacks through stable and secure IT systems and we apply strict privacy rules for the use of customer data.	 	GRI 418: Customer Privacy SASB Commercial Bank Sector Disclosure: Data Security		See Annual Report 2019 p. 18-21, p. 33-36, p. 159-161 See Sustainability Report 2019 p. 34 See Report to Society 2019 p. 14-15, p. 30
Fair and transparent communication about products and services	We provide our clients with clear and transparent information on products and services and, based on their preferences, we help them choose the product or service that best meets their personal situation. We also make use of this end of client-driven communication, if and only when the customer consents. As a responsible bank-insurer, it is important for KBC that clients can make informed financial decisions. We therefore focus in particular on financial education.		GRI 417 Marketing and Labelling	 	See Annual Report 2019 p. 33-36 See Sustainability Report 2019 p. 34-35 See Report to Society 2019 p. 30
Digitalisation	We respond to changing needs, behaviour and requirements of our clients and society as a whole by transforming our business activities, processes and models through the use of digital technology. Innovation, research and technological development of products and services are crucial to this transformation.	  	KBC 1: Innovation		See Annual Report 2019 p. 20-21, p. 33-36 See Sustainability Report 2019 p. 34-35 See Report to Society 2019 p. 14-15, p. 18
Customer engagement and satisfaction	Creating a relationship with our client base to foster brand loyalty and awareness, and meeting or surpassing customer expectations.		KBC 2: Client Satisfaction		See Annual Report 2019 p. 14-15, p. 20-21, 33-36 See Report to Society 2019 p. 8-9



clients



employees



investors



society (suppliers, government & regulators and NGOs & broader community)

Corporate culture	We believe that our business culture and our shared values are a core driver in ensuring sustainable long-term growth. Our people represent our 'human capital' and are one of the main drivers to create sustainable value as a bank-insurer.		KBC 3: Corporate Culture		See Annual Report 2019 p. 14-15, p. 24-28 See Sustainability Report 2019 p. 6-7, p. 14-16
Local communities and economy	Financing and insuring the local economy in our core countries and stimulating entrepreneurship is at the heart of our business model.		GRI 203: Indirect Economic Impact SASB Commercial Bank Sector Disclosure: Financial Inclusion and Capacity Building		See Annual Report 2019 p. 11-15, p. 43-61 See Sustainability Report 2019 p. 7, p. 8-10, p. 22-39, p. 36
Responsible finance and investing	We leverage our position to direct the social and environmental outcome of our operations. We take environmental, social and governance elements into account in our investment, financing and insurance solutions and decisions.		G4: Product Portfolio GRI 412: Human Rights Assessment		See Annual Report 2019 p. 21, p. 43-61, p. 120, p. 123-124 See Sustainability Report 2019 p. 7, p. 8-10, p. 20-21, p. 22-39
Talent attraction and retention	We offer fair remuneration and we invest in training and development programmes to attract and retain a competent and engaged workforce.		GRI 401: Employment GRI 404: Training and Education		See Annual Report 2019 p. 11-13, p. 24-28 See Sustainability Report 2019 p. 8-10, p. 14-16 See Report to Society 2019 p. 36-37
Climate change and environmental impact of financial services	We are aware of the financial and other risks of climate change, and of the direct and indirect impact our operations have on the environment.		GRI 302: Energy GRI 305: Emissions SASB Commercial Bank Sector Disclosure: Incorporation of Environmental, Social, and Governance Factors in Credit Analysis		See Annual Report 2019 p. 43-61, p. 120, p. 123-124 See Sustainability Report 2019 p. 8-10, p. 20-21, p. 22-39
Workforce diversity and inclusion	We believe in equal opportunities for all employees and workforce diversity to help us respond to our rapidly changing society.		GRI 405: Diversity and Equal opportunity		See Annual Report 2019 p. 11-13, p. 24-28, p. 152-153 See Sustainability Report 2019 p. 14-16 See Report to Society 2019 p. 37



clients



employees



investors



society (suppliers, government & regulators and NGOs & broader community)



Sustainability **FACTS AND FIGURES**

Sustainability **FACTS AND FIGURES**

RESPONSIBLE BUSINESS

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED ¹	Note	Unit	Target	2019	2018	2017
Suppliers						
Operating costs	2	m EUR		1 104	1 150	1 066
Employees						
Staff expenses	3	m EUR		2 357	2 343	2 303
Employee profit-sharing	4	m EUR		10	10	11
Shareholders						
Net result	5	m EUR		2 489	2 570	2 575
Dividend pay-out	4	m EUR		1 457	1 456	1 255
Clients						
Interest paid to clients (on all forms of debt and borrowings)		m EUR		1 409	1 263	1 044
Governments						
Total taxes paid (income tax, non-recoverable VAT and other taxes, bank levy and deposit protection fund)	6	m EUR		1 241	1 247	1 177
Community						
Total corporate community investment	7	m EUR		12.7	9.2	8.8
POLICY INFLUENCE						
Annual total monetary contributions to trade associations, industry associations and business associations	1	m EUR		4.25	4.25	4.23
SUSTAINABLE INVESTMENTS						
Total assets under distribution in sustainable funds (at year end)	8	bn EUR	10 (2020) 14 (2021) 20 (2025)	12	9	7.1
Of which sustainable pension savings fund (SRI Pricos)		m EUR		73	40	
Share of sustainable funds in total assets under distribution (at year end)		%		14.65	11.26	8.37

SUSTAINABLE FINANCING	Note	Unit	Target	2019	2018	2017
Loan portfolio in renewable energy and biofuel sector (granted amount at year-end)	1, 9	bn EUR		1.77	1.24	1.25
Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio	1, 9	%	50 (2030)	56.8	43.8	41.2
Loan portfolio in education and healthcare sector (granted amount at year-end)	1, 9	bn EUR		6.8	6.6	6.5
Exposure to coal-related activities (granted amount at year-end)	1, 10	m EUR	0	36.0	34.5	86.5
Green bond						
1						
Current year						
Total amount of green bond issued		m EUR		-	500	-
Aggregated						
Total amount of green bond issued		m EUR		500	500	-
Total annual avoided emissions		Tonnes CO ₂ e		48 090	42 232	-
Total renewable electricity produced and energy saved		MWh		346 033	302 119	-
Equator Principles						
1						
Project finance, number of transactions		Number		11	11	12
of which Category A transactions		Number		0	0	0
of which Category B transactions		Number		4	8	8
of which Category C transactions		Number		7	3	4
Project-related corporate loans, number of transactions		Number		6	0	0
of which Category A transactions	11	Number		1	0	0
of which Category B transactions	11	Number		1	0	0
of which Category C transactions		Number		4	0	0
Project finance advisory		Number		0	0	0
Project finance, by sector						
Infrastructure		Number		1	4	5
Power		Number		10	6	7
Other		Number		0	1	0
Project finance, by region						
Europe, Middle East and Africa		Number		11	11	12

The totals can deviate from the sum of all categories due to rounding-up.

Project finance, designated country						
Yes	Number	11	10	10		
No	Number	0	1	2		
Project finance, independent review						
Yes	Number	6	11	8		
No	Number	5	0	4		
Project-related corporate loans, by sector						
Other	Number	6	0	0		
Project-related corporate loans, by region						
Europe, Middle East and Africa	Number	6	0	0		
Project-related corporate loans, designated country						
Yes	Number	0	0	0		
No	Number	6	0	0		
Project-related corporate loans, independent review						
Yes	Number	0	0	0		
No	Number	6	0	0		

BRS VZW	Note	Unit	Target	2019	2018	2017
Number of projects in the Global South	1, 12	Number		12	13	11
Number of countries	1, 12	Number		10	11	9
Financial support for projects	1	EUR		171 162	208 616	192 500
Number of days of coaching and training (mainly by KBC staff volunteering for BRS)	1	Number		821	842	779
Number of days of training via Microfact, a training platform jointly created by BRS and partner organisation ADA, specialised in performance management for microfinance and microinsurance	1	Number		295	190	213
Budget spent on coaching and training	1	EUR		143 480	171 339	115 155

BRS MICROFINANCE COOP	Note	Unit	Target	2019	2018	2017
Cooperative share capital	1	m EUR		22.16	21.46	15.28
Outstanding balance (loans to microfinance institutions and investment in microfinance funds)	1, 12	m EUR		14	10.7	11
Number of microfinance institutions financed	1	Number		12	11	9
PROCUREMENT	Note	Unit	Target	2019	2018	2017
Number of suppliers that signed the Code of Conduct for suppliers	13	Number		2 289	2 932	-

Notes

1 FY data

2 See note 3.8 of the KBC Group Annual Report 2019. Includes: general administrative expenses such as repair and maintenance expenses, advertising costs, rent, professional fees, utilities and other such expenses

3 See note 3.8 of the KBC Group Annual Report 2019.

4 See 'Company balance sheet, income statement and profit appropriation' in the KBC Group Annual Report 2019.

5 See 'Consolidated income statement' in the KBC Group Annual Report 2019.

6 See Report to Society 2019, p. 6, Report to Society 2018, p. 13 and Report to Society 2017, p. 7

7 Based on the LBG measurement framework.

8 Excluding 0.9 billion euros in KBC pension funds.

9 Figures are excluding UBB in Bulgaria.

10 KBC will continue to review its policy on coal in 2020 as part of its strengthened climate ambition and the new commitments entered into in this regard in 2019. This could broaden the scope of reporting in the future. Figures exclude UBB in Bulgaria.

11 Relates to one project with several sub-projects.

12 The 2018 figures were restated in the final version of the BRS vzw Annual Report. The figures in the KBC Group Sustainability Report 2019 have been corrected accordingly.

13 The decrease in the number of suppliers that signed the Code of Conduct for suppliers between 2018 and 2019 is due to the raising of the threshold (over 25 000 euros spend up from over 12 500 euros spend the previous year), resulting in a lower share of suppliers that signed the Code of Conduct.

