Reporting on our sustainability journey: our achievements, our progress and our ambitions

2022
ABOUT THIS REPORT

This Sustainability Report focuses on our sustainability strategy. It contains detailed sustainability and sustainable finance data and is aimed at sustainability experts, investors, employees, business partners, clients and non-profit organisations. The report has been prepared according to Global Reporting Initiative (GRI) Standards 2021 and Sustainability Accounting Standards Board (SASB) criteria.

Our other reports:
The Annual Report provides information (including mandatory statements) on our business model, strategy, sustainability, governance, financial performance, risks, and capital. The Annual Report is intended for investors, clients, employees and society in general. We apply the principles of integrated reporting wherever possible.

The Risk Report provides greater detail on the group’s risk and capital management, including environmental, social and governance (ESG)-related risks. The Risk Report is intended for investors, analysts, experts and the public at large.

Each of KBC's core countries also produces a Report to Society in which we look more closely at how our group plays its role in society. These reports are primarily intended for clients, employees and society at large. You can find the latest report for each country on our corporate website.

We would expressly point out that where we use words such as ‘green’ and ‘sustainable’ throughout this report, these terms in no way suggest that what we describe is already (fully) aligned with the EU taxonomy.

We report on our group's sustainability performance on an annual basis through our sustainability report. The report details how we address corporate sustainability and how we implement our sustainability strategy and Sustainable Finance Programme. It also describes the policies and guidelines we observe, the targets we have set ourselves, and our main achievements.

Content and materiality

To define the content of this report, we have considered:

• The material topics that may have a significant impact on our business
• The topics with the most significant impact on the economy, environment and people.

To identify these topics and their potential impact, we regularly engage with all relevant stakeholders throughout the year. We also conduct a specific materiality assessment every two years (see the “Strategy and value creation” section and the “Value creation: our material topics 2022” appendix of this report). Together, these define the content of this report. The results of the materiality assessment conducted in 2022 were reviewed and approved by the Internal Sustainability Board, the Executive Committee and the Board of Directors.

Reporting guidelines

We have prepared this sustainability report in observance of the 2021 GRI Sustainability Reporting Standards (GRI Standards). These standards set out universal guidelines for sustainability reporting. In line with the GRI standards, we have included the general disclosures and the disclosures for each high-priority topic identified. Since 2019, we have also been mapping our material topics to SASB standards. We include relevant disclosure topics in the GRI/SASB Content Index. You can find the GRI content index and SASB disclosure at the end of this report.

Scope and boundary

This report in general covers the KBC Group organisation as a whole. It matches the scope of consolidation used for financial information as per end of September 2022, unless stated otherwise.

However, some specific exclusions exist in this report with respect to the climate target setting for our lending portfolio. These exclusions have been applied to ensure consistency with the reporting scope applied for our 2021 baseline and targets in our first interim Climate Report.

• We exclude KBC Bank Ireland from our baseline emission intensities and climate target setting. This is in view of the exit from the Irish market and the associated agreement with the Bank of Ireland for acquiring the majority of KBC Bank Ireland’s loan assets and deposits (closed in February 2023).

• Given the recent acquisition, closed in July 2022, KBC Bank Bulgaria EAD (former Raiffeisenbank (Bulgaria) EAD) was not included in the reporting scope of our interim Climate Report. To ensure consistency with the targets disclosed in that report, we also exclude it from our target setting reporting in this report.

A full list of entities included in the financial consolidation scope is published on our website. The aggregate balance sheets of entities excluded from the consolidation do not exceed 1% of the combined balance sheet total.
Data gathering and reporting period

We have collected our sustainability data through a group-wide process which involves strict hierarchical validation. All KBC entities in our core countries and Ireland report on the non-financial areas of human capital, direct footprint, clients and community involvement. Climate-related data on our portfolios are gathered as part of a separate ‘data and metrics’ project within the KBC Sustainable Finance Programme.

The reporting period is 1 October 2021 - 30 September 2022, unless stated otherwise in the report.

Our group has published a sustainability report annually since 2005. You will find our previous report, which was published in April 2022, on our corporate website. In addition to the extension of the financial consolidation scope with KBC Bank Bulgaria, there are no substantive differences in scope or boundaries compared to the previous report.

Governance

We have prepared this sustainability report using input from business and sustainability experts in all our core countries. The report has been reviewed by senior managers and discussed and approved by the Internal Sustainability Board and the Executive Committee. The Board of Directors finally approved the report on 16 March 2023.

External assurance

The target progress report of KBC Group’s lending portfolio, the calculations of KBC Group’s direct footprint and our PRB (Principles for Responsible Banking) self-assessment have been assured by an external party. The remainder of the sustainability report has not been assured.

- Our 2022 target progress report has been independently verified by PwC (limited assurance). The 2021 baseline data and underlying calculations of KBC Group’s lending portfolio too, have been independently verified by PwC (limited assurance) as part of our September 2022 Climate Report. Where relevant, PwC verified any subsequent changes to the 2021 baseline data, and underlying calculations. Data independently verified by PwC (limited assurance) as part of this progress report are expressly earmarked with the adjoining symbol ∞ throughout the report.

- The calculations of KBC Group’s direct footprint and the underlying activity data have been verified by Vinçotte in accordance with ISO 14064-3 (reasonable assurance).

- Our 2022 PRB Reporting and Self-Assessment Template has been independently verified by PwC (limited assurance) on the accuracy of the data and the traceability of the process. In the template, these items are expressly earmarked with the adjoining symbol ∞.

The assurance statements are available in the assurance section at the end of this report.

Feedback

We welcome comments and questions from all our stakeholders. Please send us your feedback at csr.feedback@kbc.be.

Company name: ‘KBC’, ‘we’, ‘the group’ or ‘the KBC Group’ refer to the consolidated entity, i.e. KBC Group NV plus all the group companies included in the scope of consolidation. KBC Group NV refers solely to the parent company. Likewise, ‘KBC Bank’ and ‘KBC Insurance’ refer to the consolidated entities and ‘KBC Bank NV’ and ‘KBC Insurance NV’ refer solely to the non-consolidated entities.

Statement regarding the use of ‘Board of Directors’ and ‘Executive Committee’ these refer to the Board of Directors and Executive Committee of KBC Group.

Glossary: a list of the most widely used terms and abbreviations, with accompanying definitions where necessary can be found at the end of this report.

3 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) is available on our corporate website and in our annual report.
This section details how our CEO and the Chairman of the Board of Directors look back on the progress of the group’s sustainability strategy. It provides a broad overview of our business, our goals and our corporate strategy. We look at our sustainability journey and our main accomplishments in 2022. This includes an overview of our main ESG ratings and a progress report on our main sustainability-related targets.

In this section we describe how we shape our role in society through the three cornerstones of our sustainability strategy. We address the sustainability dashboard we use to monitor its implementation and report our progress to the Board of Directors. It includes an overview of the group’s sustainability and climate-related governance. We also look at how we identify our most material topics and how we create value for our stakeholders.

Our employees are very important stakeholders for our group. This section outlines how we listen to and value our people as an important driver of our business model. It describes how we future-proof the organisation of our human resources. We address the development of our employees’ skills, talents and creativity. We also look at how we ensure a safe, secure and healthy working environment and a diverse and inclusive business culture.

In this section we describe how we conduct our business activities in a responsible manner. We explain why responsible behaviour is the foundation of our sustainability strategy and how we make this tangible throughout our organisation. We describe how we tackle cyber risk and manage information risk and data protection. We also address our corporate policies and codes of conduct.

This section looks at how we aim to meet our stakeholders’ expectations regarding important sustainability topics. It describes how we adapt our portfolios and sustainability policies accordingly, in all our core activities. We also address how we measure our impact, where possible. We also discuss our Sustainable Finance Programme, specifically focusing on our climate action. We report on this theme across the four pillars of the TCFD framework. This section thus includes our TCFD report.

This section includes detailed non-financial and sustainability data. It includes detailed data on our direct and indirect environmental impact, sustainable finance, employees, suppliers and community involvement. It also includes our sustainability targets, where relevant, and the progress we have made on these targets in 2022.

This section gives a detailed account of our approach to materiality and stakeholder engagement and the material topics identified throughout this process. It includes the GRI/SASB index with an overview of all required and relevant disclosures. We also zoom in on the different methodologies we use to inform our climate strategy. Finally, this section includes our self-assessment on the implementation of the Principles for Responsible Banking and the Principles for Sustainable Insurance.
2022 IN A NUTSHELL

• Leadership statement
• KBC at a glance
• Our sustainability journey
• Sustainability highlights 2022

STRATEGY AND VALUE CREATION

OUR PEOPLE

OUR RESPONSIBILITY

SUSTAINABLE FINANCE

SUSTAINABILITY FACTS AND FIGURES

APPENDICES

ASSURANCE STATEMENTS

GLOSSARY
Dear reader,

As our society started to recover from the Covid-19 pandemic, we all had high hopes that in 2022 we would be able to make up for the things we had to miss out on over the past two years. However, KBC and the rest of the world witnessed the brutal invasion of Ukraine with great sadness. Our society suddenly became confronted with a deep, humanitarian crisis and experienced feelings of powerlessness.

The deep and complex, resulting energy crisis is delivering a shock throughout most of Europe. On top of that, economic recovery became rapidly hindered by inflationary effects. What for most people was supposed to be a promising year, became a year of concern and uncertainty.

KBC remains deeply committed to supporting its clients, including in these challenging times. We also affirm our significant responsibility towards the local economies of our home markets.

Fortunately, bad times do bring out the best in people. Our ‘Team Blue’ showed this through several charitable and heart-warming initiatives to support the victims of the Ukrainian war. In our Central Eastern European markets, some of this support was also delivered through our financial products and services. A worthy testimony to KBC’s commitment towards the communities we serve.

In 2022, the physical effects of the warming planet again became clearer. In some of our markets violent storms caused considerable material and human damage. Earlier than anticipated, severe drought worsened, and extremely dry conditions affected several European regions.

KBC believes it is more important than ever to remain closely engaged with our clients and to provide swift support. Even in the face of unprecedented circumstances, we remain dedicated to improving the standards of our multi-channel ‘Digital First’ service model. Our digital assistant Kate proved her worth by proactively inquiring with clients if they had suffered loss after these exceptional weather events.

These socially, environmentally, and economically challenging times require a thoughtful and appropriate response from the financial sector. KBC delivers its response by incorporating sustainability in our day-to-day business in a very practical sense. In 2022, KBC took further concrete steps on its sustainability journey. We became the first Belgian financial institution to issue a 750-million-euro social bond. The proceeds of this issue go towards funding the hospital sector and projects that generate social benefits which support our mission. With the publication of its first Climate Report in September 2022, KBC achieved yet another important milestone on its climate action journey. At the end of 2022 we also decided to further bolster our intentions regarding climate action by committing our banking activities to the Science-Based Targets Initiative (SBTi).

We highlight only a few examples of how we are taking sustainability to the next level at KBC. Sustainability is constantly evolving, based on progressive scientific insights and societal expectations. We are determined to act accordingly. KBC constantly screens these developments and is open to adjusting its approach as and when necessary.

As part of this process KBC regularly examines the way we manage Environmental, Social and Governance (ESG) domains within our impact area. KBC will increasingly address issues of biodiversity, water, circularity, waste and pollution, given the evolving concerns over our environment. We remain committed to assisting our clients in the much-needed transition and remain vigilant that this transition is socially inclusive and occurs with full respect for human rights.

We are proud that our comprehensive sustainability strategy and solid governance receives appreciation from independent rating providers. Their affirmation of our leadership status is a welcome recognition of the efforts we make to incorporate sustainability in our daily business as a bank-insurer. In December 2022, CDP put KBC on their ‘A list’, an achievement which fewer than two percent of all CDP-rated companies managed to accomplish. KBC also received the Terra Carta Seal from the former Prince of Wales, as a token of recognition of our dedication to create a truly sustainable future.

Our 2022 Sustainability Report describes all the above and more in greater detail. We hope you enjoy the read.

Kind regards,

Johan Thijs
Chief Executive Officer
KBC Group

Koenraad Debackere
Chairman of the Board of Directors KBC Group
Our area of operation

KBC is an integrated bank-insurance group, catering mainly for retail, private banking, small and medium-sized enterprises (SMEs) and mid-cap clients. We operate in our core markets of Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia. We also operate to a limited extent in several other countries to support corporate clients from our core markets.

Our goal and ambition

Through our activities, we seek to help our clients achieve and protect their dreams and projects. We aim to serve as the reference for bank-insurance in all our core markets.
Our sustainability journey

- 1992
  - Launched our first Responsible fund, pioneer in Belgium
  - Foundation of BRS vzw, working on microfinance and microinsurance

- 2004
  - First Report to Society

- 2005
  - First group-wide sustainability report

- 2006
  - Joined the UN Global Compact

- 2010
  - Launched report to society
  - Launched Sustainability in our new corporate strategy as the fourth pillar of this strategy

- 2012
  - Sustainability integrated in our new corporate strategy

- 2014
  - Identified four focus areas to live up to our role in society: environmental responsibility, entrepreneurship, digital literacy and longevity and/or health

- 2015
  - Revamped our sustainability strategy and published our first sustainability framework, including new and strengthened sustainability policies.
  - Established clear sustainability targets to measure progress
  - Signed the UN Principles for Responsible Investment (PRI)

- 2016
  - The first Belgian financial institution to issue a green bond
  - Strenghened our group wide sustainability governance

- 2017
  - Committed to the Task Force on Climate-related Financial Disclosures (TCFD)
  - Signed the Tobacco-Free Finance Pledge to divest from the tobacco industry

- 2018
  - Signed the Gender Diversity in Finance charter and became a member of Women in Finance

- 2019
  - Signed the Commitment to Climate Action (CCCA)
  - Signed the UNEP FI Principles for Responsible Banking (PRB)
  - Signed the UNEP FI Principles for Sustainable Insurance (PSI)
  - Signed the Collective Commitment to Climate Action (CCCA)

- 2021
  - Launched Start it @KBC to foster innovation and entrepreneurship
  - First time calculation of disclosure of the GHG emissions and climate-related impact of our portfolios
  - Became net-climate neutral for our direct environmental footprint

- 2020
  - Substantially raised our climate-related ambitions as part of our updated corporate strategy
  - Established clear sustainability targets to measure progress
Sustainability highlights 2022

Strong performance in environment, social and governance (ESG) in 2022

Commitment to climate action

- 2030 and 2050 climate targets
  Committed to a first set of climate targets for the most material carbon-intensive industrial sectors and product lines in our lending business and our asset management activities.

