KBC GROUP ENERGY CREDIT, INSURANCE AND ADVISORY SERVICES POLICY

KBC Group's support for the Paris COP21 Agreement and the 2˚C scenario, striving for 1.5°C, is a general reflection of its broader ambition – translated in the KBC Sustainability Strategy – of contributing towards a low-carbon society. In September 2019, KBC strengthened its climate commitment by signing the Collective Commitment to Climate Action (CCCA), an initiative of the UN Environmental Program Finance Initiative (UNEP FI). The energy sector is crucial to the transition towards a low-carbon economy, but it will face substantial challenges in this regard, such as securing the energy supply as demand grows and further increasing the share of renewable energy.

Commitment

KBC's ambition is to gradually increase the share of renewables in the total KBC Energy Credit Portfolio to at least 65% by 2030 at the latest. To help achieve this:

- KBC supports renewable energy, such as hydro, solar and wind;
- KBC will only consider financing biomass and biofuel activities subject to stringent conditions, including careful consideration of environmental impacts.

KBC takes a clear and concrete stance on:

- activities in the energy sector that KBC no longer wishes to support through lending, providing insurance or providing advisory services[1] (see below for exclusions);
- the conditions to be met by each counterparty in non-excluded areas to be/remain eligible for loans, insurance or advisory services.

KBC also takes into account the characteristics of the available energy sources (in particular their environmental acceptability), technological possibilities and limitations, anticipated market trends, local specificities as well as local and European regulation.

---

[1] Within the scope of this policy, "advisory services" should be understood as the advisory services provided by KBC Securities and KBC entities providing similar services in Central Europe. This includes e.g. advice on debt and equity capital market transactions and on M&A transactions.

Implementation

Coal-fired energy generation, including coal mining

In general, KBC does not want to be involved in the financing, insuring or providing advisory services with regard to coal-fired electricity generation, district heating and coal mining.

KBC will not only abstain from any direct financing or insurance of coal related projects, but also from general corporate and any other financing and insurance of energy companies, when such companies:

- new customers: have any portion of their energy production capacity which is coal-fired;
- existing customers: have more than 25% of their energy production capacity which is coal-fired.

Moreover, KBC will from now on request that all existing customers, regardless of the fact that they are energy companies or not, with any coal-fired energy production capacity:

- submit a realistic and detailed plan, explaining how coal is to be entirely phased out by 2030; such a plan should be submitted by the end of 2022 for large companies and by the end of 2023 for smaller companies;
- commit not to engage into any new coal project, either by increasing existing capacity or by acquiring new capacity.

From 2030 on, KBC will abstain from *all* financing or insurance of and advisory services to energy companies which have *any* coal-fired energy production capacity.

In order to ensure the financing of the necessary energy transition, and only for *existing* customers, KBC remains prepared to finance *projects linked to the energy transition*, even when a company's coal-fired energy production capacity exceeds the 25% threshold, providing that the projects have a demonstrable utility regarding the energy transition.

Also, given the current local energy mix, local government policies and KBC's responsibility towards the local economies and societies in which it operates, some exceptions remain with regard to financing by CSOB in the Czech Republic. This is, however, subject to strict conditions:

1. on the direct financing by CSOB in the Czech Republic of local coal mining, coal-fired electricity generation and district heating projects:

    - no new financing is allowed;
    - existing financing can be maintained until maturity, but no longer than the end of 2021.

2. on the direct financing by CSOB in the Czech Republic of non-coal related projects: financing for *existing* customers remains possible, even when a company's coal-fired energy production capacity exceeds 25%, providing that these projects are linked to:

    - environmental improvements not related to an active coal-fired plant or coal mine;
    - social good causes.

KBC will furthermore abstain from the financing of transactions related to the supply of components which are deemed essential to coal-based electricity and heating plants and coal mines.

Finally, KBC will also abstain from trade finance transactions when thermal coal is the underlying good of the transaction.

Renewables

KBC will support financing, insuring or providing advisory services with regard to counterparties active in the **hydro, solar and wind renewable** segment. Special attention will be given to the assessment of:

- policies and subsidies in the counterparty's home country;
- the impact of a reduction in/termination of government support on the counterparty's repayment capacity;
- the electricity system in the counterparty's home country.

Biomass

Financing, insurance or advisory services regarding biomass/biofuels/bioliquids activities are permitted, subject to a set of conditions to be respected in full:

1. GHG reductions must comply with current EU requirements;
2. Sustainable inputs:
    - Food: only acceptable where the food is not fit for human consumption;
    - Inputs should comply with the European Commission's non-binding recommendation on sustainability criteria for biomass;
    - Input sourcing should be abundantly available;
    - Sustainable transport: no excessive transport of input materials or by-products;
3. Financing of biomass/biofuels/bioliquids is to be limited to plants within the EU;
4. Positive assessment of technology risk.

Oil and gas

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

- oil-fired power generation, both new and upgrades;
- exploration and development of unconventional oil and gas, including Arctic and Antarctic on- and off-shore oil and gas, deep water drilling, tar sands and shale oil and gas;
- specialised companies that are only active in the development and extraction of oil and gas fields.

KBC will otherwise continue to finance, insure or provide advisory services linked to oil and gas-based activities, albeit subject to stringent conditions.

Nuclear

KBC will continue to finance, insure or provide advisory services regarding activities related to nuclear power generation under stringent conditions, including compliance with the IAEA Action Plan on Nuclear Safety and the EURATOM New Safety Directive. KBC is only prepared to participate in the financing or insurance of, or to provide advisory services to new nuclear power plants if the project is part of an energy transition strategy and supported by the local government.

Version

April 2021

Publisher

KBC Group NV, Havenlaan 2, 1080 Brussels, Belgium

VAT BE 0403.227.515, RLP Brussels.

http://www.kbc.com

Mail: csr.feedback@kbc.com