ANTI-MONEY LAUNDERING AND DATA PROTECTION

	Note	Unit	Target	2019	2018	2017
Employees that have completed training in:						
Anti-money laundering (in % of target audience)	1	%		98	-	-
General Data Protection Regulation (GDPR) (in % of target audience)	1	%		97	-	-

Note

1 Based on the average employee coverage in % of target audience at all entities rather than employee coverage in % of target audience at group level

PEOPLE¹

EMPLOYEE INFORMATION	Note	Unit	Target	2019	2018	2017
Full-time equivalents (FTE)	2	Number		37 908	38 546	38 863
Headcount	2	Number		41 131	41 896	41 695
Employees by gender						
Male		%		43	43	43
Female		%		57	57	57
Employees by country						
Belgium		%		41.9	41.5	41.8
Bulgaria		%		10.0	10.1	11.0
Czech Republic		%		26.1	26.4	25.4
Hungary		%		10.1	10.0	10.3
Ireland		%		3.4	3.5	3.0
Slovakia		%		7.4	7.4	7.2
Rest of the world		%		1.1	1.1	1.3
Employees by age group						
Total employees						
< 30 years		%		15	16	16
30-50 years		%		58	58	59
> 50 years		%		27	26	25
Board of Directors (at year end)						
< 30 years		%		0	0	0
30-50 years		%		6	13	13
> 50 years		%		94	87	87
Executive Committee (at year end)						
< 30 years		%		0	0	0
30-50 years		%		0	0	0
> 50 years		%		100	100	100
Gender, by management type (male/female)						
Board of Directors		%		69/31	69/31	69/31
Group Executive Committee		%		86/14	86/14	86/14
Senior management		%		79/21	80/20	84/16
Middle and junior management		%		57/43	58/42	57/43
White and blue collar		%		32/68	31/69	30/70

Employees by employment type

Permanent	%	94	93	93
Temporary	%	6	7	7
Full-time	%	83	83	83
Part-time	%	17	17	17

Employees by employment type, by gender (male/female)

Full-time	%	48/52	47/53	47/53
Part-time	%	24/76	23/77	25/75

Employees by employment type, by country

Belgium				
Permanent	%	98.1	97.8	98.6
Temporary	%	1.9	2.2	1.4
Bulgaria				
Permanent	%	96.3	96.4	84.1
Temporary	%	3.7	3.6	15.9
Czech Republic				
Permanent	%	88.1	86.0	85.3
Temporary	%	11.9	14.0	14.7
Hungary				
Permanent	%	99.3	99.1	98.7
Temporary	%	0.7	0.9	1.3
Ireland				
Permanent	%	93.2	87.8	95.1
Temporary	%	6.8	12.2	4.9
Slovakia				
Permanent	%	85.1	83.2	88.6
Temporary	%	14.9	16.8	11.4
Rest of the world				
Permanent	%	92.5	93.0	94.4
Temporary	%	7.5	7.0	5.6

Employees by function classification

Senior management (Top 300)	%	0.7	0.7	0.7
Middle and junior management	%	44.6	44.2	44.8
White and blue collar	%	54.7	55.1	54.5

The totals can deviate from the sum of all categories due to rounding-up.

NEW EMPLOYEES AND EMPLOYEE TURNOVER	Note	Unit	Target	2019	2018	2017
New employee hires, total headcount		Number		4 184	4 693	4 709
New employee hires, by country						
Belgium		Number		780	835	694
Bulgaria		Number		834	767	597
Czech Republic		Number		1 208	1 711	1 906
Hungary		Number		605	578	862
Ireland		Number		282	343	259
Slovakia		Number		447	428	344
Rest of the world		Number		28	31	47
New employee hires, by gender						
Male		%		39.8	42.4	40.1
Female		%		60.2	57.6	59.9
New employee hires, by age						
< 30 years		%		42.9	43.1	43.9
30-50 years		%		49.6	49.3	46.7
> 50 years		%		7.5	7.6	9.4
Employee turnover, total headcount	3	%		13.1	13.2	12.1
Employee turnover, by country						
Belgium		%		6.6	7.5	7.5
Bulgaria		%		24.6	29.1	21.2
Czech Republic		%		15.6	14.6	15.6
Hungary		%		16.7	16.6	12.6
Ireland		%		21.3	16.8	15.1
Slovakia		%		16.8	13.5	11.3
Rest of the world		%		10.9	8.4	10.4
Proportion of voluntary leavers		%		80.0	82.4	82.5
Internal mobility	4	%		23.0	22.5	17.9
Average seniority		Years		13	13	13
HEALTH AND WORKPLACE	Note	Unit	Target	2019	2018	2017
Sick leave (days)		Number		8.6	8.6	8.3
Sick-leave rate (share of working days)		%		3.8	3.7	3.6
LABOUR RELATIONS	Note	Unit	Target	2019	2018	2017
Employees covered by collective bargaining agreements		%		88	90	92

COMPETENCE, LEARNING AND DEVELOPMENT AND ENGAGEMENT	Note	Unit	Target	2019	2018	2017
Highest educational level achieved						
Master's degree and higher		%		37.8	34.7	34.9
Bachelor's degree		%		33.5	35.9	35.5
Secondary education certificate		%		28.5	29.2	29.4
Primary education certificate		%		0.2	0.2	0.2
Total time spent on learning and development per employee		Days		4.1	4.2	4.71
Money invested in learning and development		m EUR		29.7	30.1	28.8
Employees participating in (top) talent development programmes (end of year data)		Number		315	349	310
Male		Number		211	248	218
Female		Number		104	101	92
KBC University Programme	5					
Number of KBC University training programmes completed by top management and top talents		Number		104	216	342
Number of KBC University events completed by top management and top talents (subjects such as cyber security and responsible behaviour)		Number		130	387	137
Group Employee Survey (every 2 years)	6					
Response rate		%		-	-	87
Engagement score		%		-	-	56
COMMUNITY INVOLVEMENT	Note	Unit	Target	2019	2018	2017
Total corporate community investment	7	m EUR		12.7	9.2	8.8
By country:						
Belgium		m EUR		7.5	4.7	3.8
Bulgaria		m EUR		0.2	0.4	0.7
Czech Republic		m EUR		3.2	2.4	2.7
Hungary		m EUR		0.5	0.5	0.5
Ireland		m EUR		0.9	0.8	0.7
Slovakia		m EUR		0.4	0.4	0.4
By motivation for contribution:						
Charitable donations		m EUR		2.3	1.8	1.8
Community Investments		m EUR		7.7	5.2	5
Commercial activities		m EUR		2.7	2.2	2
Employee volunteering hours (estimated number)		Number		26 300	19 762	15 940

The totals can deviate from the sum of all categories due to rounding-up.

1 FTE and headcount figures include flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia while all other people indicators do not take account for the flexible DPP and DPC contracts.

2 FTE and headcount figures differ from the figures reported in the 2019 Annual Report of KBC Group and on p. 6 of this report due to a difference in reporting period. See KBC Group Sustainability Report 2019: 'About the report'.

3 Employee turnover: total leavers (excluding internal mobility) divided by total population at the end of the reporting period (headcount)

4 Internal mobility: internal mobility divided by the total population at the end of the reporting period (headcount)

5 The training figures are not unique figures and include double counting for participants who participated in more than one programme or event during the reporting period.

6 2019 was an important transitional year with numerous changes. We therefore focused on short, action-oriented interviews (see p. 16 of this report). A new group-wide engagement survey in the same format across all countries, is planned for 2020.

7 Based on the LBG measurement framework

DIRECT FOOTPRINT

COVERAGE	Note	Unit	Target	2019	2018	2017
Full-time equivalents (FTE) covered	1	Number		36 948	37 750	37 963
		%		100	100	100
ENERGY CONSUMPTION	Note	Unit	Target	2019	2018	2017
Total energy consumption	2	GJ		943 267	1 020 654	1 114 701
Total electricity consumption		GJ		548 352	595 197	632 036
of which purchased electricity		GJ		542 980	589 934	627 061
of which renewable electricity		GJ		455 515	461 180	467 623
(% of total electricity consumption)		%	90% (2030)	83	78	74
of which low-carbon electricity		GJ		467 799	478 070	500 202
(% of total electricity consumption)		%		85	80	79
Fuel consumption (natural gas and heating oil)		GJ		294 904	314 231	346 751
District heating, cooling and steam consumption		GJ		90 278	99 685	124 902
Other types of energy consumption		GJ		11 088	13 045	12 825
Total energy consumption per FTE	2	GJ/FTE		26	27	29
BUSINESS TRAVEL	Note	Unit	Target	2019	2018	2017
Total business travel		Million km		120.58	139.82	142.15
Business travel by road		Million km		98.90	113.16	115.39
Business travel by public transport		Million km		6.60	6.35	8.48
Business travel by air		Million km		15.08	20.31	18.28
Total business travel per FTE		km/FTE		3 264	3 704	3 744

COMMUTER TRAVEL	Note	Unit	Target	2019	2018	2017
Total commuter travel		Million km		250.91	249.90	242.35
Commuter travel by foot/bicycle		Million km		12.19	12.42	12.39
Commuter travel by road		Million km		155.76	153.33	148.14
Commuter travel by public transport		Million km		82.96	84.15	81.82
Total commuter travel per FTE		km/FTE		6791	6291	6 057
PAPER	Note	Unit	Target	2019	2018	2017
Total paper consumption		Tonnes		2821	3391	3 644
Recycled paper consumption		Tonnes		230	165	154
Other paper consumption		Tonnes		2591	3226	3 490
Total paper consumption per FTE		Tonnes/ FTE		0.08	0.09	0.10
WASTE	Note	Unit	Target	2019	2018	2017
Total waste generation		Tonnes		4 918	6 009	5 332
Recycled waste generation		Tonnes		2 761	3 539	2 917
Incinerated waste generation		Tonnes		569	659	502
Landfilled waste generation		Tonnes		1 588	1 811	1 913
Total waste generation per FTE		Tonnes/ FTE		0.13	0.16	0.14
WATER	Note	Unit	Target	2019	2018	2017
Total drinking water consumption		M ³		365 977	373 047	346 913
Total drinking water consumption per FTE		M ³		9.91	9.88	9.14
GREENHOUSE GAS EMISSIONS	Note	Unit	Target	2019	2018	2017
Total GHG emissions	3, 4, 5, 6	Tonnes CO ₂ e		72 769	85 588	94 184
Total scope 1 GHG emissions	7	Tonnes CO ₂ e		34 739	37 629	41 730
Total scope 2 GHG emissions	8	Tonnes CO ₂ e		17 006	22 955	27 551
Total scope 3 GHG emissions	9	Tonnes CO ₂ e		21 024	25 004	24 903
Total GHG emissions/FTE		Tonnes CO ₂ e/ FTE		1.97	2.27	2.48
Total GHG emissions excluding commuter travel		Tonnes CO ₂ e		51 207	64 101	73 029

The totals can deviate from the sum of all categories due to rounding-up.