- On track
  Despite the short lead time since our baseline establishment, this first progress report shows that, overall, we are well on track in meeting our portfolio climate targets.

- Partner in the transition
  More than 3,000 customer engagement dialogues since the start to support our clients’ transition.

Sustainable business

- 7.4 billion euros
  Financing contributing to social objectives

- 14.3 billion euros
  Financing contributing to environmental objectives

- 600,000 tonnes CO₂e
  Avoided GHG emissions through renewable energy project finance

- 32.3 billion euros
  Responsible investing funds
  37% of total assets under distribution (direct client money)

Social responsibility

- Social bond
  Issued a 750-million-euro social bond for investments in healthcare.

- 34% Female entrepreneurship among our start-up community in Belgium

- 10 million euros
  Outstanding loans to microfinance institutions and investments in microfinance funds

- Diversity in senior management
  24% women in senior management roles

- -70%
  Reduction of our direct environmental footprint compared to 2015

- 600,000 tonnes CO₂e
  Avoided GHG emissions through renewable energy project finance

- 34% Female entrepreneurship among our start-up community in Belgium

KBC also received broad external recognition for its efforts on ESG themes in the shape of several sustainability-related awards. We highlight some of these awards throughout the report.

Our ESG ratings

A
Leader in addressing climate change

Low risk rating (12.5)
10th of 405 diversified banks (3rd percentile)

75
Top 15% of 242 banks assessed (85th percentile)
Included in the Sustainability Yearbook for the 4th consecutive year

AAA
5th percentile of 197 banks assessed

C+ prime
1st decile rank of 300 commercial banks and capital markets assessed

4.3
Top 10% of banks assessed (90th percentile)

1 End-of-year data
### Direct environmental impact

- **Direct footprint (by 2030 versus 2015 baseline)**
  - **Net carbon neutrality (as of 2021)**
- **Renewable electricity (by 2030)**

### Indirect environmental impact

- **Emission intensity climate targets for our lending portfolio (by 2030 and 2050 versus 2021 baseline)**
- **Emission intensity climate targets for our asset management portfolio (by 2030 and 2050 versus 2019 benchmark)**

### Sustainability targets: our progress in brief

This overview provides a general picture of our main targets. As such, the overview is not exhaustive and readers are referred to the respective sections in this report for a complete overview and all (methodological) details of our targets.

#### Our commitment to climate action

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| Direct footprint | -10% | 10% 
| Renewable electricity | -25% | 25% 
| Net carbon neutrality | -50% | 50% 

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| Responsible Investing funds: Share in total assets under distribution (direct client money) | 45% | 55% 

Please note that our climate targets are directed towards convergence with 2030 and 2050 goals. Given the long lead time until these target dates, and the many uncertainties that surround climate transition, intermediate and short-term fluctuations in our progress measurements cannot be excluded. Furthermore, a perfect linear reduction between now and 2030 or 2050 would not be commensurate with the underlying economic and financial realities.

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STRATEGY AND VALUE CREATION
We aim to meet the needs of society and live up to the expectations of all our stakeholders. We seek to create long-term value for them. Our strategy outlines the role we want to play in society, our focus points and our goals.

To support the implementation of our strategy throughout the group, we have a strict sustainability governance in place. The KBC Sustainability dashboard further makes sure that we are able to track the implementation via various indicators and targets.

We keep a close eye on the world around us so that we focus on the right topics. These are the topics that are most important – material – to us. We also regularly engage with our stakeholders to understand their views on the environmental and social challenges we face as a society.
The cornerstones of our sustainability strategy

Financial institutions are the main drivers of our current economic system and impact society and the environment. We are aware of the responsibilities this entails. Accordingly, KBC is highly motivated to support the transition to a more sustainable, modern, self-sufficient and climate-resilient society. We are keen to work closely with our clients and other stakeholders to achieve this goal. As such, sustainability is a vital component of our overall corporate strategy and our day-to-day business.

As a financial institution, we must ensure financial resilience and run a strict risk management system. This responsibility therefore lies at the heart of our sustainability strategy. In doing so, we ensure that we are able to do business sustainably into the future. Provided this criterion is met, our sustainability strategy consists of three main cornerstones:

- Maximise the positive impact of our products and services on society and the environment.
- Minimise or completely avoid any potential negative impacts.
- We strongly care about and encourage responsible behaviour in all our employees.

These three cornerstones are embedded within two additional and crucially important elements. Firstly, we acknowledge the different contexts in each of our core markets and respect these in our sustainability strategy. We also aim to support local communities and the economy in each of these markets. Secondly, our people are crucial for the implementation of our sustainability strategy. To this end we heavily invest in building sustainable skills and a sustainable vision carried by all employees. We encourage all our employees to conduct themselves in a way that is responsive, respectful and result-driven.

The United Nations (UN) Sustainable Development Goals (SDGs) have played an important role in informing our sustainability strategy. Although all SDGs are important, we believe we can create a bigger impact by focusing on selected SDG topics. These SDGs are more specifically linked to our activities as a bank-insurer. We have identified five high-impact areas for KBC: SDG 8 Decent work and economic growth: In our banking and insurance businesses, we support entrepreneurs and invest in innovative new businesses. We especially stimulate female entrepreneurship through our accelerators for start-ups in Belgium, the Czech Republic and Hungary. Through our microfinance and microinsurance activities, we provide rural entrepreneurs and farmers in the Global South access to financial services. This facilitates sustainable local development and contributes to financial inclusion.

Our strategy and the selected SDGs have informed the focus of our target setting. Read more in the section on ‘Sustainability targets: progress in brief’.

- SDG 3 Good health and well-being: We promote a good work-life balance among our employees. Also, in our banking and insurance products we focus on improving healthcare, quality of life and road safety.
- SDG 7 Affordable and clean energy: We contribute to increasing the share of local renewable energy production and its efficient use through our banking and insurance activities. KBC also adopts a stepwise approach to exiting from the financing and insurance of non-sustainable energy solutions such as thermal coal, oil and gas.
- SDG 8 Decent work and economic growth: In our banking and insurance businesses, we support entrepreneurs and invest in innovative new businesses. We especially stimulate female entrepreneurship through our accelerators for start-ups in Belgium, the Czech Republic and Hungary. Through our microfinance and microinsurance activities, we provide rural entrepreneurs and farmers in the Global South access to financial services. This facilitates sustainable local development and contributes to financial inclusion.
- SDG 12 Responsible consumption and production: We develop banking and insurance products which support low-carbon or circular businesses. Furthermore, we promote responsible investing (RI) among our clients as our first offer and preferred investment solutions which directly support SDG 12.
- SDG 13 Climate action: We have strict sustainability policies in place for the environmental impact of our loan, investment and insurance portfolios. KBC is also a signatory of the Collective Commitment to Climate Action (CCCA). In line with our commitment to the CCCA, we have set climate targets for the most material carbon-intensive industrial sectors and product lines in our lending business. As such, we work with our clients to bring our portfolios in line with the Paris Agreement. We also engage directly with our investees to reduce the climate-related impact of our investment portfolios. Finally, we have ambitious targets in place for reducing our direct climate impact.

The UN Sustainable Development Goals set the global agenda for governments, businesses and civil society on the best ways to address the major sustainable development challenges, such as how to end poverty, protect the planet and ensure prosperity for all. As a financial institution, we have a critical role to play in accomplishing these goals.
In 2016, we pre-determined four areas that are of specific importance to our sustainability strategy: environmental responsibility, financial literacy, entrepreneurship, and health and longevity. We believe that these four areas are within our realm of influence. At the same time, they address the compelling current needs of our society. Also, these areas are clearly connected with the SDGs that are our core focus. We aim to provide sustainable business solutions in each of these domains. Practical examples of such solutions are included in the ‘In the spotlight’ cases throughout this report.

Environmental responsibility
Climate change is one of the biggest global challenges. We also face other major environmental challenges relating to biodiversity, pollution, water and the circular economy that require urgent action. Environmental responsibility is therefore one of our four focus areas. We already offer a range of solutions to tackle these issues and plan to continue to do so.

Relevant SDG goals (high-impact areas)
There is a clear link between KBC’s business solutions for our ‘environmental responsibility’ focus area and several of the SDGs: SDG 13 (climate action), SDG 7 (affordable and clean energy) and SDG 12 (responsible consumption and production).

Financial literacy
We see it as our responsibility to contribute to improving the general public’s understanding of financial concepts and products. We have therefore defined financial literacy as a focus area. For this goal, we focus on:

- Financial advice and clear communication: We offer our clients a wide range of financial products and services. We aim to offer them clear and transparent advice on our products and services, so that they can make responsible decisions.
- Financial behaviour: A considerable part of our clients uses our online services, allowing us to collect data, and improve our products and services. Although it is fully secured, not all clients wish to share their personal data through our online services. We therefore make sure to clearly inform them about how we use the data we collect. Hence, our clients decide for themselves which information they feel comfortable sharing. For more information on our privacy and data management, please see the ‘Privacy and data protection’ section in this report.
- Financial education: We aim to combat financial illiteracy from an early age onwards. We offer different educational activities. By doing so, we want to support people to develop good money habits and to avoid behaviour that may lead to money struggles.

Relevant SDG goals (high-impact areas)
We support responsible consumption and production (SDG 12) through the development of business solutions for our ‘financial literacy’ focus area.

Entrepreneurship
We want to support entrepreneurship, stimulate job creation and contribute to sustainable economic growth through our banking and insurance activities. We also aim to invest in innovation and technology through partnerships with start-ups and financial technology companies.

Relevant SDG goals (high-impact areas)
Our focus on ‘entrepreneurship’ as one of the focus areas is linked to SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production).

Longevity and health
Finally, we want to meet the needs of a growing ageing population. We develop specific solutions through our core businesses to this end. In Belgium and the Czech Republic, our main focus is on longevity. In our other core markets, the focus goes out to the development of products and services to improve quality of life, healthcare and health in general.

Relevant SDG goals (high-impact areas)
We contribute to SDG 3 (good health and well-being) and to SDG 12 (responsible consumption and production) by developing banking and insurance products that focus on health, healthcare and improving quality of life.
We want to ensure the integration of our sustainability strategy throughout our group and in all our core activities. We therefore implement our sustainability strategy through a firm sustainability governance structure. This includes top level responsibility for our sustainability and climate strategy, covering all environment, social and governance-related (ESG) themes. The centrally decided strategy is implemented group-wide through clear local accountabilities in each of our core countries. We have further strengthened this hybrid organisational structure in 2022 by placing local accountability at management level.

Figure 2.2: KBC sustainability and climate governance organisation chart

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1 Limited to environment, social and governance (ESG) topics discussed as part of our specific sustainability governance. This does not include ESG related topics outside this governance such as topics related to corporate governance and remuneration, diversity, anti-money laundering and cyber security.
At the end of 2022, we have further strengthened our sustainability and climate governance. We decided to install local accountability at management level in each of our core countries. A functional reporting relationship is set up with the Senior General Manager of the Group Corporate Sustainability department. By organising sustainability close to our business and through clear, local accountabilities, we ensure that it is anchored throughout the group and that sustainability at KBC is not about empty words, but an actual management objective and strategic element of our organisation.

The Executive Committee reports to the Board of Directors on the sustainability strategy. This covers ESG-related themes in the broad sense, including climate and other environmental topics, but also topics such as gender diversity and human rights. The Risk and Compliance Committee also very closely monitors ESG-related risks. And more specifically climate-related risks, as the board has defined climate action failure as a top risk for the KBC Group. For more information, see the KBC Group Risk Report. Twice a year the Board evaluates and discusses progress in the area of sustainability via the KBC Sustainability Dashboard. On top of that, important changes to sustainability policies as well as sustainability-related reporting are also discussed at board level.

The Executive Committee has the highest level of direct responsibility for sustainability. It has given the Internal Sustainability Board (ISB) and the Sustainable Finance Steering Committee decision-making powers on sustainability issues. However, the ultimate decision-making power remains with the Executive Committee, which is required to ratify all decisions.

The Internal Sustainability Board is chaired by the Group CEO. The board furthermore includes the Group CFO as the vice-chairman in his capacity as the chairman of the Sustainable Finance Steering Committee, the Group Corporate Sustainability Senior General Manager and senior managers from all business units and core countries. All Executive Committee members are either members of or represented on the ISB. Given the presence of top executives and senior representatives of all our business units and core countries, the ISB is the principal forum for discussing all ESG-related issues. The ISB operates in close partnership with the Group Corporate Sustainability division. It is the responsibility of the members of the ISB to communicate on sustainability matters within their respective countries and business lines. They work closely with the country Sustainability General Managers to create a support and sponsorship base and implement the strategic decisions throughout the group.

The Group Corporate Sustainability Division is headed up by the Group Corporate Sustainability Senior General Manager. The latter reports directly to the Group CEO and also meets on a regular basis with the Chairman of the Board of Directors. The division is responsible for developing our general sustainability strategy, for implementing this strategy across the group and for informing the ISB on its implementation. The Executive Committee and the Board of Directors are informed of the progress made twice a year through the KBC Sustainability Dashboard.

As part of its overall sustainability strategy, KBC has set up a separate Sustainable Finance Programme. Initially, the programme was set up to focus on KBC’s approach to climate mitigation and adaptation. Since then, however, we have extended the scope to other environmental themes such as biodiversity, water and circularity. The same approach as the approach adopted towards climate will be gradually rolled out for these other environmental objectives.

