



OUR CLIMATE COMMITMENT

KBC is **fully dedicated to supporting the Paris Agreement** long-term global goal of limiting the increase in global average temperature to well below 2°C above pre-industrial levels and is doing its utmost to limit the temperature increase to 1.5°C above pre-industrial levels.

Our climate commitment, the UNEP FI-convened Collective Commitment to Climate Action ('CCCA'), was signed back in 2019 and has accelerated our climate-related actions ever since.

We refer first of all to our [Climate Report](#) in which we set clear targets for our lending and asset management businesses. The baselines of the various lending targets in this report have been **externally assured** as an indication of diligence in proceeding on our climate journey.

At the end of 2022, KBC decided to further bolster its aims with regard to climate action by committing its banking activities to **the Science-Based Targets Initiative (SBTi)**. The SBTi is a partnership between rating agency CDP, the UN Global Compact, World Resources Institute (WRI) and the WWF. They define and promote best practices in emission reductions in line with climate science, provide technical expertise to companies that set science-based targets and provide independent assessment and validation of targets based on an extensive and robust set of criteria and requirements. Through our engagement with SBTi, we have made the commitment to have our climate targets validated within 24 months, i.e. by the end of 2024.

Over the years, we have gradually improved our policies at KBC as we strongly believe in an actionable approach. By way of illustration, **we have systematically tightened our policies related to fossil fuel financing** in our lending, advisory and insurance businesses, ultimately accelerating a complete exit from our direct exposure to coal, ceasing to finance the exploration for new oil and gas fields or companies active in this area and excluding fossil fuels from our (growing) range of responsible investment funds. Our existing climate targets for passenger car financing are also very ambitious. KBC is therefore deeply committed to contributing as much as possible to the imminent large-scale transformation by taking concrete and decisive action today, whilst helping our clients in their transition.

We will also **review our climate targets systematically and continuously** in the future. We are convinced that our strategy reflects our commitment to make the biggest possible

contribution to the necessary decarbonisation within our sphere of influence, given the current context.

Although we have carefully reviewed the initiative and will continue to do so going forward, this also implicates that KBC has not joined the Net Zero Alliances in the financial sector for the time being. Whereas KBC is doing its utmost to limit the temperature increase to 1.5°C above pre-industrial levels, Net Zero Alliances require signatories to align their banking business with '1.5°C' or 'Net-zero' pathways¹.

We fully support the need to achieve a climate-neutral society, but there are still too many uncertainties on how to go about achieving this goal at present. As a listed company, KBC wants to fully understand *all* the possible liabilities of signing up to an additional climate commitment.

We especially note that there are increasing **doubts about the feasibility, inclusiveness and impact of short-term intermediary (2030) net-zero targets**. As an integrated bank-insurer, KBC has the important role of continuing to support the social and the economic fabric of its core markets. As such, our indirect climate impact will partly have to mirror the evolution and decarbonisation of this social and economic fabric, whilst supporting a clean and just transition. Matters such as the scientific and technological challenges facing the pace of deployment of innovative solutions, energy security and government support are also important elements in determining our current stance.

Given the above, a well-founded, concrete and immediately actionable net-zero commitment does not seem to be within reach at the moment, and therefore we are continuing to put our weight behind our existing CCCA commitment for the time being.

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¹ As this last temperature outcome requires the achievement of net-zero emissions globally by 2050, these pathways are also referred to as Net Zero Pathways.