% change compared to base year (2015)	10	%	-25% (2020) -50% (2030) -65% (2040)	-50.14	-37.59	-28.89
Total GHG emissions excluding commuter travel/FTE		Tonnes CO ₂ e/ FTE		1.39	1.70	1.92
% change compared to base year (2015)	10	%	-25% (2020) -50% (2030) -65% (2040)	-48.29	-36.64	-28.22

1 FTEs covered differ from the FTE figures reported under people indicators as the system boundaries for greenhouse gas emissions were determined by operational control and aligned with the financial consolidation scope of the KBC Group. Some entities have not therefore been included in the environmental data while they are included in employee information.

2 Total energy consumption differs from the sum of the different energy sources, as the consumption of self-generated electricity from non-renewable fuel has been excluded to avoid double counting and counted under fuel consumption.

3 The greenhouse gas inventory was prepared according to the requirements of the WRI/WBCSD Greenhouse Gas protocol. The system boundaries for greenhouse gas emissions were determined by operational control and aligned with the financial consolidation scope of the KBC Group. The greenhouse gases included were: CO₂, N₂O, CH₄ and refrigerant gases.

4 The total GHG emissions figure reported here has been calculated using the market-based calculation method described in the GHG Protocol, Scope 2 Guidance. This calculation method takes account of low-carbon electricity use (from renewable and nuclear sources) at a low-carbon emission factor (0g CO₂e/GJ). Using the location-based calculation method described in the GHG Protocol, our Scope 2 GHG emissions amounted to 50 556.62 tonnes CO₂e in 2019, 52 878.56 tonnes CO₂e in 2018 and 59 765.53 tonnes CO₂e in 2017.

5 The data and information for the greenhouse gas inventory were mainly historical in nature. Extrapolations were performed for missing data. Because not all entities can deliver all required emission source data and entities in countries that have less than 100 FTEs are out of scope of the non-financial environmental data-gathering, we have extrapolated based on historical per-FTE activity data and per-FTE CO₂e emissions respectively, so as to reflect our total GHG emissions. The greenhouse gas emissions calculated by extrapolation account for 13.88% of total GHG emissions in 2019. Hypothetical approaches were only used for limited activities.

6 KBC Group's greenhouse gas emissions have been externally verified in accordance with ISO 14064-3. Vinçotte has verified KBC Group's greenhouse gas assertion of 72 768.65 of CO₂e to a level of reasonable assurance and concluded that KBC Group's reported greenhouse gas emissions for 2019 are reliable and fairly stated. View here the verification statement.

7 Scope 1 emissions comprise emissions from fuel combustion, emissions from refrigerant gases and emissions from business travel and commuter travel by our company car fleet.

8 Scope 2 emissions comprise emissions from our use of electricity and district heating, cooling and steam consumption.

9 Scope 3 emissions comprise emissions from business travel and commuter travel (except emissions from our company car fleet which are included in Scope 1 emissions), emissions from paper and water consumption and emissions from waste generation.

10 We have set 2015 as our base year, as reliable data has been available since that year for the whole group.



GRI CONTENT INDEX

GRI/SASB CONTENT INDEX

This Sustainability Report has been prepared in accordance with the **GRI Standards: 'Core' option and has not been externally audited**. The GRI Content Index is set out below. Reference is made to the Annual Report 2019 (AR 2019), the Sustainability Report 2019 (SR 2019), the Report to Society 2019 (R2S 2019), the KBC Group Sustainability Framework and our corporate website.

As of 2019, we are also mapping our material topics to relevant **SASB (Sustainability Accounting Standards Board) standards**, across the Financials Industry Standards. We have expanded the content index below to include reporting on the relevant disclosure topics and associated metrics under the Commercial Banks industry standard (primary industry as identified in SASB's Sustainable Industry Classification System (SICS)). Given that we have activities in multiple industries (besides primary industry commercial banks), we will continue to evaluate the standards in the future, in order to report on other industry standards as well. Please note that we do not currently disclose all metrics included in the standards.

Complementarity of the GRI and SASB standards:

The GRI and SASB standards meet the needs of different audiences. SASB standards focus on identifying and communicating **material sustainability factors likely to impact financial performance to investors** while GRI standards are designed to provide **information on a very broad array of topics to a wide variety of stakeholders**, including suppliers, clients, communities and interest groups.

GRI 101: Foundation 2016

GRI 101 does not include any disclosures

GRI 102: General Disclosures 2016

ORGANISATIONAL PROFILE:

102-1	Report the name of the organisation	AR 2019 p. 2
102-2	Activities, brands, products, and services	AR 2019 p. 6-7
102-3	Location of headquarters	AR 2019 p. 254
102-4	Location of operations	AR 2019 p. 76-77
102-5	Ownership and legal form	AR 2019 p. 254
102-6	Markets served	AR 2019 p. 76-77
102-7	Scale of the organisation	AR 2019 Inside cover, p. 1, p. 22-23, p. 24-28
102-8	Information on employees and other workers	SR 2019 p. 5, p. 50-52
102-9	Supply chain	SR 2019 p. 49
102-10	Significant changes to the organisation and its supply chain	No significant changes were made to the organisation and its supply chain.
102-11	Precautionary Principle or approach	AR 2019 p. 48-49, p. 51-60, p. 62-64, p. 120, p. 123-124 SR 2019 p. 20-21 KBC Group Sustainability Framework p. 7-14
102-12	External initiatives	SR 2019 p. 5
102-13	Members of associations	SR 2019 p. 5, p. 41

STRATEGY:

102-14	Statement from senior decision maker	AR 2019 p. 8-9 SR 2019 p. 3 R2S 2019 p. 12-18
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ETHICS AND INTEGRITY:

102-16	Values, principles, standards, and norms of behaviour	AR 2019 p. 14-15, p. 44, p. 159-161 SR 2019 p. 6-7, p. 18-19
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GOVERNANCE:

102-18	Governance structure	AR 2019 p. 17, p. 146-154 SR 2019 p. 11
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STAKEHOLDER ENGAGEMENT:

102-40	List of stakeholder groups	SR 2019 p. 41-42
102-41	Collective bargaining agreements	AR 2019 p. 27-29 SR 2019 p. 50-52
102-42	Identifying and selecting stakeholders	SR 2019 p. 41-42
102-43	Approach to stakeholder engagement	SR 2019 p. 41-42
102-44	Key topics and concerns raised	AR 2019 p. 18-21 SR 2019 p. 41-42, p. 44-46

REPORTING PRACTICE:

102-45	Entities included in the consolidated financial statements	AR 2019 p. 249-251 See our corporate website for a complete list of companies belonging to the group SR 2019 p. 1
102-46	Defining report content and topic boundaries	SR 2019 p. 1, p. 41-42, p. 44-46
102-47	List of Material topics	SR 2019 p. 45-46
102-48	Restatements of information	No restatements of information given in previous years Sustainability Report 2018
102-49	Changes in reporting	SR 2019 p. 1
102-50	Reporting period	SR 2019 p. 1
102-51	Date of most recent report	SR 2019 p. 1
102-52	Reporting cycle	SR 2019 p. 1
102-53	Contact point for questions regarding the report	SR 2019 p. 1
102-54	Claims of reporting in accordance with the GRI standards	SR 2019 p. 1
102-55	GRI content index	SR 2019 p. 55-58
102-56	External assurance	SR 2019 p. 1

Material topics**BUSINESS ETHICS**

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 019 p. 44, p. 159-161 SR 2019 p. 18-19 KBC Group Code of Conduct
103-3	Evaluation of the management approach	AR 2019 p. 44, p. 159-161 SR 2019 p. 18-19, p. 12 KBC Group Code of Conduct

GRI 205: ANTI-CORRUPTION 2016

205-1	Operations assessed for risks related to corruption	AR 2019 p. 160-161 SR 2019 p. 18-19
205-2	Communication and training about anti-corruption policies and procedures	AR 2019 p. 160-161 SR 2019 p. 18-19 KBC Group Code of Conduct

SASB COMMERCIAL BANK SECTOR DISCLOSURE: BUSINESS ETHICS

FN-CB-510A.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	AR 2019 p. 240 During 2019, net provisions for taxes and pending legal disputes were 25 mln euros.
FN-CB-510A.1	Description of whistleblower policies and procedures	AR 2019 p. 159-161 KBC Group Policy for the Protection of Whistleblowers

FINANCIAL RESILIENCE

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 40-42, p. 62-66, p. 159-161
103-3	Evaluation of the management approach	AR 2019 p. 40-42, p. 62-66, p. 159-161

GRI 201: ECONOMIC PERFORMANCE 2016

201-1	Direct economic value generated and distributed	AR 2019 Inside cover, p. 11-13 SR 2019 p. 7, p. 48
201-2	Financial implications and other risks and opportunities due to climate change	AR 2019 p. 51-60, p. 62-66, p. 120, p. 123-124 SR 2019 p. 22-39 KBC Group CDP Report 2019 KBC Group environmental Policy
201-4	Financial assistance received from government	KBC did not receive financial assistance from any government during 2019. The state aid received in 2008 and 2009 was fully repaid in December 2015.

SASB COMMERCIAL BANK SECTOR DISCLOSURE: SYSTEMIC RISK MANAGEMENT

FN-CB-550A.1	Global Systemically Important Bank (G-SIB) score, by category	KBC Group is not considered as a Global Systemically Important Bank (G-SIB) as per definition, methodology and most updated list of the Financial Stability Board (FSB)
FN-CB-510A.1	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	AR 2019 p. 136, p. 123-124 SR 2019 p. 26-27, p. 29

DATA SECURITY AND CUSTOMER PRIVACY

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 21, p. 33-36, p. 116-117, p. 159-161
103-3	Evaluation of the management approach	AR 2019 p. 21, p. 33-36, p. 116-117, p. 159-161

GRI 418: CUSTOMER PRIVACY 2016

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	We have not received any substantiated complaints from the Belgian Data Protection Authority regarding data breaches impacting the privacy of customers, nor for losses of customer data. We received approximately three complaints from customers regarding a potential data breach. There are no cases with loss of customer data.
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SASB COMMERCIAL BANK SECTOR DISCLOSURE: DATA SECURITY

FN-CB-230A.2	Description of approach to identifying and addressing data security risks	AR 2019 p. 21, p. 33-36, p. 116-117, p. 159-161
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FAIR AND TRANSPARENT COMMUNICATION ABOUT PRODUCTS AND SERVICES

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 33-36, p. 47, p. 159-161
103-3	Evaluation of the management approach	AR 2019 p. 33-36, p. 47, p. 159-161 SR 2019 p. 12