The Sustainable Finance Programme Core Team handles the day-to-day implementation of KBC’s climate approach and supports its business departments in these endeavours. The core team, headed up by a programme manager from Group Corporate Sustainability, meets on a weekly basis to ensure swift action. The team is made up of specialists from the Finance, Credit Risk and Risk functions, along with sustainability experts. The team furthermore works closely with specifically designated contacts in the core markets. Finally, the team is also in close interaction with all relevant departments throughout the group such as Data Quality Management, KBC Insurance, KBC Asset Management, Treasury, Pensioenfonds KBC, Legal, Audit, Compliance and KBC Securities.

The Sustainable Finance Steering Committee, chaired by the Group CFO, oversees the Sustainable Finance Programme. The role of the steering committee is to monitor the overall progress and technical implementation of the Sustainable Finance
Programme. Various departments at group level work closely for this purpose. On top of that, a separate Data and Metrics Steering Committee was set up to specifically manage climate-related data collection and reporting. It additionally includes representatives from all core countries. The Sustainable Finance Steering Committee provides the Executive Committee and the Board of Directors with a status report on the Programme at least once a year.

We have placed local accountability at management level by appointing a General Manager Sustainability in each core country. The Country Sustainability Managers are responsible for integrating the decisions of the ISB on KBC’s sustainability strategy in their country. They work closely and frequently with the Group Corporate Sustainability division, and functionally report to the Senior General Manager Corporate Sustainability. These local accountabilities ensure all core countries of KBC are duly involved in both the strategic discussions and the operational implementation of the strategy. The organisation of the local sustainability teams varies from country to country. However, in general, country sustainability departments and committees provide support with the integration of the sustainability strategy and the organisation and communication of local initiatives in this area. Amongst other things, the relevant staff and committees supply and validate non-financial information.

Sustainability is anchored in our core activities – banking, insurance and asset management – in all business units and core countries.

In addition to our internal organisation, we have set up an External Sustainability Board. This board consists of sustainability experts, mainly from the world of academia. Its role is to advise KBC on its sustainability strategy and policies. Another external board is the RI (responsible investing) Advisory Board. The latter acts as an independent body and oversees the screening of the responsible character of the RI funds offered by KBC Asset Management.

IN THE SPOTLIGHT

STAKEHOLDER ENGAGEMENT

Our External Sustainability Board challenges our sustainability approach on a continuous basis

Interview with Gerard Govers, Vice Rector of the Science, Engineering and Technology Group at KU Leuven, Head of the Sustainability Office of KU Leuven and member of the External Sustainability Board of KBC

What motivated you to accept KBC’s invitation to become a member of KBC’s External Sustainability Board?

Naturally, you trust and respect the people who have confidence in you. At the same time, I thought this was a nice challenge and an important responsibility. Academics usually know a lot about what is going wrong on Earth. But with this opportunity, I can also apply my knowledge to the financial sector. Building a green economy requires tremendous investments. The financial sector is therefore a key player in the transition that our society is currently going through. Supporting this sector is something I do with immense pleasure.

What is your take on KBC’s sustainability strategy and the steps taken in recent years?

KBC has already achieved a lot and is, in my opinion, doing well in terms of sustainability. I especially like the fact that KBC tries to develop a strategy based on quantitative scientific data. The sustainability debate is often obscured by emotions. That is understandable! Humans are emotional beings, and we are in the middle of a climate and biodiversity crisis. But if we want a green, sustainable society, we need to keep our emotions at bay and look at the facts and figures. That is the only way we can develop a rational and optimal strategy for the future development of KBC and society.

In your view, what is the added value of a body such as the External Sustainability Board in the light of KBC’s sustainability governance and strategy?

This kind of external body is extremely valuable. It allows KBC to discuss novel ideas with people without any direct personal financial stake, whether KBC pursues them or not. An external board can therefore challenge the views from within KBC. Anyone who is familiar with Barbara Tuchman’s fantastic book ‘The March of Folly’ knows how destructive management can be if the external view is ignored. An external sustainability board is one of the instruments to avoid this trap.

What do you think are the main challenges a financial organisation will have to face in the short-term in the field of sustainability?

In my view, the biggest challenge is to walk the thin line between alarmism and complacency. The financial sector needs to realise that change is now happening at a pace that no one could have foreseen 10 years ago. For a financial organisation that invests in long-term assets (for example, industrial infrastructure, public works or private housing), it is essential to avoid stranded assets and show the necessary flexibility to respond to these changes. Meanwhile, it is important to be realistic. Understanding what the limitations of our society are, in terms of transformation, is as important as the willingness to lead the transition.
KBC Sustainability Dashboard

We use the KBC Sustainability Dashboard to follow up on the implementation of our sustainability strategy. The dashboard reflects the key actions of our sustainability strategy. It includes measurable and verifiable parameters to ensure an objective assessment of the strategy. The dashboard is presented twice a year to the Executive Committee and the Board of Directors to evaluate and discuss the progress on sustainability. This assessment affects the variable remuneration of the Executive Committee members.

We have thoroughly reviewed the KBC Sustainability Dashboard this year to reflect changes in strategic focus and to add new priority topics. The updated dashboard is adaptable, meaning it can be adjusted to also reflect future changes.

The figure on this page shows the key elements of the KBC Sustainability Dashboard. We discuss the underlying Key Performance Indicators (KPIs) throughout this report as well as in our Annual Report. However, please be advised that some indicators are available only within the KBC organisation.

Sustainability integrated into our remuneration policy

We believe our top management has an important role in the implementation of our sustainability strategy. The variable remuneration of Executive Committee members is therefore partly contingent on the progress in our sustainability strategy. In practical terms, one of the collective targets that determines their variable remuneration is related to the implementation of the sustainability strategy. The progress is evaluated every six months using the KBC Sustainability Dashboard. The ultimate assessment of the criteria used to evaluate the members of the Executive Committee lies with the Board of Directors via the Remuneration Committee.

Also, the variable remuneration of senior management is partly linked to sustainability performance. In concrete terms, at least 10% of the variable remuneration of senior management members is tied to the achievement of individual targets related to the implementation of the group’s sustainability strategy.

Figure 2.3: KBC Sustainability Dashboard

<table>
<thead>
<tr>
<th>Environment</th>
<th>Social</th>
<th>Governance</th>
<th>Overarching</th>
<th>Outside-in</th>
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</thead>
<tbody>
<tr>
<td>Climate target setting</td>
<td>Supporting female entrepreneurship</td>
<td>Sustainability objectives of senior management</td>
<td>Responsible Investing funds targets</td>
<td>ESG-ratings of KBC group</td>
</tr>
<tr>
<td>Own footprint target setting</td>
<td>KBC Group gender balance</td>
<td>Responsible behaviour</td>
<td>KBC Group sustainability training</td>
<td>Structural stakeholder dialogue</td>
</tr>
<tr>
<td>Sustainable business opportunity track</td>
<td>BRS: financial inclusion and impact investing</td>
<td>Overview of new policy decisions linked to sustainability</td>
<td>Follow-up on concerns from our stakeholders</td>
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<td></td>
<td></td>
<td>KBC Green and Social bonds</td>
<td>Net promoter score results</td>
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<td></td>
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<td>Corporate reputation index results</td>
<td></td>
</tr>
</tbody>
</table>

Figure 2.3: KBC Sustainability Dashboard

READ MORE

- More detail on the remuneration policy
- KBC Group Annual Report “Corporate governance statement”
- KBC Group Remuneration Policy
The world in which we operate

We have an important impact on, and are impacted by, the world in which we operate, which is why we keep a close eye on developments in our working environment. This process helps us to identify the topics that are most important (i.e. most material) to us. This refers to topics that impact us, on the one hand, and the economy, the environment and people, on the other. Based on the materiality assessment conducted in 2022, we note that the top three high-priority topics remain unchanged from 2020. Correspondingly, delivering sustainable and responsible products and services together with conducting ethical and resilient business, continue to be a priority for our internal and external stakeholders.

We conduct a full materiality assessment every two years. Through this assessment, we identified seven high-priority topics. These are the topics that have the highest impact on society and on KBC. These topics shape our strategic focus, and all have a clear link with our corporate and sustainability strategy. On top of our seven high-priority topics, we identified eight other priority topics that are also relevant and important to work on. You will find the full results of the assessment in the appendices of this report.

**High-priority topics**

In this section we focus on the seven high-priority topics. We show how these topics are tied in with our strategic focus and the indicators we use to measure our progress. We track our performance on these parameters using, amongst others, the KBC Sustainability Dashboard. Please note, however, that not all KPIs are available externally and are thus not all shared in this report.

We describe our group’s impact in relation to these high-priority topics throughout the report. This means we report on the effects our activities have or could have on the economy, the environment and on people. Please see the appendices of this report for a more detailed analysis of the actual and potential impact related to the topics.

**High-priority topics**

<table>
<thead>
<tr>
<th>High-priority topics</th>
<th>Strategic focus</th>
<th>Focus domains</th>
<th>KPIs</th>
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<tr>
<td>Sustainable and responsible service and product offering</td>
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<td>Environmental responsibility</td>
<td>Social responsibility</td>
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<td>Longevity and health</td>
<td>Sustainable business</td>
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<td>Sustainable business opportunity track</td>
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<tr>
<td>Partner in the transformation to a more sustainable future</td>
<td>Increase our positive impact</td>
<td>Environmental responsibility</td>
<td>Sustainability targets</td>
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<td>Limit our adverse impact</td>
<td>Entrepreneurship</td>
<td>Emission intensity climate targets for our lending portfolio</td>
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<td>Sustainable business</td>
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<td>KBC Sustainability Dashboard</td>
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<tr>
<td>Sustainable and responsible asset management and investing</td>
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<td>Sustainable business</td>
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<td>Longevity and health</td>
<td>Sustainable business opportunity track</td>
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<tr>
<td>Ethical business conduct and responsible behaviour</td>
<td>Responsible behaviour</td>
<td>Financial literacy</td>
<td>Responsible behaviour</td>
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<td>Follow-up on concerns from our stakeholders</td>
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<tr>
<td>Long-term resilience of our business model</td>
<td>Financial resilience and strict risk management</td>
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<td>Our financial KPIs in our Annual Report</td>
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<tr>
<td>Data protection and cyber security</td>
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<td>Financial literacy</td>
<td>KBC Group Information Security Strategy targets and metrics</td>
</tr>
<tr>
<td>Employee development and well-being</td>
<td>Our people</td>
<td>Longevity and health</td>
<td>Employee engagement</td>
</tr>
</tbody>
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**The world in which we operate**

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In this section we focus on the seven high-priority topics. These are the topics that have the highest impact on society and on KBC. These topics shape our strategic focus, and all have a clear link with our corporate and sustainability strategy. On top of our seven high-priority topics, we identified eight other priority topics that are also relevant and important to work on. You will find the full results of the assessment in the appendices of this report.

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We describe our group’s impact in relation to these high-priority topics throughout the report. This means we report on the effects our activities have or could have on the economy, the environment and on people. Please see the appendices of this report for a more detailed analysis of the actual and potential impact related to the topics.
Identifying our stakeholders

We define our stakeholders as an individual or group whose interest is affected or could be affected by KBC Group’s activities. We have identified our main stakeholder groups through thorough analyses and in cooperation with internal and external sustainability experts. These include our clients, employees, investors and core shareholders, suppliers, public authorities, non-governmental organisations and the wider community.

We engage with our stakeholders on a continuous basis to understand their views on the environmental and social challenges we face as a society. We do this both at group level and at local level in each of our five core countries. At the same time, we also share our insights on relevant topics and challenges with our stakeholders. One example being the way in which we regularly engage with experts from the world of academia throughout the year. Our so-called external advisory boards advise us on various aspects of our sustainability strategy and challenge us on a wide range of topics.

Some of the topics we discussed with our stakeholders in 2022 are detailed in ‘In the spotlight’ cases throughout this report. These cover topics such as human rights, the energy crisis and our sustainability policies.

Our value-creation model shows how we create value for our stakeholders and society at large. It shows how we use the resources at our disposal to meet the expectations of our stakeholders through our operations. And how we create value throughout that process. Our value creation model can be consulted in our Annual Report

Value creation

We take our responsibility towards society and local economies very seriously. We aim to meet the needs of society and live up to the expectations of all our stakeholders. We want to create long-term value for them. As a financial institution, we can create value in many ways.

Through the financial services we provide, we support economic growth, well-being and job creation, just to name a few. For our employees, we offer a fair reward, training, career development opportunities and a safe, healthy and inclusive working environment. We also create financial value for our stakeholders by distributing economic value. Making a sustainable profit enables us to preserve our solid capital base and reinvest in our business activities.

At the same time, we acknowledge that our activities may have a negative impact, both directly and indirectly. Where we finance carbon-intensive sectors for example, we have an indirect, adverse impact on the environment through the carbon emissions of our clients. We are keen to limit this impact through our sustainability policies that impose strict rules on our business activities. Moreover, we also have climate-related targets in place for our most material carbon-intensive industrial sectors and product lines in our lending business.

At the same time, we want to increase our positive impact by providing more sustainable finance and support our clients in their sustainable transition.

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OUR PEOPLE

- Talent management
- Listening to our people
- Health and well-being
- Diversity and inclusion

ABOUT THIS REPORT
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SUSTAINABILITY FACTS AND FIGURES
APPENDICES
ASSURANCE STATEMENTS
GLOSSARY
KBC group employs a total workforce of 42,000 staff who are the organisation’s main driving force and biggest asset. Team Blue unites all our employees to work together for our common goals.

In our fast-changing world, building and developing our people’s skills and knowledge is crucial. We give every employee the space they need to flourish in their development and creativity. To KBC, talent management is a constant process that enables our employees to develop their personal and professional skills, improve their performance and explore their leadership abilities on an ongoing basis.

We are proud of the dedication and engagement demonstrated by our employees in supporting KBC’s vision and strategy. Our priority is to keep our employees satisfied. For this reason, we engage in an open social dialogue with our employees and employee representatives, and we conduct regular employee engagement surveys.

We make sure that our people—regardless of gender, religion, age or disability—are treated equally in every circumstance. It is our responsibility to make sure that each and every employee feels recognised, empowered and motivated whilst having equal opportunities.
Our employees are very important stakeholders for our group and the driving force of our organisation, which is why we invest heavily in our people. We listen to our people and support them in their talent development journey. We aim to ensure a safe, secure and healthy working environment and an inclusive business culture. Our human resources policy sets out local focus areas in each of our core countries to respond to the local labour market. Yet our employees are connected by the same group-wide values. These values are rooted in our PEARL+ business culture.

We sum up our business culture in the acronym 'PEARL+':
- **Performance**: we strive for excellent results and do what we promise.
- **Empowerment**: we allow the creativity and talent of the individual employee to blossom.
- **Accountability**: we meet our personal responsibilities.
- **Responsiveness**: we anticipate and respond proactively to questions and suggestions.
- **Local Embeddedness**: we view the diversity of our teams and clients in our core markets as a strength.

The extra ‘+’ dimension reflects our increased focus on the joint development and smart-copying of solutions, initiatives, and ideas within the group, enabling them to be easily implemented across the board. We encourage all our employees to conduct themselves in a way that is responsive, respectful and results-driven.

Team Blue embodies our strong cooperation ability across our group’s different business units and our core countries. We strongly encourage the smart copying of projects and ideas and pooling experiences. Through the various ‘Team Blue’ initiatives, we aim to unite employees from different countries, make them proud of their team and their company and enable them to draw on each other’s experience.

Our employees are crucial in carrying out our sustainability philosophy. In this regard, we focus on creating a team spirit for ‘Team Blue’ on the topic of sustainability. We do so through training sessions specifically developed for our employees.

We also want to incorporate sustainability in our daily business in a more playful manner. Which is why, we organised sustainability challenges in several of our core countries.

For example, ČSOB in the Czech Republic challenged their colleagues in Slovakia to a litter clean-up contest. The ‘Let’s clean up Czecho-Slovakia’ contest took place in September and October 2022. In a close finish, the Slovak team came out the winner. Together, they spent 3,097 hours cleaning up public spaces and engaged an incredible number of 2,500 colleagues.

In Belgium, we kicked off a litter clean-up challenge in December 2022. Our Belgian colleagues were challenged to collect as much litter as possible from public spaces. As a reward, they could earn digital Kate coins that can be used at the Rock Werchter Festival in the summer of 2023. The Kate coin is our own digital currency, based on blockchain technology. After a first successful large-scale test with KBC employees in Belgium in 2022, we plan to roll out the Kate coins to private clients as well, in the course of 2023.
Talent management

The ‘E’ in PEARL stands for ‘Empowerment’, referring to our commitment to give every employee the space they need to develop their talent and creativity to support our business strategy. Not only by learning, but also by communicating ideas and taking responsibilities. To KBC, talent management is a constant process that enables our employees to continue to develop their personal and professional skills, improve their performances, and explore their leadership abilities. At KBC, we aim to create a working environment that attracts and keeps high-quality employees while motivating them to stay with KBC for the long term.

StiPPLE

KBC created a digital platform called StiPPLE, which stands for Skills to improve Performance Progression Learning and Employability. StiPPLE helps our employees develop, in terms of both output and skills, in their current function and assists their progress towards future functions, roles and skills. Employees receive insights into their career opportunities at KBC and can very easily apply for open positions.

The platform enables employees to share and exchange knowledge in specific areas. It helps them to focus on the right output and their development targets. In this respect, we identified a set of ‘KBC hot skills’ that every KBC employee needs as well as specific job-related hot skills. The StiPPLE platform then proposes learning content tailored to the individual needs of the employee. The matching modules on the platform also provide job opportunities that match employees’ profiles based on their competences and interests.

The digital learning and talent platform is now available in Belgium and the Czech Republic and has been partially rolled out in our other core countries.

Sustainability hot skill

In 2021, KBC introduced the ‘Sustainability hot skill’ and developed a training on sustainability, given the great importance of the topic. The training raises awareness about the significance of transitioning to a more sustainable and greener economy, and key elements embedded in KBC’s strategy to achieve this goal. The training also zooms in on climate change. Moreover, we aim to use the training to create awareness about the responsibility that each of our employees carries and the role they all play in KBC’s sustainability strategy. In 2022, we launched additional training sessions on climate risks, regulatory reporting requirements and responsible investing areas.

We plan to extend the training programmes with other sustainability topics, such as biodiversity and circularity over the years ahead.

Continuous progression

KBC’s Performance and Progression Management supports its employees with a continuous review method instead of annual appraisals. All managers and team members are actively involved in this process. To ensure that each employee progresses along with their team and in line with our group strategy, we set dynamic individual and team goals. We support our employees with these endeavours through regular progression dialogues, continuous feedback and coaching sessions.

Leadership programmes

We realise that employee satisfaction and motivation are vital in order to successfully implement our strategy. Managers play a key role in this respect. They are required to act as role models and to set the right example. In doing so, we expect our managers to be dynamic and open-minded, so that they have the right skills to motivate the employees to grow within the organisation.

To achieve this aim, KBC runs an ambitious development programme. Senior managers from across the group regularly take part in the ‘KBC University’ to enable them to pursue a common vision. The programme focuses on current and top of mind topics. In 2022, we put more emphasis on trust and psychological safety within the KBC University’s leadership module. At the same time, we are actively working on a separate policy for top talent management, in which we identify our future senior managers.

IN THE SPOTLIGHT

ENGAGING OUR EMPLOYEES

ESG Academy in Bulgaria

In Bulgaria, we promote employees’ engagement with topics related to corporate sustainability. After delivering regular training to all employees, results have shown that 90% of employees are familiar with the sustainable finance objectives at the core of our strategy.

Via the ESG Academy in Bulgaria, we want to create a foundation and platform for the training and development of our employees. In partnership with the Economic Faculty of Sofia University, we invest in the professional advancement of colleagues, partners and students on the topics of sustainable development and ESG. As well as being attendees in the Academy, some of our colleagues are also involved as lecturers, sharing their knowledge and experience with the selected audience.

In July, the first course was finalised with 30 participants – employees, partners, clients and students – who received a certificate attesting to their successful course completion. In October, the second edition started with significant interest.
Listening to our people

We carefully listen to our employees and value their opinions. In doing so, we regularly conduct employee engagement surveys. We also invest in good social dialogue with employee representatives.

Employee engagement surveys

We closely watch our employees’ opinions and consult them on a regular basis. KBC conducts a six-monthly employee engagement survey in each of our core countries. These surveys also include aspects that are high on the organisation’s agenda such as:

- How engaged are our employees?
- How do our employees experience the current digital transformation and the impact on their jobs?
- How do our employees feel about their career opportunities and about the opportunities for personal development?

Overall, the results of the surveys show that more than two thirds of our employees feel engaged with KBC. Engagement is based on pride in working for the company, the motivation to do one’s job well and the commitment to KBC. Employees are proud of our innovative approach and KBC’s stability as an organisation and an employer. See the ‘Sustainability facts and figures’ section for the detailed results of the survey.

Social dialogue

We are keen to build a constructive dialogue with our employees and with our formal employee representation groups. We fully support the freedom of association and the right to collective bargaining. Just as we are fully committed to the ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work.

IN THE SPOTLIGHT

FAIR REMUNERATION FOR OUR EMPLOYEES

Sustainability-linked variable remuneration and long-term incentives

Our employees can rely on a fair and competitive salary, plus supplementary benefits. The main principle of our reward policy is that good performance deserves to be recognised. Every employee deserves a proper reward for their efforts. This includes a variable remuneration as part of an attractive and balanced reward package.

In Belgium, we offer employees a bonus scheme that is based on their performance on a set of pre-determined targets. Some of these targets are linked to sustainability-related performance, including aspects of direct footprint, employee development and cyber security. The targets are defined two years in advance and act as long-term incentives on the ESG goals.

At group level, around 77% of our employees are covered by collective bargaining agreements. For 74% of employees, formal employee representation is in place. The proportion of employees covered by such agreements differs from country to country since the collective bargaining mechanisms and trade unions are less common in some of our core countries.

Social dialogue is mainly initiated on an individual country or legal entity level. Discussions take place separately based on the local practices and laws of each country. The European Works Council brings together the employee representatives from all core countries and senior management once a year. Issues that might affect our performance and operations are discussed and evaluated. In addition, the local works councils might focus on particular local issues.
Health and well-being

We value our employees’ health and well-being. We aim to create and maintain a working environment where people feel safe, are free to speak up and able to grow. We are keen for our employees to enjoy the right work–life balance and put in place all relevant measures to ensure this balance is achieved. We believe this benefits both the employees and KBC.

Psychosocial well-being

We are very much committed to preventing excessive stress at work which can cause burn-out. In 2022, we conducted a survey among our Belgian colleagues, which showed that psychosocial occupational stress cannot be ignored. Factors such as the digital transformation, teleworking and corona fatigue all play a part in this. In response, we set up a dedicated department at KBC in Belgium to address these challenges. This department directly reports progress in this area to the Senior General Manager of Corporate HR to take swift action in this respect, where needed.

Recognising the early symptoms of stress is a secondary preventive measure. We run sensitivity campaigns and encourage our managers to be alert to signs of stress and anxiety symptoms at an early stage, and act immediately. This is complemented by specific initiatives at local level. In the Czech Republic for example, we protect our staff and build a more resilient workplace culture by implementing mental health workshops, individual consulting and e-learning packages on how to deal with stress.

Occupational health and safety

KBC has an independent medical prevention department and has set up Occupational Health and Safety Committees (OHSC) in its core countries. The responsibility of these OHSCs is to create a working environment that does not compromise employees’ health and well-being. They plan and monitor the general amenities and the physical health and safety conditions of the employees. In addition, the facilities department ensures the buildings and office areas offer appropriate amenities in terms of lighting, air circulation, heating and ergonomics. Since 2019, KBC in Belgium has been awarded international health and safety certification (ISO 45001).

Working the Next Level

KBC introduced new ways of working in response to evolving client needs, with the latter asking for more digital interaction. This also became a necessity due to the Covid-19 pandemic. In 2022, the ‘Working the Next Level’ programme was launched at KBC in Belgium to offer our colleagues more flexible working conditions. Dependent on the nature of the work, employees are now able to spend up to 50% time working from home without compromising the quality of our service delivery to our clients and team functioning. This clearly requires additional emphasis on digital collaboration methods at work to maintain the sense of connection between colleagues and with our clients.
Respect is one of the values associated with our PEARL+ culture and is the driver for diversity and inclusion at KBC. This means we treat all our people equally in all circumstances. The KBC Group Code of Conduct for Employees sets out the key behaviours we expect from all employees. It guides our staff on the path to being respectful and treating everyone equally.

Gender diversity

Although the general guidelines of our Diversity policy apply to all types of diversity and inclusion of every employee, we particularly focus on ‘gender’. Each core country focuses on a diversity action plan including local ambitions and specific initiatives. At group level, we monitor the gender balance in our top talent management programme and the inflow into managerial positions. To support gender diversity in the higher echelons of our organisation – where women at KBC currently remain underrepresented – we have set a goal of having one female and one male candidate for every new senior management nomination. These short and long-term objectives and subsequent actions are followed up by our Executive Committee twice a year.

Equal pay

Every year since 2018, KBC Belgium has been examining the role of gender in comparison to other factors in reward and compensation. The analysis includes various reward components such as exceptional variable remuneration, discretionary pay increases and promotions. The outcome of the study is as follows:

- no gender bias in the allocation of promotions;
- no gender bias in the allocation of discretionary pay increases;
- no gender bias in the amount of discretionary pay increases;
- no gender bias in the allocation of exceptional variable remuneration;
- a gender bias in favour of men when it comes to the amount of exceptional variable remuneration (albeit less so than in the previous years).

Following in the footsteps of KBC Belgium, the core countries plan to apply similar studies to evaluate the equal pay conditions at local level. In the subsequent stage, we plan to harmonise a group-wide reward study.

Network organisations on diversity

KBC has installed several networks and employee-led groups that share a common interest. The local networks on diversity and inclusion are sponsored by a local Board member and work up annual plans. Once a year, they gather at a virtual event to connect and share best practices.

In the Czech Republic, the network group ‘PROUD’ supports women, brings together LGBTQIA+ colleagues and organises workshops, all kinds of informal meetings and webinars. The stimulating network ‘Diversity Rocks’ in Belgium offers employees a safe environment to support one another and focuses on various aspects of inclusion within the company. For instance, we organised a webinar about Ramadan under the motto ‘Everything you wanted to know about Ramadan but were afraid to ask’.

KBC in Belgium recently joined Open@Work, a network organisation of Belgian companies committed to creating an inclusive and LGBTQIA+-friendly work environment with concrete policies and targeted actions.

Age diversity

We strive to maintain age diversity throughout our group by helping young people and graduates join the workforce. We offer a platform for young colleagues and fresh graduates to meet at schools’ information days, at job fairs or on social media. It is one of our top priorities to support the next generations in their specific talents and personal development.
IN THE SPOTLIGHT

SUSTAINABILITY AWARDS AND RECOGNITIONS

‘Family Friendly Business Mentoring Organisation’ award

For the fifth time, K&H has been awarded the ‘Family Friendly Business Mentoring Organisation’ award by the Three Kings, Three Queens Movement. This award recognises companies that take action to support childbearing, help their employees with young children and create a balanced family and work environment. K&H has a long-standing commitment to providing opportunities for work–life balance and to helping its employees live fulfilling lives and develop their talents. We want to meet the changing needs of our employees. This includes, for example, flexibility. Therefore, we have provided unprecedented home office opportunities for our colleagues. To date, nearly 50% of our headquarters staff is able to work from home, and we have also introduced home working possibilities in our branch network.