GRI 417-1: MARKETING AND LABELING 2016

417-1	Requirements for product and service information and labelling	<p>We want clients to be able to make smart and well-informed financial decisions. We therefore focus on financial advice and clear communication on our products and services and their impact.</p> <p>We have a New and Active Products Process (NAPP) in place for the creation of all new products and the modification or review of all existing products.</p> <p>Through this process, the business side has to consider the main risks related to all new, modified or reviewed products and services. The advice of the support functions (Risk, Compliance, Legal, Tax, Finance, Credit, Business Architecture) also has to be sought. If the risks related to a product or service are deemed too great, the business proposal will be rejected or subjected to conditions. The intention is that we should not sell any unsuitable products or services to clients.</p> <p>AR 2019 p. 33-36, p. 37-39 SR 2019 p. 18-19, p. 34-35 R2S 2019 p. 30</p>
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DIGITALISATION

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 20, p. 33-36, p. 159-161 SR 2019 p. 8-10, p. 36-37
103-3	Evaluation of the management approach	AR 2019 p. 20, p. 33-36, p. 159-161 SR 2019 p. 12

KBC1: INNOVATION

KBC1	Development of innovative products and services to meet changing requirements of society	AR 2019 p. 47 SR 2019 p. 34-39
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CUSTOMER ENGAGEMENT AND SATISFACTION

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 14-15, p. 20-21, p. 33-36, p. 159-161
103-3	Evaluation of the management approach	AR 2019 p. 14-15, p. 20-21, p. 33-36, p. 159-161 SR 2019 p. 12

KBC2: CUSTOMER SATISFACTION

KBC2	Measurement of customer satisfaction	AR 2019 p. 33-36 R2S 2019 p. 34-35
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CORPORATE CULTURE

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 14-15, p. 24-28, p. 159-161 SR 2019 p. 6-7, p. 14-16
103-3	Evaluation of the management approach	AR 2019 p. 14-15, p. 24-28, p. 159-161 SR 2019 p. 6, p. 14-16

KBC 3: CORPORATE CULTURE

KBC 3	'Team Blue' spirit	AR 2019 p. 24-28 SR 2019 p. 4, p. 6, p. 8-10, p. 14-16 R2S 2019 p. 43
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LOCAL COMMUNITIES AND ECONOMY

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	See AR 2019 p. 11-15, p. 43-61, p. 159-161 See SR 2019 p. 7, p. 8-10, p. 22-39, p. 18-19
103-3	Evaluation of the management approach	See AR 2019 p. 11-15, p. 43-61, p. 159-161 See SR 2019 p. 7, p. 8-10, p. 22-39, p. 18-19

GRI 203: INDIRECT ECONOMIC ASPECTS 2016

203-2	Significant indirect economic impacts	<p>As an integrated bank-insurance group, catering mainly for retail, private banking, SME and mid-cap clients, we have an indirect impact on the economy and society at large through all our products and services. Due to the significant scale and wide variety of our indirect impact, we cannot report on it in full.</p> <p>When we grant a loan to an entrepreneur, for instance, we have an impact not only on that entrepreneur, but also on the community in which they operate.</p> <p>See AR 2019 p. 11-13, p. 40-42 See SR 2019 p. 7, p. 8-10, p. 14-16, p. 22-39, p. 18-19, p. 48-49</p>
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SASB COMMERCIAL BANK SECTOR DISCLOSURE: FINANCIAL INCLUSION AND CAPACITY BUILDING

FN-CB-240A.4	Number of participants in financial literacy initiatives for unbanked, underbanked, or underserved customers	See AR 2019 p. 47 See SR 2019 p. 32-33, p. 34-35
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RESPONSIBLE FINANCE AND INVESTING

GRI 103: MANAGEMENT APPROACH 2016

103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 43-61, p. 120, p. 123-124, p. 159-161 SR 2019 p. 7, p. 8-10, p. 20-21, p. 22-39, p. 18-19

103-3	Evaluation of the management approach	AR 2019 p. 43-61, p. 120, p. 123-124, p. 159-161 SR 2019 p. 7, p. 8-10, p. 20-21, p. 22-39, p. 18-19
G4: PRODUCT PORTFOLIO		
FS6	Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector	AR 2019 p. 95-105
FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	SR 2019 p. 22, p. 48-49
FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	AR 2019 p. 57 SR 2019 p. 22-39, p. 48-49
GRI 412: HUMAN RIGHTS ASSESSMENT 2016		
412-1	Operations that have been subject to human rights reviews or impact assessments	AR 2019 p. 60-61 SR 2019 p. 19, p. 20-21 KBC Group Human Rights Policy
TALENT ATTRACTION AND RETENTION		
GRI 103: MANAGEMENT APPROACH 2016		
103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 11-13, p. 24-28, p. 159-161 SR 2019 p. 8-10, p. 14-16
103-3	Evaluation of the management approach	AR 2019 p. 11-13, p. 24-28, p. 159-161 SR 2019 p. 8-10, p. 12, p. 14-16
GRI 401: EMPLOYMENT 2016		
401-1	New employee hires and employee turnover	SR 2019 p. 14-16
GRI 404: TRAINING AND EDUCATION 2016		
404-1	Average hours of training per year per employee	SR 2019 p. 14-16, p. 50-52
404-2	Programmes for upgrading employee skills and transition assistance programmes	AR 2019 p. 24-28 SR 2019 p. 14-16
CLIMATE CHANGE AND ENVIRONMENTAL IMPACT OF FINANCIAL SERVICES		
GRI 103: MANAGEMENT APPROACH 2016		
103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 43-61, p. 120, p. 123-124, p. 159-161 SR 2019 p. 8-10, p. 20-21, p. 22-39
103-3	Evaluation of the management approach	AR 2019 p. 43-61, p. 120, p. 123-124, p. 159-161 SR 2019 p. 8-10, p. 12, p. 20-21, p. 22-39

GRI 302: ENERGY 2016		
302-1	Energy consumption within the organisation	SR 2019 p. 52-53
302-3	Energy intensity	SR 2019 p. 52-53
302-4	Reduction of energy consumption	SR 2019 p. 52-53
GRI 305: EMISSIONS 2016		
305-1	Direct (Scope 1) GHG emissions	AR 2019 p. 59 SR 2019 p. 52-53
305-2	Energy indirect (Scope 2) GHG emissions	AR 2019 p. 59 SR 2019 p. 52-53
305-3	Other indirect (Scope 3) GHG emissions	AR 2019 p. 59 SR 2019 p. 52-53
305-4	GHG emission intensity	AR 2019 p. 59 SR 2019 p. 52-53
305-5	Reduction of GHG emissions	AR 2019 p. 59 SR 2019 p. 52-53
SASB COMMERCIAL BANK SECTOR DISCLOSURE: INCORPORATION OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS IN CREDIT ANALYSIS		
FN-CB-410A.1.	Commercial and industrial credit exposure, by industry	AR 2019 p. 58, p. 94
FN-CB-410A.2.	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis	AR 2019 p. 48-49, p. 51-60, p. 123-124 SR 2019 p. 20-21, p. 22-31 KBC Group Sustainability Framework
WORKFORCE DIVERSITY AND INCLUSION		
GRI 103: MANAGEMENT APPROACH 2016		
103-1	Explanation of the material topic and its boundary	SR 2019 p. 45-46
103-2	The management approach and its components	AR 2019 p. 11-13, p. 24-28, p. 152-153, p. 159-161 SR 2019 p. 8-10, p. 14-16
103-3	Evaluation of the management approach	AR 2019 p. 11-13, p. 24-28, p. 152-153, p. 159-161 SR 2019 p. 8-10, p. 12, p. 14-16
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016		
405-1	Diversity of governance bodies and employees	AR 2019 p. 12, p. 152-153 SR 2019 p. 50-52
SASB Activity metrics		
FN-CB-000.B	1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	AR 2019 p. 94



Principles for **RESPONSIBLE BANKING**

Principles for **RESPONSIBLE BANKING**

KBC was the first endorser and signatory in the Belgian Market of the Principles for Responsible Banking (PRBs) launched in September 2019. The Principles clearly reflect the key elements of our vision on sustainability and reinforce our commitment to the Paris Climate Agreement and the United Nations Sustainable Development Goals (SDGs).

KBC, together with over 30 other banks, has taken a step further with the Collective Commitment to Climate Action. We have adopted UNEP FI reporting and the self-assessment template to communicate the progress we have achieved towards meeting the PRBs. Please note that PRB-alignment is not officially audited.

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>Principle 1. Alignment We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks</p>		
<p>Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.</p>	<p>KBC is an integrated bank-insurance group (banking, insurance and asset management), catering mainly for retail, private banking, SME and mid-cap clients. Through our activities, we want to help our clients to both realise and protect their dreams and projects. We are active in our core markets of Belgium, Bulgaria, the Czech Republic, Hungary, Ireland and Slovakia. We are also present to a limited extent in several other countries to support corporate clients from our core markets.</p>	<p>KBC Annual Report 2019: Business model, p. 10-31</p>
<p>Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.</p>	<p>We have translated our sustainability strategy into three cornerstones: limiting our adverse impact on society, increasing our positive impact on society (focus on environmental responsibility, entrepreneurship, financial literacy and health/longevity) and encouraging responsible behaviour among our employees. Our strategy is aligned with the SDGs.</p> <p>We support the Paris Climate Agreement and signed the Commitment to Climate Action. Our Sustainable Finance Programme has been set up as part of our sustainability strategy, focusing on integrating our climate approach across the group.</p>	<p>KBC Sustainability Report 2019: Our sustainability strategy, p. 8-10 KBC Sustainability Framework</p>