ČSOB Czech Republic awarded TOP Responsible Company – Special award for a diversity project addressing parents ‘The next level’ (Business for Society)

The Parents’ Programme at ČSOB Czech Republic is one of the key pillars for promoting diversity. The approach is truly inclusive. In first instance, it mainly helps the mothers of young children who work while they are parents, but it is now available to fathers for the childcare allowance too. We also have a level playing field for same-sex couples. The goal of the parenting programme is generally to keep in touch with parents after they go on maternity or parental leave, offer job opportunities, education before returning to work, or help with childcare afterwards. Above all, we want to make it easier and quicker for all our employees to return to work from parental leave. For this reason, we already run two in-house nurseries, contribute to childcare costs, offer part-time jobs and the possibility of working from home.

Employing people with disabilities

We also focus on the inclusion of our colleagues with a disability. We have added a diversity and inclusion statement in our Belgian job ads to take a clear stance on our values and to inform potential applicants. In 2023, we are set to develop our programme to embed access of people with a disability into our organisation. We also plan to launch specific support training for our Belgian managers and employees with a disability.

Parental leave and family care

Our local parental leave and family care policies meet the legal standards in all our core countries and even go beyond what is required by law in some of these countries. In the Czech Republic, for example, formal childcare provision is poor and the level of maternal employment is low. As such, we have committed to running our own day-care facilities. Since 2019, ČSOB also pays a childcare allowance to cover childcare fees for children up to 4 years of age. This service is gradually being expanded to ČSOB’s subsidiaries too. In addition, we strongly support the concept of flexibility at work and have specific programmes for female colleagues returning from parental leave. In the spring of 2022, ČSOB launched the Academy for Parents, a six-month programme to help parents strike the right work–life balance. As part of the programme, we also contact mothers on maternal leave, proposing tailored vacancies.

Unconscious bias

Unconscious bias is a prejudice in favour of or against something, a person or a group, usually in a way that is considered to be unfair. In the spirit of leading by example, our senior managers and colleagues in leadership roles are asked to take the e-learning module on unconscious bias. This course is also available to all our employees. We believe it strengthens people’s interpersonal skills whilst improving the performance and well-being of teams. By way of video scenarios, participants acquire a better understanding of their own behaviour and are trained in how to deal with unconscious bias.

Inclusive panels

KBC acknowledges that a diverse composition of panels in debates and panel discussions is especially important. A mixed panel ensures a richer and more open debate and generates more innovative ideas. By signing the Inclusive Panels Charter, KBC in Belgium committed to giving greater attention to the mix of women and men in any panel. We also ensure that the panels involve members of different generations and seek to ensure that speakers from a variety of different backgrounds are duly included.
OUR RESPONSIBILITY
We firmly believe that only acting in a responsible and ethical manner enables us to grow and maintain our stakeholders’ trust and to uphold our reputation. This is the foundation of our continuing existence and our ‘social licence to operate’.

We consider responsible behaviour as the basic layer of all our activities. We expect all our employees to behave in a responsible manner and we focus on awareness and training on this essential part of our strategy. In complement to our ‘responsible behaviour principles’, our core KBC values challenge us day in, day out to behave respectfully, responsively and result-driven.

In all our activities we comply with all regulations and corporate policies that ensure ethical business, ethical behaviour, openness, transparency, discretion and privacy. We particularly focus on respecting human rights throughout our operations. We strictly refrain from any potential direct and indirect impacts on human rights.

Finally, in our rapidly evolving digital world, we strongly care about and encourage responsible behaviour of all our employees. Respectful, responsive and result-driven are the KBC values that inspire us day in, day out.

We highly value the protection of our clients’ data and information security. We therefore have a robust information risk management in place. Respecting the privacy of all stakeholders is an integral part of our profession as a bank-insurer. For this reason, we process personal data in a lawful and transparent manner. Our privacy policies ensure we manage data in a smart yet responsible way.
Responsible behaviour

Winning and retaining our stakeholders’ trust is the foundation of our ‘social licence to operate’ principle. We believe competence, open communication and individual integrity are the cornerstones of this trust we seek to establish. Especially the latter, complemented by sound risk awareness, forms the foundation of responsible behaviour.

Responsible behaviour is a ‘must’ to set an effective and credible sustainability strategy. In this strategy, our mindset certainly goes beyond complying with applicable regulations and corporate policies.

The KBC values challenge us day in, day out to behave in ways that are:
- **Respectful**: we treat people as our equals, we are transparent, we trust others and appreciate them for what they do and who they are.
- **Responsive**: we anticipate and respond to suggestions and questions spontaneously and positively.
- **Results-driven**: we do what we promise, we meet our objectives, we deliver quality and we do so on time and in a cost-effective manner.

**Accountability**

Each employee is accountable for living up to KBC’s values on responsible behaviour. To this end, we have established a series of framework arrangements which cover risks, standards, policies, processes and structures to deliver on KBC’s high standards. Additionally, senior management is responsible for nurturing the right behaviour in the organisation, thereby actively shaping collective attitudes within KBC.

**My Responsible Behaviour Compass**

We believe responsible behaviour cannot be defined in concrete terms and precise behavioural guidelines. Yet, we draw the outlines of a common sense, and the basic principles for creating the necessary awareness. These principles are identified in the ‘My Responsible Behaviour Compass’ guidelines which are available to KBC staff in all local languages. We inspire all our employees to respect these principles in every decision and action they take under all circumstances.

**Awareness training**

We have put in place several initiatives to raise awareness of responsible behaviour, both at group level and on a local level. Since 2020, we have been providing an online training module in which the KBC Group CEO and senior managers emphasise the importance of responsible behaviour. Since then, the vast majority of our employees have completed this training course. This online training session has now also become part of the onboarding programme for new employees. We plan to launch further initiatives on responsible behaviour awareness in 2023. These include a webinar, which will be mandatory, and a dedicated intranet, to which all staff will be encouraged to contribute.

**Dilemma training**

It is the core responsibility of senior managers to support employees in making the right choices for themselves and for their teams. Yet, on occasions, a dilemma may come up. In addition, the requirements of society and our business might be different from a decision which was taken in good faith a few years ago.

This is why a few years ago, we included the dilemma training session in the senior management development programme. In this training session, managers learn how to discuss complex decisions or dilemmas with their staff. These training sessions resulted in the development of the ‘KBC Decision Wheel’, aimed at encouraging people to follow a roadmap when faced with tough decisions. Building on an initiative of KBC Ireland, this decision wheel was developed by KBC in Belgium. In 2023, it will be included as part of a training programme to all other core countries.

**Get a Teacher**

Studies show that the foundation of financial literacy should be laid at an early age. This has prompted us to develop teaching programmes in several of our core countries. With Get a Teacher, we teach young people practical ways to handle money and think critically about means of payment, credit and insurance. We interact with them and translate all those boring money matters into what really concerns them and is topical. What exactly does a bank do? How does a loan work? What if you want your own business later?

In Belgium and the Czech Republic, our employees visit schools to teach children about what banks actually do and money management. In 2022 alone, almost 1 400 teachers in Belgium and the Czech Republic visited around the same number of schools. To ensure quality teaching, ČSOB obtained accreditation from the Ministry of Education. Programme graduates receive a certificate, which also serves as confirmation of continued education of teaching staff under the programme of the Ministry of Education.

In Hungary and the Czech Republic, we also aimed to contribute to financial literacy among children through the organisation of challenges and competitions. In the Czech Republic, we organised the second year of the Philip’s Cup Olympiad of financial literacy. 232 schools signed up. The competition concerned sixth graders and primary students at so-called multi-year gymnasiums.

In Hungary, we organised the ‘K&H Ready, Steady, Money!’ financial competition for the twelfth time. The competition focused on sustainability and digital developments to make managing money easier. In the 2021/2022 school year almost 10 000 students took part in the competition. Over the twelve years that the project has been running, more than 71 000 children from 800 municipalities and 1 800 schools have participated.
At KBC, we guarantee compliance with all laws and regulations applicable in the markets and countries where we operate. Also, we strictly follow our corporate policies and guidelines to ensure ethical business, ethical behaviour, openness, transparency, discretion and privacy. We transparently publish all of these policy guidelines and codes of conduct on our corporate website. KBC’s Corporate Compliance Division ensures that all colleagues comply with these guidelines. We closely follow up on the implementation of our policies and update them in keeping with regulatory requirements.

Whistleblowing and speaking up

We have a global whistleblowing policy and procedures in place as referenced in our KBC Code of Conduct for Employees. We encourage employees to ‘speak up’ and report actual or potential misconduct (on the intranet or using the dedicated reporting@kbc.be mailbox). To mitigate the potential risk of misconduct, our employees are also encouraged to report products or processes that appear unethical, unfair or contradictory to our values (ethics.and.fraud@kbc.be).

Given its independence and the absence of conflicts of interest, KBC assigned the local compliance function as the proper department to receive and follow up on whistleblowing reports. The local compliance function investigates these reports in an independent and impartial manner, considering incriminating as well as exculpatory elements. The compliance function also reports to local and group management on the number and nature of these reports. In 2022, 11 significant cases were reported to group management. In 2023, we are set to launch a new reporting tool in observance of the requirements of new Belgian legislation on the protection of whistleblowers. This tool allows employees to report all forms of misconduct, including discrimination and retaliation against employees.

Responsible artificial intelligence (AI)

In Belgium, we worked up a framework on ‘Trusted AI’ in greater detail. The purpose of this framework is to effectively manage the risks related to AI models that have been developed in-house. More specifically, this relates to the risk of bias and/or infringing the security and privacy of our clients and stakeholders. We upgraded the framework in 2022. Besides the AI models developed in-house, the framework is now also able to assess the risks for the AI services we buy from third party providers. To implement this framework within our business, we integrated the concept of the framework into the general training on data literacy we provide to all staff.

At KBC, we particularly focus on responsible behaviour, data protection and the protection of client privacy. The framework aims to avoid unfair treatment, discrimination, bias, security issues and inferior quality that could harm our clients.
Anti-money laundering

Money laundering is a problem which financial institutions are tackling across the globe. We have a regulatory obligation to report suspicious behaviour linked with money laundering which imposes large fines for non-compliance. To fulfil our role as a trustworthy bank-insurer, we set up a general framework entitled ‘Anti-Money Laundering policy’ to counteract money laundering and the funding of terrorism. We monitor compliance using an AI platform that was developed in-house.

Our senior managers and employees receive training on their duties with respect to anti-money laundering such as face-to-face and regular online training sessions exploring real case studies.

IN THE SPOTLIGHT

TACKLING MONEY LAUNDERING VIA KBC’S AI FINTECH DISCAI

DISCAI offers an AI-based solution to monitor money laundering

In 2022, KBC launched DISCAI, our proprietary AI fintech solution. Through DISCAI, KBC commercialises the innovative AI applications we developed in-house to third parties.

The first offer of DISCAI is an innovative and high-performance AI-based solution to monitor money laundering known as ‘Know Your Transaction’, under anti-money laundering regulations. This solution has been tested extensively in recent years by KBC in Belgium, before its validation in association with a renowned external organisation.

DISCAI CEO Fabrice Deprez: “DISCAI has consistently proved the premium performance of its AI-based transaction monitoring performance in production at KBC and is capable of detecting suspicious behaviour unidentified by incumbent systems at a massively reduced rate of false positives. Since the commercial launch in March 2022, several pilots are currently ongoing with financial institutions outside KBC, and more are being planned for 2023. DISCAI is proud to be able to actively contribute to a fairer society.”

Responsible taxpayer

KBC is a responsible taxpayer that complies with tax legislation, conducts legitimate tax planning and effectively manages tax risks. KBC’s Tax policy builds on its aim to behave responsibly, in all circumstances. Consequently, our employees are not allowed to provide any kind of advice or assistance to clients in terms of tax avoidance or clients seeking to violate tax regulation.
KBC is committed to respecting human rights, in accordance with the guidelines of the UN Guiding Principles on Business and Human Rights and the Organisation for Economic Cooperation and Development (OECD). It is one of our responsibilities to reduce any potentially negative impact on society through our indirect activities.

In fact, since 2006 KBC has pledged to adhere to the principles of the UN Global Compact, the largest corporate responsibility initiative globally. We inform our stakeholders regularly on our progress since we have integrated these principles into our operations. Our annual Communication on Progress (CoP) is available on the UN Global Compact website.

We strictly refrain from any human rights violations by:

- formalising our KBC Group Human Rights Policy, which we update regularly;
- having set up specific policies and human rights due diligence processes;
- circumventing any probable controversial activities with zero-tolerance policies;
- improving the implementation of the UN Global Compact Principles across our daily operations.

In the first report, published in 2021, ten actions are considered as ‘involvement’ in the Israeli settlement enterprise, which raises concerns regarding human rights. For example, the supply of security services, equipment and materials to enterprises operating in the settlements.

In its second report, DBIO calls on financial institutions to conduct enhanced human rights due diligence on companies involved. It also calls for swift action to be taken based on the findings of these impact assessments.

In response to the report, KBC invited two NGOs to a constructive dialogue to elaborate on our policies, due diligence process and grievance mechanisms. We discussed the report’s findings and recommendations. We are committed to ongoing dialogue with our clients on ESG-related topics. We see this as an important element of our sustainability strategy. Our relationship managers continue to plan dialogues on a variety of sustainability topics. In the first instance, the focus is on large corporates. Over time we will gradually include smaller clients into the scope.
At KBC we recognise that robust information and communication technology (ICT) systems are vital in our rapidly evolving digital world. Like many other financial institutions, we have introduced new technologies to connect with our clients using digital means. This digitalisation results in greater exposure to cyber threats. Moreover, cyber attackers are also better organised and more experienced than before. Strengthened by a multitude of proactive security controls, we are committed to successfully stop all cyberattacks before they can potentially cause any harm to our ICT systems.

Protecting our clients’ data and our ICT systems remains extremely important to KBC. Maintaining our stakeholders’ trust is at the core of our social licence to operate. We therefore aim to avoid any breaches that can lead to legal, reputational and financial harm, ultimately causing the loss of trust among our clients.

In 2022, we once again defined information security, including cybercrime-related fraud, a top risk within the group. As such, the Risk and Compliance Committee and Board of Directors very closely monitor this risk. Future predictions say these cyber threats will remain a high risk. Over the course of 2022, KBC experienced several cyber incidents, though none of these caused any major damage to our systems. This is mainly due to our mature internal controls, strong detection capabilities and swift management responses. KBC Group also has a comprehensive insurance programme in place to mitigate the possible financial impact of a potential cyberattack.

Helping children find their way online in the Czech Republic

Our daily activities are increasingly moving into the digital environment. This is also the case for banking services. In the Czech Republic, we teach children how to behave safely in the world of finance, on the internet and on social networks. We want to increase awareness of the risks and teach children to protect themselves against these risks.

ČSOB prepared a number of thematically focused courses on online safety in cooperation with the Police of the Czech Republic. The course was entitled ‘Your way #online’. Within the project, online security experts from ČSOB visited schools together with a prevention officer from the Police of the Czech Republic. Together, they taught children about online safety.

ČSOB in the Czech Republic also worked on this topic in other ways. In 2021, it developed the ČSOB Filip application. This app was designed as a guide to the world of finance for children. The app is available on the Google Store and Appstore and has been downloaded more than 6 000 times so far. In 2022, two new chapters were added. One on current cyber threats and another on environmental sustainability.
Information risk management

Information risks encompass information security, IT-related risks and business continuity management, including crisis management. Information security risk, especially ‘cybercrime-related fraud’, is one of the most material risks that financial institutions face these days.

The mission of KBC’s Competence Centre for Information Risk Management (IRM) is to protect KBC against threats to data and information, such as loss of integrity, loss of confidentiality and unplanned unavailability. The group IRM department reports directly to the Executive Committee, the Board of Directors and the Risk and Compliance Committee twice a year on information security and cyber risks.

We have a robust information security programme in place, which consists of strict information security governance and solid prevention and control mechanisms. KBC’s information security standards are based on industry standards such as ISO 27001 and comply with applicable regulations and directives including European Banking Authority (EBA) guidelines and the Digital Operational Resilience Act (DORA).

Control monitoring and review

We apply continuous monitoring to increase the effectiveness of information security controls within the group. In this regard, we also perform deep dives, especially hard testing such as ethical hacking, incident readiness drills and vulnerability scans. If any shortcoming is detected during the controlling processes, we take immediate and appropriate action to mitigate the potential risks. Additionally, internal and external auditors regularly control and assess the implementation of these surveillance mechanisms.

Culture and awareness

Same as in previous years, in 2022 we continued to focus on cybersecurity training sessions for all our employees across the group. We also provide training to and organise awareness initiatives for our clients.

To increase awareness on IT security risks among our employees, we perform group-wide phishing simulation tests. We report to the managers on the outcome of the phishing test results of their teams. For the colleagues who repeatedly fail these tests, we provide additional training to improve their skills in this area. Moreover, we encourage our employees to attend international ‘Cybersecurity Month’ campaign sessions each year. Enrolment in these extensive and interactive campaign sessions is high. Finally, we regularly organise training courses and workshops for the software developers on secure coding and for all IT personnel on multiple generic security.

We also continue to organise info sessions and campaigns to create awareness among our clients on cyber risks. This includes phishing, smishing (SMS phishing) and vishing (voice phishing), how to protect their computer systems against online threats and general tips on how to act in cybersecure ways.
Privacy and data protection

As our clients’ portfolio and the use of digital technology increases, we process and protect large volumes of data every single day. To increase the quality and efficiency of our digital banking services, we use AI and data analysis technologies. This solution-driven approach enables us to proactively offer our clients the right solutions. At KBC, we unrelentingly bring considerable effort to bear to manage data in smart yet responsible ways. In doing so, we observe the GDPR guidelines and our own privacy rules. We ensure that we follow these rules with every new service we launch.

This means that we adhere to the following data protection principles:
- **Purpose limitation**: using the data only for the purpose for which they are collected;
- **Data minimisation**: not collecting more data than is necessary;
- **Transparency**: being transparent about the data collected and used.

We recognise that the right to privacy and protection of personal data is a human right. In the handling of data, we therefore guard against any infringement of fundamental human rights.

All parties whose personal data we process can be assured that all associated procedures are governed by our strict privacy policy. This policy is publicly available on our communication channels, such as our websites and mobile applications. The privacy policies for our Belgian retail clients, for example, are available to be consulted on our Belgian commercial website www.kbc.be.

As set out in our privacy policy, we are committed to:
- Keeping personal data accurate and up to date (accuracy principle);
- Securing the data against unauthorised access, loss or damage (integrity and confidentiality principle);
- Destroying the data once they are no longer needed (storage limitation).

Some aspects of privacy and data protection are matters of personal choice as defined in EU and national laws. For this reason, our clients decide what we can do with their data. We transparently communicate to our clients by way of an unambiguous privacy overview in which they can adjust their choices at any time.
SUSTAINABLE FINANCE

- Our approach to sustainable finance
- Our sustainability policies
- Responsible investing on behalf of our clients
- Sustainability in own-investments
- Our commitment concerning our social impact
- Our commitment to the environment and climate action
We want to contribute to sustainable societies through our main activities.

We have stringent sustainability policies in place for all our activities. With these policies, we aim to identify and mitigate potential adverse impacts of our activities on the environment, human rights and important social issues.

Responsible investing forms a major part of our approach to sustainable finance. This is true for the investments we make for our clients as well as for our own investments.

We aim to create a positive social impact through all our activities. We do so by financing projects with a positive social impact such as hospitals, schools and basic infrastructure. We also provide microfinance and microinsurance solutions through our collaboration with BRS. In doing so, we want to share our expertise and create a positive impact all around the world.

Finally, we are committed to reducing our negative and increasing our positive impact on the environment. To date, we have mostly been focusing on our climate impact, although this focus is consistently expanding. We are working on our environmental impact within the framework of our Sustainable Finance Programme. We measure our direct and indirect impact of our portfolios. For our lending portfolio, this centres around eight sectors that are the most carbon-intensive and three product lines. We refer to these as our ‘White Paper sectors’. 

**SUSTAINABLE FINANCE in a nutshell**

Our approach to sustainable finance

- Applicable to business activities
- Own investments and investments for our clients
- Independent assessment of our methodology
- Financing with social impact
- Social bond
- Accessibility of our goods and services
- Microfinance and microinsurance
- Main focus on climate adaptation and mitigation
- Direct and indirect impact
- Measuring climate impact of our portfolios
- Climate targets
As a financial institution, we have an important role to play in creating more sustainable societies. We do so by directing capital towards sustainable activities through our core activities. To date, the fight against climate change has been high on our agenda. In addition, biodiversity, water management, circularity and pollution are also gaining importance. Work also continues on how we can contribute to achieving social and governance-related objectives.

KBC is committed to contributing to a more sustainable society. We do so both directly through our own operations and indirectly by helping our clients become more sustainable. We are aware that we can achieve the highest impact through our financing, insurance and investment activities and advisory services. This section of the sustainability report therefore details our approach to sustainable finance. It explains how we respond to the main environmental, social and governance (ESG) topics currently at stake.

In the first instance, we aim to gradually restrict the most harmful activities. We do so through our sustainability policies. We also need to limit the risks in our portfolios that may arise from the insufficiently robust and late implementation of various sustainability actions. The KBC sustainability policies and our ESG-related risk approach define how we factor in sustainability in our business activities.

At the same time, we aim to stimulate the most sustainable activities of our clients and support them in their sustainability transition. We do so by channelling funds to finance sustainable products and business solutions. These products may focus on environmentally sustainable solutions such as renewable energy, energy efficiency, building renovation, green mobility solutions, waste management and water treatment. They may also focus on socially sustainable solutions, related to access to social services such as education, health and employment for instance. Table 6.1 shows a breakdown of the various sustainable finance solutions we offered at year-end 2022.

We are also working to gradually align these solutions with European sustainability legislation. The EU Taxonomy is a guiding standard in this regard. We also want to align with various other frameworks that constitute market standards. Here we point out that terminology such as ‘green’ and ‘sustainable’ is not meant to suggest (full) alignment with the EU Taxonomy.

### Sustainable Finance Programme

As part of its sustainable finance approach, KBC has set up a separate Sustainable Finance Programme. The initial goal of this programme was to programmatically focus on KBC’s approach to climate mitigation and adaptation in light of the urgent need for society to take climate action. Since then, we have extended the scope of the programme to include other environmental themes as well. The scope of the KBC Sustainable Finance Programme is currently therefore limited to environmental objectives. Other sustainability themes, however, are part of our sustainable finance approach but are not (yet) approached on a fully fledged programme basis.

### Table 6.1: Sustainable finance (KBC Group, millions of euros, end-of-year data)

<table>
<thead>
<tr>
<th>Category</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financing contributing to environmental objectives (granted amount)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewable energy and biofuel sector</td>
<td>2.255</td>
<td>2.115</td>
<td>1.840</td>
</tr>
<tr>
<td>Mortgages for energy-efficient housing</td>
<td>11.717</td>
<td>9.537</td>
<td>8.877</td>
</tr>
<tr>
<td>Financing for low-carbon vehicles (outstanding amount)</td>
<td>379</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14.285</td>
<td>11.752</td>
<td>10.657</td>
</tr>
<tr>
<td>Financing contributing to social objectives (granted amount)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7.366</td>
<td>7.162</td>
<td>7.128</td>
</tr>
<tr>
<td>Responsible investing (RI) on behalf of our clients</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RI funds under distribution</td>
<td>32,300</td>
<td>31,700</td>
<td>16,780</td>
</tr>
</tbody>
</table>

1 Mapping how KBC’s products and services contribute to sustainability is an ongoing process. The table therefore does not give a full overview. We will fine-tune and complete this in the years ahead.
2 based on data available as of 30 September 2022.
3 Includes data as of 30 September 2022 for Belgium, the Czech Republic, Bulgaria (excl. KBC Bank Bulgaria EAD), Hungary and Slovakia. The 30 September 2021 data also include Ireland in addition to the 2022 scope, and the 30 September 2020 data include Belgium, the Czech Republic, Ireland and Slovakia. The reported amounts correspond to dwellings with A and B energy performance labels, considered as energy-efficient housing. The data are based on actual EPC labels or on first approximation when no labels are available.
4 Includes data on financial leasing, loans and operational leasing as of 30 September 2022 for Belgium, the Czech Republic, Bulgaria (excl. KBC Bank Bulgaria EAD), Hungary and Slovakia (vehicles with emissions > 50g CO₂/km and in alignment with substantial contribution criteria of the EU Taxonomy, such as bicycles, motorcycles, passenger cars and light commercial vehicles).
5 KBC Asset Management current RI framework is a KBC in-house framework that is well proven and externally challenged. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MiFID II. All RI funds are either Article 8 or Article 9 funds under the SFDR.

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*KBC Asset Management current RI framework is a KBC in-house framework that is well proven and externally challenged. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MiFID II. All RI funds are either Article 8 or Article 9 funds under the SFDR.*
Stakeholder engagement

KBC believes that active collaboration with all its stakeholders is key to making a significant impact in addressing sustainability-related challenges. More information on our stakeholder engagement strategy can be found in the “Strategy and value creation” part of this report. KBC Group has also signed up to various other sustainability-related commitments, such as the Principles for Responsible Banking (PRB), the Principles on Responsible Investments (PRI) and the Principles for Sustainable Development. More information on these initiatives can be found in the “Sustainability facts and figures” section and in the appendices to this report. In all of our home countries we also closely cooperate within national banking and insurance associations on various ESG-related topics.

Legislative and regulatory agenda

The landscape in which we operate, and more specifically all aspects relating to sustainability themes, are increasingly determined by regulation. At European level, important legislative initiatives are already influencing our own approach and that of our clients. It is likely that this trend will continue over the years ahead. It is already clear that the following initiatives will have an important impact:

- The European Union is working on a European Single Access Point (ESAP). The goal of ESAP is to ensure that sustainability-related information at EU level will be freely and publicly available.
- At international level, the IFRS (International Financial Reporting Standards) Foundation is working on Sustainability Disclosure Standards – with a first focus on climate.
- Other international bodies, such as the Taskforce on Nature-related Financial Disclosures (TNFD) and the Partnership for Biodiversity Accounting Financials (PBAF) further address some of the other environmental objectives.

We applaud the fact that these initiatives help to provide a standardised overview of the status of all relevant sustainability issues in the financial world. And we very closely follow up on and prepare for developments around these and other relevant initiatives.

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This awards programme recognises global, regional and local leadership in sustainable finance for initiatives designed to mitigate the negative impacts of climate change and help build a more sustainable future for humanity.

KBC received the Terra Carta Seal in recognition of its commitment to creating a sustainable future.

KBC is one of 19 companies worldwide to have been awarded the 2022 Terra Carta Seal. The Sustainable Market Initiative’s Terra Carta Seal recognises global companies which are driving innovation and demonstrating their commitment to, and momentum towards, the creation of genuinely sustainable markets. Designed by Sir Jony Ive, the Terra Carta Seal embodies the vision and ambition of His Majesty King Charles III and the Terra Carta, as a recovery plan for Nature, People and Planet. The Terra Carta Seal is underpinned by Corporate Knights’ Annual Global 100 Top Sustainable Corporations List and the wider principles of the Terra Carta.
Our sustainability policies

Our sustainability framework consists of clear sustainability policies for our business activities. We apply stringent policies on human rights, climate, biodiversity and sensitive and controversial societal issues in our daily business. In doing so, we aim to restrict the most harmful activities and to control and effectively manage reputational risks. We update these policies at least once every two years as a response to growing concerns for environment and society. The involvement of independent experts in our External Sustainability Board enables us to constantly adapt our policies in specialised areas.

Updated and new sustainability policies

In 2022, we conducted the regular two-yearly update of our sustainability policies. We particularly updated our sustainability policies in the areas of energy and biodiversity. The changes are effective from the beginning of 2023.