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>Principle 2. Impact and target setting We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and the environment resulting from our activities, products and services. To this end, we will set and publish targets for those areas in which we can have the most significant impact.</p>		
<p>2.1 Impact analysis Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfils the following elements:</p> <p>a) Scope: The bank's core business areas and products/services across the main geographies in which it that the bank operates, in have been as described under 1.1, are considered in the scope of the analysis.</p> <p>b) Scale of exposure: In identifying its areas of most significant impact your bank has considered where its core business/ major activities lie in terms of industries, technologies and geographies.</p> <p>c) Context and & relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates.</p> <p>d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, your bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services.</p> <p>(Your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)).</p> <p>Show that, building on this analysis, the bank has:</p> <ul style="list-style-type: none"> • Identified and disclosed its areas of most significant (potential) positive and negative impact. • Identified strategic business opportunities in relation to the increase of positive impacts/reduction of negative impacts 	<p>We conduct a materiality assessment every two years to identify those themes which our internal and external stakeholders consider most important and have the most impact on KBC's performance and reputation. We also regularly consult our management and external stakeholders (e.g. NGOs, External Sustainability Board) to discuss specific ESG topics and issues.</p> <p>The material ESG opportunities and negative ESG impacts of our core business are identified and the related risks assessed and managed as business and strategic risks, in accordance with KBC's risk framework (in which climate change is defined as a specific risk) and/or by policies to prevent or reduce the negative impact of our operations, business and portfolio. Our Sustainability Framework is supported by a number of policies and guiding principles and is the backbone of our business activities.</p> <p>We have identified five high-impact areas (SDGs) that are closely connected to KBC's business and sustainability strategy, and in which we believe our operations can have a fundamental impact.</p> <p>In 2019 we launched a structural approach to the management and reporting of climate-related risks and opportunities via our Sustainable Finance Programme. Were we stand so far and our focus points for future work are mentioned in this report.</p>	<p>KBC Group Sustainability Report 2019: Value creation, p. 7 KBC Group Sustainability Report 2019: Stakeholder engagement, p. 41-42 KBC Group Annual Report 2019: Climate-related risks, p. 120, p. 123-124 KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31</p>
<p>Please provide your bank's conclusion/statement as to whether it has fulfilled the requirements regarding Impact Analysis We have fulfilled our impact analysis requirements by identifying the areas in which we have the most significant positive and negative impact through a materiality assessment (fresh assessment in 2020) and SDG Impact Assessment. We will continue to make progress in our work regarding Impact Analysis.</p>		

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>2.2 Target-setting</p> <p>Show that the bank has set and published a minimum of two Specific Measurable (qualitative or quantitative) Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified areas of most significant impact resulting from the bank's activities and provision of products and services.</p> <p>Show that these targets are linked to and drive alignment with and a greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline.</p> <p>Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate these as far as feasible to maximise the net positive impact of the set targets.</p>	<p>KBC focuses strongly on climate change and the environmental impact of our financial services and has set clear targets to reduce our direct and indirect exposure to fossil fuels and to increase the financing of renewable energy. These targets are evaluated regularly and adjusted to make them more ambitious based on progress, feasibility and societal expectations. They are linked to our Sustainability Strategy and aligned with SDG 7 (Affordable and clean energy), SDG 10 (Responsible consumption and production) and SDG 13 (Climate action).</p> <p>Target 1: A target to increase the volume of sustainable investment funds.</p> <p>Target 2: A target to increase the share of renewables in the total energy credit portfolio.</p> <p>Target 3: A target to reduce financing of coal sector and coal-fired power generation.</p>	<p>KBC Group Sustainability Report 2019: Business solutions, p. 34-39</p> <p>KBC Group Sustainability Report 2019: Sustainability highlights, p. 4-5</p> <p>KBC Group Sustainability Report 2019: Our sustainability strategy, p. 8-10</p>
<p>Please provide your bank's conclusion/statement as to whether it has fulfilled the requirements regarding target-setting.</p> <p>We have fulfilled our requirements regarding target-setting.</p>		

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>2.3 Plans for target implementation and monitoring</p> <p>Show that your bank has defined actions and milestones to meet the set targets.</p> <p>Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of Key Performance Indicators, any changes in these definitions, and any rebasing of baselines should be transparent.</p>	<p>We have implemented a sustainability strategy, guidelines, policies and awareness/information campaigns.</p> <p>Indicators for climate-related risks and opportunities have been integrated in the KBC Sustainability Dashboard, enabling us to monitor progress in the implementation of our sustainability strategy and to make adjustments when necessary. The integration and tracking of our sustainability strategy is evaluated twice a year by the Executive Committee and Board of Directors.</p> <p>Sustainability is embedded at each level within our group. It is thus a focus for the highest decision-making bodies, while also being broadly integrated into our operations.</p>	<p>KBC Group Sustainability Report 2019: Sustainability governance, p. 11</p> <p>KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31</p>
<p>Please provide your bank's conclusion/statement as to whether it has fulfilled the requirements regarding plans for target implementation and monitoring.</p> <p>We have fulfilled our requirements regarding plans for target implementation and monitoring.</p>		

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>2.4 Progress on implementing targets</p> <p>For each target separately:</p> <ul style="list-style-type: none"> • Show that your bank has implemented the actions it had previously defined to meet the set target. • Or explain why actions could not be implemented/needed to be changed and how your bank is adapting its plan to meet its set target. • Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress has had (where feasible and appropriate, banks should include quantitative disclosures). 	<p>We publish an Annual Report providing information on our general and sustainability strategy. Our Sustainability Report describes how we address corporate sustainability, how we implement our sustainability strategy, the targets we have set and our main achievements.</p> <p>Details on the progress on each target can be found in the references provided.</p>	<p>KBC Group Sustainability Report 2019: Sustainability highlights, p. 4-5</p> <p>KBC Group Sustainability Report 2019: Our sustainability strategy, p. 8-10</p> <p>KBC Group Sustainability Report 2019: Sustainability facts and figures, p. 48-53</p>
<p>Please provide your bank's conclusion/statement as to whether it has fulfilled the requirements regarding progress on implementing targets.</p> <p>We have fulfilled our requirements regarding progress on implementing targets</p>		

Reporting and self-assessment index	High-level summary of bank's response	References and further information
Principle 3. Clients and customers We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create and share prosperity for current and future generations.		
3.1 Provide an overview of the policies and practices your bank has in place and/is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results achieved.	We apply strict sustainability policies to our business activities in respect of human rights, the environment, business ethics and sensitive/controversial issues. We refer to our KBC Sustainability Framework, which is the backbone of our business activities. Responsible behaviour is the foundation for sustainability at KBC. We have launched several programmes, provide training (including 'dilemmas') and have set out underlying principles on responsible behaviour in a guide 'Compass for Responsible Behaviour'. Our business ethics policies are publicly available on our corporate website.	KBC Sustainability Framework KBC Group Sustainability Report 2019, Responsible business, p. 18-19 KBC Group Sustainability Report 2019, Sustainability policies, p. 20-21 https://www.kbc.com/en/corporate-sustainability/setting-rules-and-policies.html
3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	We recently accelerated our engagement ambitions. We want to be a partner for our clients in their transformation to a more sustainable future. For example: in 2019 we launched a pilot project in Belgium to help business clients adjust to a greener economy. Our approach consists of various steps, including engaging with our clients.	KBC Group Sustainability Report 2019: Business solutions, p. 34-39 KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31

Reporting and self-assessment index	High-level summary of bank's response	References and further information
Principle 4. Stakeholders We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals		
<p>4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts.</p> <p>This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/ results achieved.</p>	<p>We can only live up fully to KBC's importance in society if we maintain a dialogue with our stakeholders: our clients, our employees, our investors and our suppliers, as well as governments, NGOs and representatives of society.</p> <p>We maintain regular contact at various levels with a diverse group of stakeholders. In this way, we broaden our view of the world and keep abreast of what is important to the different groups. At the same time, it allows us to share with our stakeholders in a transparent way our achievements and the areas in which we need to improve.</p>	<p>KBC Group Sustainability Report 2019: Stakeholder engagement, p. 41-42</p> <p>KBC Group Sustainability Report 2019: Material topics, p. 44-46</p> <p>KBC Group Sustainability Report 2019: Sustainability governance, p. 11</p>

Reporting and self-assessment index	High-level summary of bank's response	References and further information
Principle 5. Governance and culture We implement our commitment to these Principles through effective governance and a culture of responsible banking.		
5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	<p>We have embedded sustainability at each level within our group, guaranteeing that it receives attention from the highest decision-making bodies while also being broadly integrated into our operations. A schematic overview of our sustainability governance, including specific governance in respect of climate change, can be found in our KBC Group Sustainability Report.</p> <p>In addition to our internal organisation, we have set up external advisory boards to advise KBC on various aspects of sustainability: the External Sustainability Board and SRI Advisory Board. These consist of experts drawn mainly from the academic world. We invite external stakeholders to take part in an annual dialogue.</p>	<p>KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31 KBC Group Sustainability Report 2019: Sustainability governance, p. 11</p>

<p>5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees.</p> <p>This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication.</p>	<p>Responsible behaviour, the foundation for sustainability at KBC, is part of our Top 300 KBC University Programme. Responsible behaviour is hard to define in concrete terms, so we have set out the underlying principles in a guide, 'Compass for Responsible Behaviour'.</p> <p>We enhance employee awareness via various channels: roadshow, lectures on specific topics, staff magazine and intranet. Our 'Team Blue' programme, meanwhile, aims to create a shared, group-wide sustainable culture.</p> <p>We launched a pilot project in Belgium in 2019 to support business clients in their transition to a greener economy. In the first instance, we aim to raise our employees' awareness and knowledge so that they can collaborate with clients in their transition to low-carbon business.</p> <p>Sustainability has also been integrated in KBC's remuneration system. Part of the variable pay received by employees and management is related to sustainability results.</p>	<p>KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31</p> <p>KBC Group Sustainability Report 2019: Our sustainability strategy, p. 8-10</p> <p>KBC Group Sustainability Report 2019: Sustainability governance, p. 11</p>
<p>5.3 Governance structure for implementing the Principles.</p> <p>Show that your bank has a governance structure in place for the implementation of the PRB, including:</p> <p>a) Target-setting and actions to achieve those targets.</p> <p>b) Remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.</p>	<p>The implementation of our Sustainability Strategy is evaluated twice a year by the Executive Committee and the Board of Directors.</p> <p>Progress on the Sustainable Finance Programme – overseen by a Steering Committee and chaired by the Group CFO – is discussed regularly within the Internal Sustainability Board, the Executive Committee and Board of Directors, including via the KBC Sustainability Dashboard. The latter is used to evaluate the programme's status once a year. Progress is also discussed annually by the supervisory boards of key entities in the group's different core countries.</p>	<p>KBC Group Sustainability Report 2019: Sustainable finance, p. 22-31</p> <p>KBC Group Sustainability Report 2019: Sustainability governance, p. 11</p>
<p>Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.</p> <p>We have fulfilled our requirements regarding Governance Structure for Implementation of the Principles.</p>		