Energy policy

Following its update in 2021, the energy policy wholly excluded the financing of new clients that have coal-based electricity or heat generation activities. As a result, however, we were unable to provide support for certain projects that are much needed to enable the energy transition. More specifically, renewable energy projects of new clients that have coal-related activities but do have a solid and realistic energy transition strategy in place. After the latest update in 2022, our energy policy now exceptionally allows the well-defined, purpose-driven financing of renewable energy projects for such clients. As a result, the same rule now applies for new clients, as was already the case for our existing clients.

The aim of this adjustment is to support as widely as possible the energy transition of existing as well as new clients, irrespective of their existing activities. This type of financing is, however, subject to strict conditions, such as the strict ring-fencing of this financing from the company’s other activities. In doing so, we want to make sure we do not support coal-fired electricity or heat generation activities in any shape or form, whether directly or indirectly.

Finally, also in 2022, KBC expressly excluded the financing of coal-to-gas, coal-to-liquid, and coalbed methane projects.
Biodiversity policy

As to our biodiversity policy, KBC now excludes the financing or insuring of farms that have more than 200,000 ruminants. In doing so, we aim to reduce large-scale operations resulting in methane emissions and inappropriate land use. Also, we strictly do not finance or insure activities located in protected areas or having a potentially negative impact on these areas. We use a broad definition to classify ‘protected areas’. This definition is partly based on the International Union for Conservation of Nature (IUCN) Green List of ‘protected areas’ categories I and II. Our own policies go much further, however, as we widened the scope of the definition of protected areas. Doing so enables us to contribute to the protection of more tracts of land across Europe.

Finally, in the wake of the adjustments made in 2022, our policy now strongly encourages fisheries and companies associated with this industry to implement the voluntary standards of the Marine Stewardship Council (MSC) and the Aquaculture Stewardship Council (ASC).

Application of KBC’s sustainability framework

Main excluded/restricted activities

This table summarises the fundamental exclusions which apply to all of our core and supporting activities. For particular business lines, specific additional exclusions and restrictions are in place based on the ESG screening of our counterparties’ activities. With regard to project finance (lending activities), KBC observes the requirements set out in the Equator Principles.

Figure 6.1: Application of KBC’s sustainability framework

<table>
<thead>
<tr>
<th>Core business activities</th>
<th>Supporting activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lending</td>
<td>RI (last offer)</td>
</tr>
<tr>
<td>Insurance</td>
<td>Conventional funds</td>
</tr>
<tr>
<td>Advisory services</td>
<td>Investments (proprietary funds)</td>
</tr>
<tr>
<td></td>
<td>Supplies</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human rights</th>
<th>Controversial weapons (including nuclear and white phosphorus weapons)</th>
<th>Controversial regimes</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Biodiversity</td>
<td>Soft commodity speculation (structured products)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arms-related activities with exception of controversial weapons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tobacco</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Restrictions on activities such as those involving forests, mining, protected areas, endangered or invasive species, cattle farming, palm oil, soy, sugar cane, cocoa and coffee
2 Restrictions on palm oil only
3 Restrictions on activities such as thermal coal, oil, gas and nuclear energy
4 Restrictions on coal only
5 KBC’s suppliers are required to comply with the principles outlined in our Sustainability Code of Conduct for Suppliers. We assess our procurement and outsourcing actions against the environmental and social criteria incorporated in the code of conduct. We also embedded product-related requirements in our internal process for screening suppliers. For example, KBC uses environmentally friendly products and packaging. We encourage our suppliers to set up circular procurement models.
6 Our dependence on natural resources is limited compared to industrial companies. Nevertheless, we aim to reduce our direct footprint in line with our targets. In 2022, 100% of our electricity source was based on renewables. For further details, please refer to the ‘Sustainable finance’ section of this report.

We actively promote Responsible Investing (RI) among our clients and propose such funds as our first offer and preferred investment solutions. Our ambition for RI funds is to reach at least 65% of new annual production at group level by 2030.

READ MORE

- Full overview of the KBC sustainability policies
  KBC Group corporate website: ‘Setting rules and policies’
- Overview of KBC Asset Management’s exclusion policies for RI funds
  KBC Belgium’s commercial website
- Overview of KBC business ethics related corporate policies
  ‘Business ethics’
Due diligence, mitigation, remedial action and grievance mechanism

The sustainability framework we apply helps us to identify and mitigate potentially adverse impacts and manage actual impacts on the environment, climate and human rights. In doing so, the framework also allows us to manage reputational risks. The framework identifies controversial activities and other areas of concern in which KBC will not engage or will only engage subject to stringent criteria. We review our sustainability framework on a regular basis and the related due diligence process applies group-wide.

**Due diligence**

Compliance with our sustainability framework and policies is monitored in various ways:

- We screen our lending, insurance and advisory service operations in terms of the strict application of our sustainability policies.
- We use third party ESG analysts’ data on companies’ sustainability performance (strategies and policies), including their potential controversies.
- For specific, pre-determined activities and in case of doubt, experts on sustainability-related matters provide advice on individual cases. Reputational risk aspects are also taken into account in these advice. In 2022, we assessed 270 referrals of which 48 were rejected, 45 were approved subject to strict conditions and 177 were given a positive opinion. For a detailed breakdown of the opinions provided, please refer to the "Sustainability facts and figures" section of this report. From 2023 onwards, part of this expert advice function will shift to local country level. In order to ensure the relevant expertise is in place at local level, training and coaching will be provided by Group Corporate Sustainability, which will also monitor local opinions.

**Responsible Investing** funds (RI) must meet additional checks. Our asset management and own investment activities are therefore subjected to internal screening. Read more about the RI screening criteria and advisory board in the "Responsible Investing on behalf of our clients" part of this section.

**Remedial action and mitigation**

Where our policies are infringed, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. Some examples of measures taken in the event infringements are detected:

- For loans, insurance, advisory services and proprietary assets:
  - Reject new applications, impose specific conditions on or end existing relationships. If appropriate, we start an engagement track with a specific company and monitor progress before taking a final decision. If required, we have escalation processes in place up to the highest management level, i.e. the members of the Executive Committee.
  - Exclusion of companies that do not comply with the UN Global Compact Principles, based on assessments by external ESG analysts.

**Grievance mechanism**

We value the ongoing conversation with our clients and other stakeholders as an important avenue for us to learn about their concerns. This also allows us to address their concerns and improve our products and services accordingly. This process involves the following steps:

- We advise our clients to first contact their bank branch, relationship manager or insurance agent. This is the person who knows the client best and is best placed to help find a tailored solution.
- We also have formal channels in place to report complaints. Our clients can contact complaints management in each core country. Information about these channels is available on the commercial websites of the various entities in our core countries. All complaints are closely followed up and, if required, the compliance departments are involved in the handling of certain complaints. Moreover, all complaints we receive are analysed ex-post by the relevant product or service department in association with the Risk and Compliance departments. Immediate action is taken if necessary.
- Specific sustainability-related inquiries or complaints are addressed by the Group Corporate Sustainability Department via csr.feedback@kbc.be.
An important part of our sustainable finance approach is our focus on Responsible Investing (RI). KBC has been a pioneer in the field of RI for over 30 years. As such, we believe we are very well placed to successfully address the growing interest of our clients in this type of investments. We consider RI to be another powerful tool to help achieve a more sustainable society. We want to enable our clients to invest in companies and countries that recognise their social and environmental responsibility. This allows us to jointly contribute towards a more sustainable society and to help limit the adverse impact that businesses can have on society.

We see RI funds as our first offer and preferred investment solution. We therefore actively promote them among our clients, especially in our digital sales channels. Needless to say, the final decision remains with the client.

Our RI funds offering is available in all core countries, following a successful launch in Bulgaria in the first quarter of 2022. It is also worth noting that since November 2021, all Belgian KBC pension savings funds invest in responsible assets.

There are three types of RI funds, each with their own specific characteristics and criteria:

- Responsible funds invest in companies or countries that promote sustainability aspects and make efforts to limit climate change.
- ECO-themed funds invest in companies which provide solutions to a specific sustainability challenge such as climate change or water scarcity.
- Impact investing funds invest in companies that have a positive impact on society and/or the environment through their products and/or services.

In 2022, we reviewed our RI related targets. We tightened the targets on the share of RI funds in total annual fund production. We also introduced a new target on the share of RI in total assets under distribution, replacing the former volume target. Our goal is for RI funds to account for at least 55% of total assets under distribution (AUD) (direct client money) and 65% of total annual fund production by 2030. By the end of 2022, the volume invested in these RI funds had already increased to 32.3 billion euros. This represented 37% of total AUD (direct client money) and 48% of annual fund production in 2022 (gross sales).

On top of that, we also set a new target to reduce the carbon intensity of the corporate investees in Responsible funds by 50% compared to the end of 2019 reference values by 2030. By year-end 2022, the carbon intensity of the funds in scope for the carbon reduction target was already lower than the 2030 target. This was due to evolutions in specific portfolios and allocations during the year. For more details on methodology, please see the part on ‘Climate-related impact of our asset management portfolio’ and the ‘Trucost’ appendix of this report.

### Target Responsible Investing funds

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019 benchmark</th>
<th>Base-line 2030</th>
<th>2025 target</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>RI funds in % of total AUD (direct client money)</td>
<td>33%</td>
<td>37%</td>
<td>45%</td>
<td>55%</td>
</tr>
<tr>
<td>RI funds in % of total annual fund production (gross sales)</td>
<td>-</td>
<td>55%</td>
<td>48%</td>
<td>65%</td>
</tr>
<tr>
<td>Carbon intensity (Scope 1+2) of corporate investees in Responsible Funds (t CO₂e/million USD revenue)</td>
<td>7.9%</td>
<td>6.6%</td>
<td>4.0%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

1 End-of-year data
2 The drop in the portion of RI funds within the total annual gross sales is the result of the success of non-RI funds in 2022, in response to the specific situation of rising interest rates. We are assessing the possibility of RI alternatives for these funds.
3 The RI methodology introduced in 2022 assigns a 50% carbon intensity reduction target to Responsible funds versus their specific reference portfolio value at year-end 2019 (target being 98 t CO₂e/million USD revenue). The aggregated reduction target for Asset Management combines the specific targets of these funds under the assumption of a neutral asset allocation. We note that at year-end 2022 the Responsible funds’ combined score on carbon intensity is already below its target of 50% reduction by 2030 versus 2019. Note, however, that potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at that point. Substantial changes in this allocation may also occur due to a significant change in the product mix offered to our clients and could lead to a restatement of the target by 2030.
Regulatory framework

The Sustainable Finance Disclosure Regulation (SFDR) is a European Regulation that governs the provision of information on sustainability in the financial sector. It divides investment funds into three sustainability categories to help guide investors. • Article 6: Conventional funds, funds that have not defined any sustainable objectives or are not in a position to calculate the outcomes. • Article 8: Funds that promote a combination of environmental and/or social characteristics. • Article 9: Funds that have a sustainable objective and where the specific contribution to this objective can be measured and reported.

All of KBC’s Responsible Investing funds qualify as Article 8 or Article 9 funds.

To qualify as an Article 8 fund, funds must promote environmental and/or social characteristics. In amongst other things, KBC Asset Management promotes and focuses on reducing carbon intensity. These funds pursue clear objectives in relation to carbon intensity and are managed accordingly. They are referred to as Responsible funds and are a sub-category of the Responsible Investing funds of KBC Asset Management.

Since August 2022, specific objectives have been set at portfolio level for the Responsible funds. These funds:

• Promote the integration of sustainability into the policy decisions of issuers (companies, governments, supranational debtors and/or agencies linked to governments) by favouring issuers with a better ESG score.
• Promote climate change mitigation by favouring issuers with a lower carbon intensity in order to reach a predetermined carbon intensity objective.
• Support sustainable development by including issuers that contribute to achieving the UN Sustainable Development Goals.
• Support sustainable development by promoting the transition towards a more sustainable world through investments in bonds to finance green and/or social projects.

To qualify as an Article 9 fund, which includes KBC’s ECO-Thematic and Impact Investing funds, funds must pursue sustainable investments and make a real and measurable contribution towards achieving this goal. Companies selected by KBC Asset Management for its Article 9 funds are those that make a tangible contribution towards climate transition, amongst other things. These include, for example, companies operating in areas such as alternative energy and efficient energy use.

IN THE SPOTLIGHT
SUSTAINABILITY AWARDS AND RECOGNITIONS

KBC Asset Management named Most Sustainable Company in the Investment Industry (World Finance).

KBC Asset Management, the asset manager of KBC Group, received the ’Most Sustainable Company in the Investment Industry’ award from World Finance. It was recognised amongst others for its alignment with the Paris Agreement, TCFD (Task Force on Climate-Related Financial Disclosure), the EU Action Plan, ESG reporting and RI reporting supported by the RI Advisory Board. The panel was impressed, amongst other things, by KBC Asset Management’s Responsible Investing (RI) goals and its roadmap to reduce and discontinue the company’s exposure to the coal industry.

World Finance is a print and online magazine featuring extensive reports and analyses on the financial sector, international business and the global economy. The magazine targets an audience of financial professionals and corporate and private investors.
Exclusion criteria

We have strict sustainability criteria in place for both our conventional funds and our RI funds. For conventional funds, KBC Asset Management applies the exclusion policies relating to the KBC Group Policy on Blacklisted Companies and the policies outlined in the KBC Group Investment Policy. In amongst others, KBC’s Group Investment Policy excludes from all its actively managed funds, investments in companies with activities related to tobacco, including companies which have a significant stake in such companies, as well as in utility companies that use thermal coal to generate electricity and all companies that extract thermal coal.

More information on the sustainability policies for our conventional funds are available in the ‘Sustainability policies’ part of this section and on KBC Belgium’s commercial website.