Reporting and self-assessment index	High-level summary of bank's response	References and further information
<p>Principle 6. Transparency and accountability We will periodically review our individual and collective implementation of the Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.</p>		
<p>6.1 Progress on implementing the Principles for Responsible Banking Show that your bank has made progress in implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) as well as setting and implementing targets in at least two areas (see 2.1–2.4).</p> <p>Show that your bank has considered existing and emerging international/regional good practices relevant to the implementation of the six Principles for Responsible Banking. And that, based on this, it has defined priorities and ambitions to align with good practice.</p> <p>Show that your bank has implemented/is working on implementing changes to existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.</p>	<p>We have published for the first time our alignment with the PRBs and progress made towards the priorities set out in our Sustainability Strategy, and will continue to do so annually. Our Sustainability Report contains information on the first steps in our Sustainable Finance Programme (PCAF, PACTA, UNEP FI CCCA), our international/regional commitments, and progress in areas like the Task Force on Climate-related Financial Disclosures, the UN Global Compact Principles and the SDGs.</p>	<p>KBC Group Sustainability Report 2019: Our commitments, p. 5 KBC Group Sustainability Report 2019: Principles for Responsible Banking, p. 30 KBC Group Annual Report 2019: Sustainability highlights, p. 4-5 KBC Group Annual Report 2019: Focus on climate, p. 51-60</p>
<p>Please provide your bank's conclusion/statement as to whether it has fulfilled the requirements regarding progress on implementing the Principles for Responsible Banking We have fulfilled our requirements regarding the progress on implementing the Principles for Responsible Banking.</p>		

PACTA¹ pilot for KBC's corporate industrial loan portfolio: first preliminary results

The first preliminary results presented in this section are the outcome of strictly applying the PACTA methodology and scope as provided by the 2 degrees investing initiative ('2DII') during the piloting phase

In September 2019, KBC committed itself to address its indirect impact on the climate. As a pioneering step to map out climate-impactful activities in its credit portfolio, KBC partnered with NGO 2DII to test their PACTA methodology in pilot mode by performing a preliminary screening of the exposures of its corporate industrial loan portfolio to some of the most carbon-intensive sectors. The pilot was run on KBC's 2018 corporate industrial loan portfolio, which excludes loans to SMEs, private persons, finance and insurance and authorities. For the purposes of this preliminary exercise, corporate industrial loans from UBB have not been included in the analysis.

PACTA is a forward-looking scenario-based methodology, developed by 2DII, which measures the transition risks of climate change in loan portfolios for the most climate-relevant sectors and activities (i.e. fossil fuels (oil, gas and coal), power, automotive (currently only light-duty/passenger car production), shipping, cement, steel and aviation (under development)), which combined represent around 60% of global GHG emissions and 75% of global CO₂ emissions². Within this methodology, only the main contributing activities across these sectors' supply value chain are in scope (see blue boxes in Figure 1). Based on reference climate scenarios provided by the International Energy Agency (IEA) and taking into account the current and planned capacity of the underlying companies that are financed, PACTA helps to determine whether these companies follow a transition path that is in line with targets set by climate scenarios. In this way, the analysis helps to assess whether or not corporate loan portfolios in these sectors are in line with Paris Climate Agreement goals to keep global temperatures (well) below 2 degrees. More information on PACTA is available on 2DII's company website: <https://2degrees-investing.org/resource/pacta/>.

FIGURE 1: TECHNOLOGIES AND ACTIVITIES IN SCOPE OF PACTA (SOURCE: 2DII)

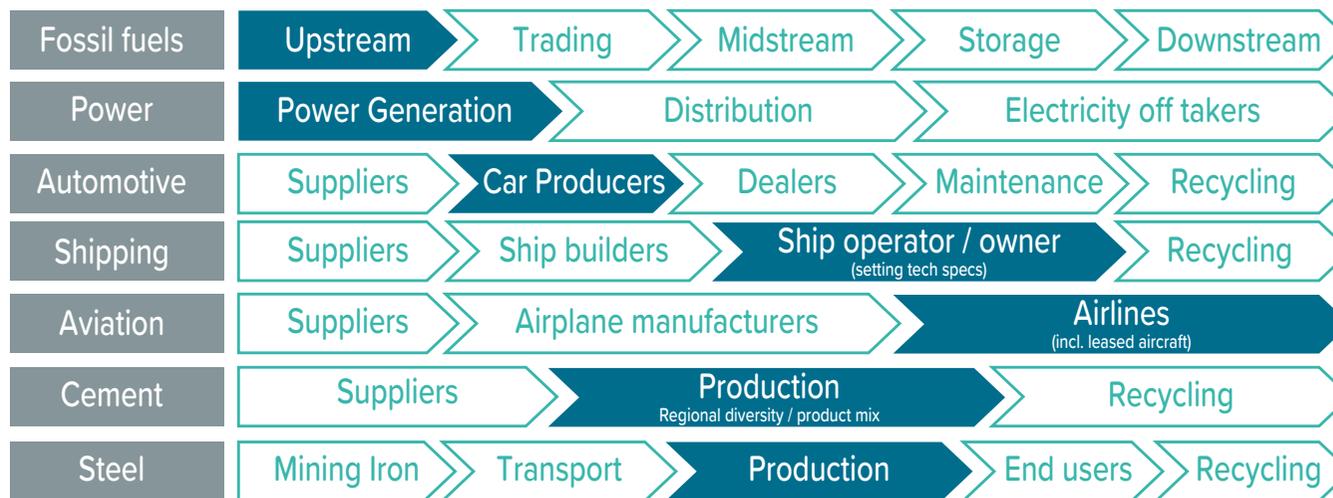
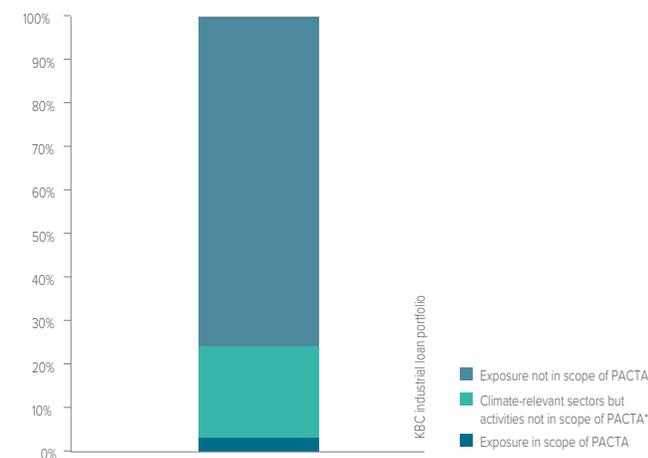


FIGURE 2: SHARE OF TOTAL INDUSTRIAL LOANS (I.E. INCLUDING LOANS TO SMES BUT EXCLUDING LOANS TO PRIVATE PERSONS, FINANCE & INSURANCE AND AUTHORITIES) EXPOSED TO SECTORS RELEVANT FOR THE ANALYTICAL DOMAIN OF PACTA (DEFINED AT THE HIGHEST SECTORAL CLASSIFICATION)

It is important to note that the KBC-granted exposure found in scope of PACTA amounted to 3.5% of the total industrial loan book (see Figure 2). Figure 3 represents the distribution of this exposure across key sectors.

While this preliminary exercise suggests that KBC Group's industrial loan portfolio is only exposed to a limited degree to companies active in the sectors and activities in scope of PACTA, the results are still too early to be conclusive, due to data limitations and methodological dynamics. Moreover, although the PACTA methodology covers all the sectors outlined in Figure 3, sector-specific results are presently only available for the power, automotive and shipping sectors. The analysis is still ongoing for the other sectors and, specifically in the case of the fossil fuels sector, we aim to publish the results in a subsequent report. Please note that the creation of meaningful and usable climate-related information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) is essential but is still a work in progress.

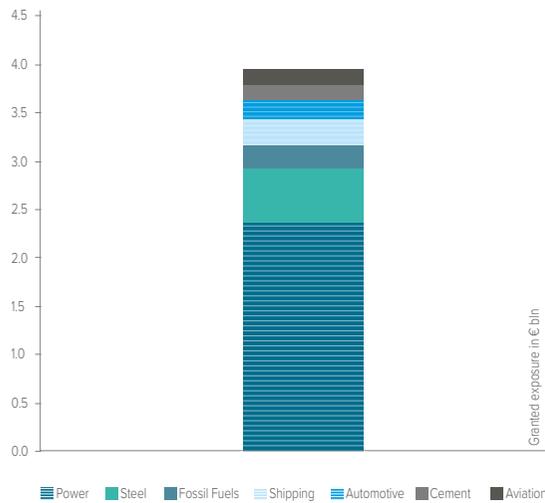


* This includes oil and gas (excl. upstream), power sector (excl. generation), automotive (excl. passenger car producers), shipping (other than ship operators/owners), building and construction (excl. cement producers), metals sector (excl. pure steel production) and aviation (excl. airlines)

¹ Paris Agreement Capital Transition Assessment

² 2 DII, referring to the IPCC Emission Factor Database.

FIGURE 3: OVERVIEW BY SECTOR AND ACTIVITIES OF EXPOSURE IN SCOPE OF PACTA (CF. THE SCOPE DEFINED IN FIGURE 1). HORIZONTALLY SHADED ELEMENTS REFER TO SECTORS FOR WHICH MORE DETAILS ARE PROVIDED IN THE FOLLOWING SECTIONS



HOW TO READ THE CHARTS BELOW

Preliminary results from piloting the PACTA tool for corporate industrial loans are outlined below for the power, automotive and shipping sectors. For each of the considered technologies and activities, 2DII mapped credit exposure to the current and projected relevant physical production levels using data available to 2DII sourced from different commercial market intelligence data providers. The charts below reflect the loan exposure at year-end-2018 and asset level data at year-end-2018, with these data used to make a projection for 2019. The PACTA model for the assets mapped to physical production uses the following indicators:

- For the power sector: current electric capacity as well as new capacity up to 2024 by fuel expressed in MW (e.g. renewables and gas)
- For the automotive sector: current production capacity as well as new production capacity up to 2024 of light-duty/passenger cars expressed in annual volume by technology (electric, hybrid or ICE³ vehicles)
- For the shipping sector: CO₂e efficiency labels from Rightship, which range from A (most CO₂e efficient) to G (least CO₂e efficient). More information on the Rightship GHG rating methodology can be found at <https://www.rightship.com/sustainability/ghg-rating-methodology/>

The physical asset level data set out above has been mapped to the immediate owners and parent companies to calculate an aggregated current and projected capacity/production profile for each technology. To reflect the bank's actual credit exposure to these technologies, these capacity/production profiles are weighted by the borrower's loan shares in the total amount of capital loaned to companies in the sector. All individual company production profiles have been aggregated into a single current and planned portfolio production profiles, which are illustrated in columns (1) and (2) respectively of the charts below.

The data set out below provides relevant forward-looking information. For the power and automotive sectors, the rates of change required under the relevant IEA transition scenario have been used to calculate forward-looking production and capacity profiles ('target profiles'). These target profiles do not assume any change in loan portfolio composition. The transition scenario used for the detailed results described below is the 2018 IEA Sustainable Development Scenario (SDS).⁴ The weighted forward-looking production profiles of all individual companies in scope of the analysis have been aggregated, the result of which is illustrated in columns (3) of the charts below. In the case of the shipping sector, no forward-looking information is available as the Rightship methodology does not foresee climate-relevant trajectories.

Trajectory charts are not available at present but will be presented at the time of the subsequent PACTA reporting.

³ Internal Combustion Engine.

⁴ This scenario presumes a 1.7–1.8°C rise in median temperature by 2100, which entails a peak in energy-related CO₂ emissions by 2020 (subsequently halving by 2040 and reaching net zero by 2070) and a 65% share of renewables (in power generation) in 2040. The SDS projection is for global final energy consumption to remain flat thanks to gains in energy efficiency, despite a doubling in economic output.

On 17 September 2019, KBC signed the PCAF Call to Action Commitment Letter and became a member of PCAF's European team. We began to pilot the PCAF methodology in 4Q 2019 to calculate the carbon footprint of the following portfolios: car lease, car loans, mortgage loans for residential real estate and commercial real estate. We focused on Scope 1 and 2 emissions for all these assets. The reporting period is 1 October 2018–30 September 2019.

Car lease

The KBC Autolease lease fleet in Belgium and Luxembourg

Last year, 80 198 contracts were active for the whole or part of the reporting period. The share of different types of vehicles – passenger cars, light commercial vehicles and bicycles – is shown in in Figure 1.

The vast majority of vehicles in the fleet are diesel cars, as shown in Figure 2. Leased bicycles are predominantly electric (see Figure 3).

Figure 1 : KBC lease fleet per type of vehicle

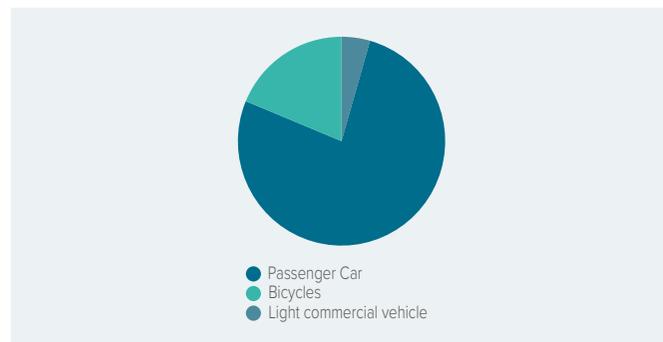


Figure 2: KBC lease fleet cars and light commercial vehicles by fuel type

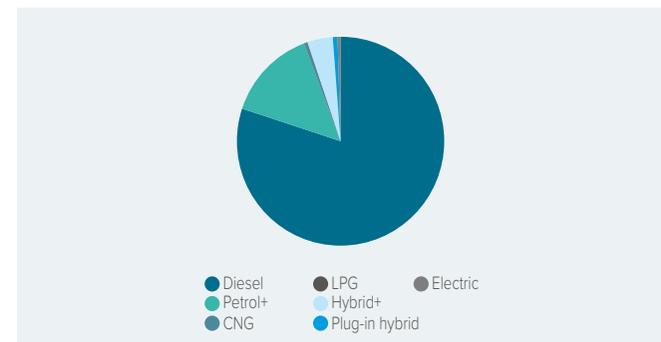
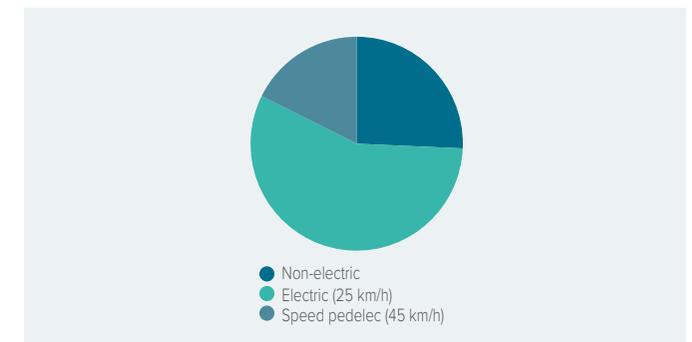


Figure 3: KBC lease fleet bicycles



¹ Platform Carbon Accounting Financials

Calculation of GHG emissions – scope and methodology

The calculations apply to the KBC Autolease fleet operating in Belgium and Luxembourg

- For **non-electric vehicles** (non-EV), the Scope 1 calculations are based on tank-to-wheel CO₂ emission data (NEDC and NEDC 2.0) per individual asset as provided by the manufacturers;
- For **electric vehicles** (EV), we calculated the Scope 2 emissions based on US Environmental Protection Agency (EPA) data on electricity consumption per make and model. For makes not covered by the US data, the average consumption of the covered EVs in the fleet has been used. Electricity consumption has been converted to CO₂ emissions using the conversion factor for total supplier mix published by the Association of Issuing Bodies (European Residual Mixes 2017);
- For **plug-in hybrid electric vehicles** (PHEV) we lack reliable data on average electricity consumption over a one-year period. We use the tank-to-wheel CO₂ emission data (NEDC and NEDC 2.0) for PHEV. This strongly underestimates the real emissions and doesn't take into account the scope 2 emissions. The impact on total emissions is however negligible, given the low share of PHEV in the total fleet.

The calculation is based on consumption per kilometre. Kilometre data are determined contractually and adjusted if the contract was not active during a full year. The calculation takes account of the number of days a contract was active during the reporting period.

The number of vehicles corresponds to the active contracts during the reporting period. The financial exposure corresponds to the accounting value of the vehicles for the contracts active as of 30 September 2019. We treat this exposure as a proxy for 'full time' contracts during the reporting period.

In the case of bicycles, we calculated avoided emissions based on the following assumptions:

- The total distance travelled per year by bicycle is based on the average modal shift in the KBC lease fleet.
- Share of distance travelled per year by bicycle type:
 - *Non-electric: 1/6
 - *Electric (25 km/h): 1/3
 - *Speed pedelec (45 km/h): 1/2
- Avoided emissions are calculated on the average CO₂ emissions of the passenger car fleet.
- Account is taken of emissions from electric bicycles and speed pedelecs. Calculations are based on the highest electricity consumption per 100 kilometres that we could find for models on the Belgian market and CO₂ emissions for the average grid mix in Belgium.

Type of vehicle	Number of vehicles	Actual km/y	Financial exposure (EURm)	Total CO ₂ emissions (tonnes/y)	Average CO ₂ emissions (g/km)	Average CO ₂ emissions (tonnes/unit)	Average CO ₂ emissions (tonnes/EURm)	Avoided CO ₂ emissions (tonnes/y)
Light commercial vehicle	3 579	89 426 300		14 063	157	3.93		-
Passenger car	63 338	1 446 132 975		159 830	111	2.52		-
Bicycles	13 281	36 853 423		60	2	0.00		4 024
Grand total	80 198	1 572 412 698	1 115	173 953	111	2.17	156	4 024

The totals can deviate from the sum of all categories due to rounding-up.

GHG emissions

Scope 1 and 2 emissions for the period 4Q18–3Q19 amount to 173 953 tonnes of CO₂, of which 159 830 tonnes relates to passenger cars, 14 063 tonnes to light commercial vehicles and 60 tonnes to bicycles.

Strategic choices to reduce climate impact

Sustainability is embedded in KBC Autolease’s strategy and various initiatives have already been taken. In 2017, KBC Autolease launched its bike-lease for business and private clients wishing to ‘green’ their commuter and private travel. We had a portfolio of over 13 000 lease bikes last year, and the share is growing. Multi-mobility is promoted by the Olympus-app – a mobility platform developed by KBC Autolease in collaboration with KBC and VAB. The shift to a more sustainable fleet is likewise ongoing.

We detect a positive trend (see Figures 4 and 5) and foresee a shift in fuel type for passenger cars (see Figure 6). All the same, more explicit metrics and targets still need to be set in order to align the portfolio with the targets specified under the Paris Agreement.

Figure 4:
Evolution of KBC lease fleet (number of vehicles) 2017-2019

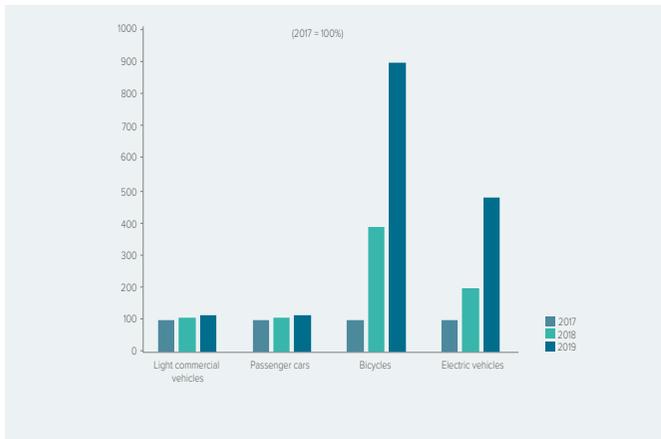


Figure 5:
Evolution of CO₂ emissions of KBC lease fleet 2017–2019

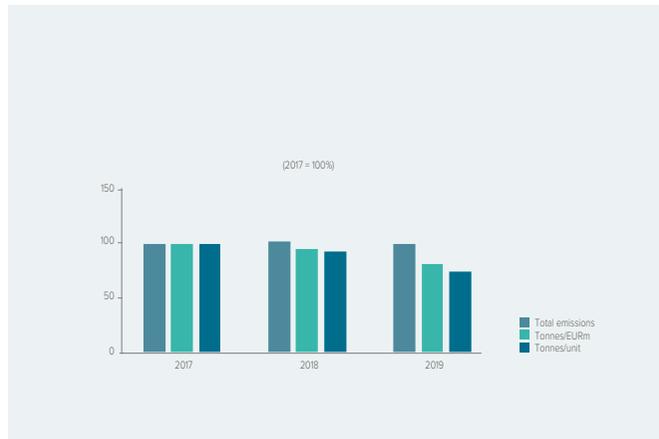
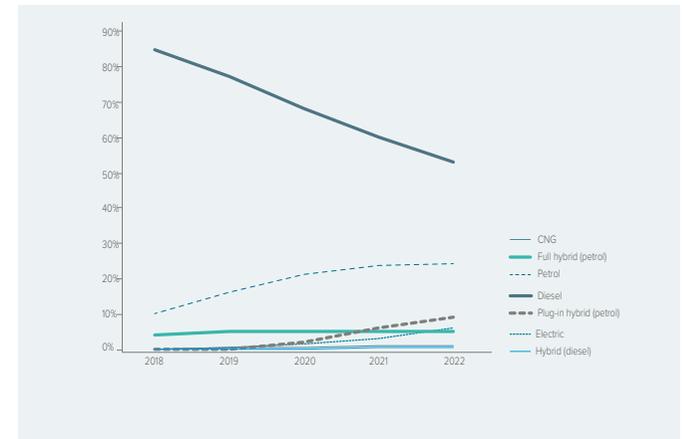


Figure 6:
Evolution passenger car fuel types (KBC lease fleet)



Car loans

Our portfolio of car and other vehicle loans in Belgium stood at 82 007 last year, with an outstanding amount of 823 986 494 euros. The share accounted for by the different vehicle types is shown in Figure 7. The vast majority of vehicles in the portfolio are cars. An analysis of the fleet by fuel type is not available for the time being. This will be addressed in more detail in future reports.

Calculation of GHG emissions – scope and methodology

The calculations were performed for the portfolio of car and other vehicle loans in Belgium.

Based on the proportion of electric cars in the Belgian car fleet, we can assume a share of 109 EV-related loans in 2018 and 119 in 2019. Since this number is negligible relative to the total portfolio, we have only calculated Scope 1 emissions.

The calculations are based on average data on tank-to-wheel CO₂ emissions per kilometre, vehicle age and distances driven per year for cars and motorcycles.² Where possible, a distinction was made between new and second-hand vehicles. No reliable data are available for the average emissions or kilometres driven per year in the case of motorhomes. We therefore used the same CO₂ emission factors and kilometre numbers as for cars, the first being an underestimate, the second an overestimate.

The financial exposure corresponds with the outstanding amount of loans on 30 September 2019.

GHG emissions

Emissions for the reporting period amount to 134 031 tonnes of CO₂, of which 130 455 tonnes related to cars (see Figure 8). The carbon-intensity of the loan portfolio is therefore 163 tonnes of CO₂ per million euros in outstanding loans and 1.63 tonnes of CO₂ per unit.

Strategic choices to reduce climate impact

At the end of 2019, KBC Belgium launched a specific loan for green cars. As part of its multi-mobility strategy, KBC Belgium continues to promote solutions such as bikes and enabling public transport tickets and shared transport services to be paid for via its popular digital channels. More information can be found in the ‘Sustainable business solutions’ section of this report.

Explicit metrics and targets still need to be set, however, to align the portfolio with the targets specified under the Paris Climate Agreement.

Figure 7: Loan portfolio per vehicle type

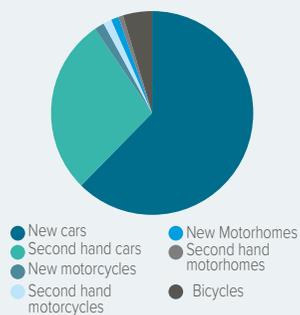
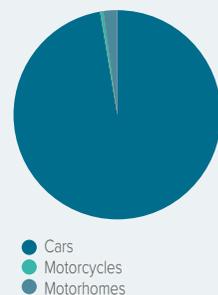


Figure 8: CO₂ emissions per vehicle type



² Sources for average emissions – cars: Febiac; motorcycles: the Belgian Automobile and Cycle Federation and the UK Department for Environment, Food & Rural Affairs (DEFRA). Source for average vehicle age – European Environment Agency (EEA). Source for average distances – Belgian Federal Government.

Mortgage loans

Our portfolio of mortgage loans for private real estate in Belgium stood at 475 737 last year. Regulation differs in each Federal Region, and so separate calculations had to be performed for mortgages in Flanders, Brussels and Wallonia.

The calculations for 2019 relate to the portfolio of mortgage loans linked to houses and apartments in the Flemish Region, which accounts for 83% of our private real estate mortgage portfolio. This amounted to 388 902 loans last year relating to 252 842 properties. The proportion of the different asset types is shown in Figures 9 (number) and 10 (outstanding amounts).

The majority of mortgages in the portfolio – 82% numerically and 86% of the outstanding amount – relate to single family homes. Only 18% of the number and 14% of the outstanding amount were used to buy, build or renovate an apartment.

Calculation of GHG emissions – scope and methodology

The methodology used to calculate emissions linked to mortgage loans is derived from the internal methodology we developed to calculate emissions avoided through the KBC Green Bond. It has been externally verified by Vinçotte.

We cluster houses and apartments according to the purpose of the loan (building, purchase, purchase plus renovation, or renovation) and the time window. The figures relate to the energy performance and E-level data provided by the Flemish Energy Agency (VEA).³

We calculate the emissions in three stages:

1. Determine the energy performance of the houses/apartments per period/year
 - a. Newly built houses and apartments for which the building permit application was filed before 2006: average energy performance in kWh/m² corresponding to the construction period;
 - b. Newly built houses and apartments for which the building permit application was filed in 2006 or later: annual average E-level (unitless) converted to average energy performance in kWh/m²;⁴
 - c. Houses and apartments purchased: weighted average energy performance in kWh/m² for all houses and apartments in the purchase period and before;
 - d. Houses and apartments purchased and renovated: data on the improvement in energy performance following renovation is not available for our existing portfolio, so we use the same data as for purchased houses and apartments. This may lead to an overestimate of emissions;
 - e. Renovation of houses and apartments: based on an analysis of the number of loans per address, we can assume that mortgage loans for renovation of houses and apartments are linked to houses and apartments already included in the above portfolio. As mentioned, we lack data on the improvement of energy performance following renovation which means we cannot take decreased GHG emissions into account. This may also lead to an overestimate of emissions.

Figure 9: Number of mortgage loans by purpose

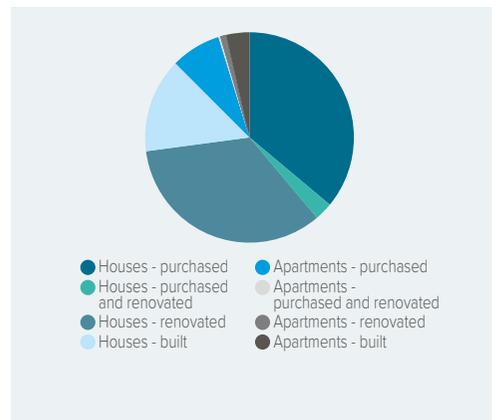
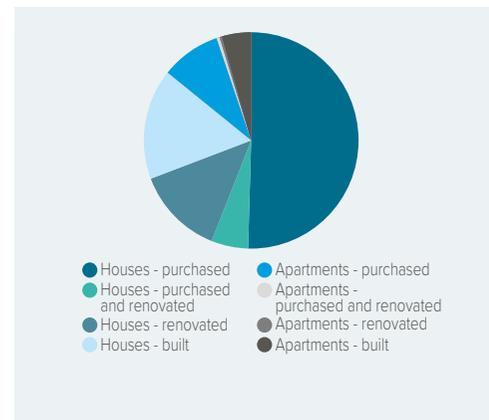


Figure 10: Outstanding amount of mortgages by purpose



³ Since 2006, the Flemish Regional Government has required energy performance reports for every property sale or rental and an E-level report for every newbuild of private real estate.

⁴ Since 2006, new buildings need to comply with specific energy performance requirements, expressed as E-levels. E-levels are recalculated to energy performance in kWh/m² based on statistical data from the Flemish Regional Government.

2. Calculation of average use of Scope 1 and 2 energy sources per dwelling

- a. Energy performance and E-level data are a measure of the energetic quality of the home but not of the real energy consumption by the inhabitants. These data also give no indication of the energy sources used. To be able to calculate GHG emissions, we therefore use average data on electricity and energy consumption for heating per household.⁵ The calculation of heat-related primary energy consumption is based on the average share of the main energy sources used for heating by households in Flanders: heating oil, natural gas and electricity.⁶ Electricity consumption is converted to consumption of primary energy;⁷
- b. The houses associated with the oldest loans in each segment of the portfolio are assumed to account for 100% of this average energy consumption. For more recent loans, we prorate consumption per energy source in accordance with the decrease in the energy performance per period/year. More detailed data for the specific assets financed is not available for the time being. This will be addressed in more detail in future reports.

3. Energy consumption per source is then converted into CO₂e emissions using the following conversion factors:

- Heating oil and gas: UK Government GHG Conversion Factors for Company Reporting 2018;
- Electricity: Association of Issuing Bodies – European Residual Mixes 2017

GHG emissions

Scope 1 and 2 emissions amount to 904 902 tonnes of CO₂e. 784 251 tonnes or 87% of this relate to single family houses and 120 652 tonnes or 13% to apartments (see table below).

Average intensity per million euros outstanding is 33.69 tonnes CO₂e. The per unit figure is 3.58 tonnes CO₂e. The number of renovation-only mortgages has not been included in the calculation of carbon intensity per unit (see explanation above – calculation stage 1-e).

Strategic choices to reduce climate impact

In 2018, KBC Belgium launched 'Renovation Check', a tool offering an overview of possible measures to improve the energy efficiency of private real estate, including a cost indication. See also the 'Sustainable business solutions' section of this report.

KBC Belgium also offers a Green Renovation Loan, 50% of which must be used to finance energy-efficiency measures.

Additional data (on the impact of renovation, for instance) and more explicit metrics and targets still need to be set, however, to align the portfolio with the targets specified under the Paris Agreement.

⁵ Data published by the Flemish Energy Agency (VEA) and the Energy Regulator in Flanders (VREG).

⁶ Based on statistical data on consumption of energy sources for heating as published by the Flemish Energy Agency (VEA).

⁷ Primary energy consumption in the case of electricity is 2.5 times higher than net electricity consumption (40% efficiency).

Property type	Number	Emissions (tonnes CO ₂ e)	Intensity (tonnes CO ₂ e/unit)
Single family houses	340 059	784 251	3.78
Purchased	140 141	597 313	4.26
Purchased and renovated	10 822	46 161	4.27
Renovated	132 550	0	0.00
Built	56 545	140 777	2.49
Apartments	48 843	120 652	2.66
Purchased	30 159	84 358	2.80
Purchased and renovated	1 113	3 061	2.75
Renovated	3 510	0	0.00
Built	14 062	33 233	2.36
Total	388 902	904 902	3.58

The totals can deviate from the sum of all categories due to rounding-up.