For RI funds, we go one step further by applying additional exclusion policies. This includes exclusions for gambling, conventional weapons, fur and specialty leather, adult entertainment, palm oil and fossil fuels. In addition, we apply a norm-based policy that excludes companies involved in severe controversies relating to environmental, social or governance issues. More information on these policies can be found on KBC Belgium’s commercial website.

Furthermore, all of KBC’s RI funds comply with the criteria imposed by the quality label of the ‘Towards Sustainability’ label. This label was developed at the initiative of Febelfin, the sector association for the Belgian financial services industry. Since its inception, KBC Group has been a signatory of the Febelfin commitment ensuring that all its Responsible Investing funds commercialised are in line with the quality standards of the ‘Towards Sustainability’ label.

Independence

KBC Asset Management works closely with an external body of independent experts called the RI Advisory Board. This board advises us on the sustainability policies in place for our RI funds and screening results. We meet with the RI Advisory Board at least once every quarter. At these meetings, we challenge one another and take on board the various expert opinions expressed. In doing so, we ensure we comply with the highest possible standards for RI funds.

Proxy Voting and engagement

KBC Asset Management invests the capital entrusted to them by clients in financial instruments, via funds and portfolios. This entails the responsibility to act in the best long-term interest of clients.

KBC Asset Management represents its clients who invest in companies through its equity funds and mixed funds with equity positions at shareholder meetings. It uses proxy voting to do so, for which the rules are outlined in the KBC Asset Management Proxy Voting and Engagement Policy. This active voting policy is applied to several themes, in recognition of the fact that business, corporate governance and sustainability issues all determine the value of a company in the medium to long term. Based on this policy, KBC Asset Management has voted on more than 9,000 resolutions at 811 shareholder meetings.

Finally, in 2020 KBC Asset Management also became a signatory of the collective engagement initiative Climate Action 100+. As part of this commitment, KBC Asset Management engages with companies that can play a key role in the fight against climate change. This includes major greenhouse gas (GHG) emitters and other companies that have significant opportunities to help achieve the goals of the Paris Agreement.

Climate-related impact of our asset management portfolio

Also in 2022, we measured and analysed the climate-related impact of the asset management portfolio using Trucost data and methodology. The data of Trucost, a subsidiary of S&P, are used to map carbon emissions to companies in our portfolios.

Objectives with regard to decarbonisation of corporate investments in Responsible funds

As part of its ambition to limit global warming, KBC has decided to set objectives with regard to decarbonisation of corporate investments in Responsible funds. KBC wants to drive down the carbon intensity (Scope 1 + 2) of the corporate investees in Responsible funds by 50% versus the end of 2019.

The metric used is the number of tonnes of CO₂ emitted per million US dollars in turnover (t CO₂e/$m turnover) for companies. The calculations are based on the Trucost data and methodology (see the Trucost appendix to this report). The amount of CO₂ emitted by a company is the sum of:

- direct CO₂ emissions stemming from the company’s own activities (Scope 1 emissions), and
- indirect CO₂ emissions deriving from the generation of purchased electricity (Scope 2 emissions).

The metric is applied to several themes, in recognition of the fact that business, corporate governance and sustainability issues all determine the value of a company in the medium to long term. Based on this policy, KBC Asset Management has voted on more than 9,000 resolutions at 811 shareholder meetings.

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Sustainability in own investments

As an integrated bank-insurer we also have proprietary investments, alongside the investments we hold as an asset manager on behalf of our clients. This includes our own investments managed by Group Treasury as well as the investments of Pensioenfonds KBC. Also in terms of our own investments, we have already taken important steps to reflect KBC’s sustainability ambitions.

Sustainable investment principles of Group Treasury

For its own investments, for some years now KBC has been applying several exclusion policies such as KBC’s Blacklists of specific companies, human rights offenders and controversial regimes. In 2020, the KBC Group Investment Policy was updated. The policy outlined additional exclusion criteria for new investments by KBC entities for their own account. In practical terms, this means that investments of KBC Group entities for their own account need to comply with most of the exclusion criteria for RI funds. This includes exclusions for activities relating to fossil fuels (and thermal coal-related activities in particular), power generating facilities, controversial and conventional weapons, companies with activities in countries with controversial regimes, gambling, tobacco, adult entertainment, fur and specialty leather.

As a result, KBC’s own investments also benefit from the solid expertise and governance structure that already applies to our RI funds. This includes the permanent external challenge of our policies and asset selection by the RI Advisory Board. For more information on our policy with regard to RI funds, please refer to the ‘Responsible Investing on behalf of our clients’ part of this section.

Sustainable investment principles of Pensioenfonds KBC

Pensioenfonds KBC manages the supplementary pensions of our Belgium-based staff and is by far the most important pension provision in this form within KBC Group. Over time, sustainability has become increasingly integrated in the way in which these pension funds are managed.

• Since 2017, ESG principles have been included in the Statement of Investment Principles of these pension funds. The principles include zero tolerance of certain non-sustainable companies. This includes blacklisted companies, human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling.

• In 2020, Pensioenfonds KBC increased its focus on RI funds. It also set the long-term goal to achieve a climate-neutral investment portfolio.

• In 2021 the EU Sustainable Finance Disclosure Regulation (SFDR) came into force. In response, Pensioenfonds KBC enforced a new policy on sustainability risks. It also included a paragraph on sustainability risks in the pre-contractual information provided to new hires.

• Pensioenfonds KBC also mapped the SFDR classification of the various funds in the investment portfolio. Please refer to the ‘Responsible Investing on behalf of our clients’ part of this section for more information on this regulatory framework. As of end 2022, for the defined benefit plan, around 40% of the portfolio has an Article 8 or 9 qualification. For the defined contribution portfolios this was around 93%. Especially for the defined benefit plan, we aim to step up this figure in the years ahead.

• We further acted on the long-term goal of a climate-neutral investment portfolio by introducing a tailor-made LDI (liability-driven investments) portfolio. It enables investment of the bond portfolio in line with the Responsible Investing funds methodology developed by KBC Asset Management for fixed-income portfolios (LDI is about 30% of the defined benefit portfolio). We put a best-in-class overlay on the government bond portfolio as well. New commitments in third-party funds were screened on specific ESG criteria (such as certifications, labels, ESG KPI reporting and impact investing).

Climate-related impact of our own investments

Since 2021, we have been analysing the climate-related impact (via the carbon intensity metric) for the majority of KBC Insurance’s own investments managed by Group Treasury and the investments of Pensioenfonds KBC. This assessment is based on the Trucost data and methodology. It is fully aligned with the approach for the investments of KBC Asset Management.
An important aspect of our sustainability strategy is to maximise our positive impact on society. In other words, we want to increase our societal impact through our core activities. We do so by financing, insuring and giving advice on projects that contribute and provide access to important social services. This includes education, basic infrastructure, essential services, healthcare and employment. We also do so by offering our clients business solutions that cater for societal needs in our four focus areas: financial literacy, health and longevity, entrepreneurship and environmental responsibility. Finally, we aim to increase our social impact by supporting financial inclusion through microfinance and microinsurance through our unique partnership with BRS.

Social impact financing
Financing and insuring the healthcare and senior living sectors

Healthcare and well-being are obviously at the heart of our activities as an insurer. Through the insurance products we provide, we protect our clients themselves from the financial consequences of healthcare risks. On top of that, we are also an important financier of the healthcare and senior living sectors. In doing so, we make a positive social impact. At the end of 2022, our financing to these sectors amounted to 6.2 billion euros.

Social profit institutions such as hospitals, schools, residential care centres and local authorities have specific needs and require tailor-made advice. To meet these needs, we have specific departments that guide social profit institutions and local authorities in areas such as payments, asset management and financing solutions. Our relationship managers offer a proactive and solution-focused approach and are experts in the various fields.

Contributing and providing access to social goods and services

We also make a positive social impact through the financing and insuring of educational projects, basic infrastructure and affordable housing, for example. The financing of the education sector amounted to 1.2 billion euros at year-end 2022.

6.2 BILLION EUROS FINANCING TO THE HEALTHCARE AND SENIOR LIVING SECTOR
1.2 BILLION EUROS FINANCING TO THE EDUCATION SECTOR

Read more on our community involvement
KBC Group Community Involvement Policy
‘Sustainability facts and figures: community involvement’
IN THE SPOTLIGHT
FINANCING WITH SOCIAL IMPACT

Social profit sector

One of the ways in which we generate a positive societal impact is by financing and insuring social profit entities.

One good example is the rising healthcare trend towards outpatient surgery. Surgical procedures that, in the past, required a lot of planning and time are now performed in outpatient surgery centres or clinics. In Prague, we financed the Palas Athena medical centre. This centre provides surgical, orthopaedic, radio diagnostic and operative care. It performs more than 35 000 outpatient treatments annually, and more than 2 500 operations under general anaesthesia. It has also started performing outpatient surgical procedures, the first medical centre in the Czech Republic to do so. As such, it renders surgical procedures more accessible.

K&H MediMagic

In 2022, the focus areas of our K&H MediMagic tender were mental health and infectious diseases. The number of children seeking medical help for mental health problems has risen dramatically in recent years due to the long-term mental health effects of Covid.

Together with the 20 winners of the 19th equipment tender, we have donated a total of 536 instruments worth 850 million Hungarian forint to children’s health institutions since the programme was launched in 2004. The aim of the program is to support the health of Hungarian children with modern equipment.

DZI launched its innovative mobile health app ‘kaksi’

In November 2022, DZI presented its new mobile health app ‘kaksi’ (meaning “How are you doing?”). The app promotes a healthy lifestyle to its users. It rewards healthy behaviour with unique gifts, bonuses, discounts and prizes from the insurer and its wide partner network. The mobile app also has several functionalities that monitor the health of its users. It also facilitates and increases access to digital health services, including making appointments for an online examination by a doctor. If needed, the app sends an SOS alert with location and health record information to the user’s emergency contacts.

IN THE SPOTLIGHT
BUSINESS SOLUTIONS IN OUR FOCUS AREAS: HEALTH AND LONGEVITY

K&H MediMagic

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IN THE SPOTLIGHT
FINANCING WITH SOCIAL IMPACT

Financing schools

In Belgium, KBC financed the Egied Van Broeckhoven School. This financing reached its financial closing during the first semester of 2022. The school is a new, Dutch-speaking, Jesuit secondary school in Molenbeek (Brussels region) and will open its doors in 2023. It will offer general, vocational and technical courses within two fields of study: STEM (Science, Technology, Engineering and Mathematics) and healthcare and welfare studies. By offering this variety of training to young people, the school aims to address local youth unemployment. In total, 860 students will be able to attend courses.

Public transport

In 2022, we financed the purchase of new MAN Lion’s City buses worth a total of 10 million euros for the public transport system of Veszprém, one of the oldest urban areas in Hungary. The fleet of (old) public buses was replaced by buses with more environmentally friendly diesel engines that meet the Euro standard. K&H financed the purchase of these new MAN Lion’s City buses to a total amount of 10 million euros.
KBC promotes financial inclusion and supports the financial health of its clients. We create equal opportunities and make sure that our products, services and facilities are accessible to all, including to people with specific needs and abilities. We pay particular attention to:

- **Clients who are less advantaged:** For clients who are less advantaged we offer special accounts with free banking services in almost all of our core countries. We have also developed tools that help our clients manage their finances and in doing so also improve their financial health.

- **Clients who are in financial distress:** Dedicated units, processes and techniques ensure a proactive reach out to clients in financial distress.

- **The ageing population:** The further digitalisation of our offering introduces new and innovative products and services aimed at boosting the financial well-being of our clients. At the same time, the ageing population is growing rapidly. Ageing in a digital world brings challenges with it. We run various educational activities in our core countries. KBC employees volunteer to coach non-digital clients – especially those aged 65 and above – at the branches.

- **Clients with a disability:** KBC is committed to providing easier access to our products and services for all. We are especially working to consistently improve access for those with a disability or long-term health condition. We have strategies and action plans in place in almost all of our core countries to provide a full range of services specifically aimed at these clients.

Alongside our own bank and insurance products and services, we also offer non-financial solutions. We refer to this as bank-insurance+. To this end, we work with third parties to offer clients and prospects solutions that help them to:

- **Save money:** for example, by suggesting a switch to a cheaper energy supplier.

- **Earn money:** for example, by offering discounts and deals to our clients.

- **Making everyday payments easier:** for example, by providing a service in our banking app to automatically pay parking fees.

- **Easily invest spare change.**

### Making our services accessible for everyone

We are committed to making our products and services available to everyone. We work continuously to improve access for persons with disabilities and have set up a dedicated strategy. Some concrete examples in which we increase the accessibility of our services are:

- In Hungary and the Czech Republic, all ATMs are accessible to visually impaired people thanks to a voice navigation feature.
- In the Czech Republic, the use of an online speech transcription service enables the hearing impaired to communicate with our bankers. This service is available at all our branches.
- Most of our branch units in Belgium, the Czech Republic and Hungary are accessible for wheelchair users and people with walking difficulties.
- Visually impaired clients can easily use the KBC Mobile app using the accessibility features of the operating system.
- In most of our core countries, visually impaired clients can receive their account statements in braille on demand, while card readers are available with large buttons.

### ŠČOB’s efforts to welcome Ukraine refugees

In a year marked by the outbreak of the Ukraine crisis, we draw particular attention to our important role and responsibility in society. Russia’s invasion of Ukraine has prompted a massive humanitarian disaster. In all our core countries, we partnered with charity organisations to raise money for the victims of this crisis, one that is particularly close to our hearts given that our Central European core countries are considered neighbouring countries of Ukraine. Our employees also volunteered by contributing their time. At ČSOB in Slovakia for example, many colleagues volunteered at help centres or at border area facilities. Some also provided accommodation for refugees.

Besides charity, we also have launched products and services that contribute to the needs of Ukrainian refugees. For example, following the outbreak of the conflict in Ukraine, ČSOB Czech Republic offered Ukrainian citizens a current account with several benefits. This included an initial deposit of 2,500 Czech koruna and a special Ukrainian-language hotline. ČSOB Czech Republic took an extra workers to deal with the huge demand, while our staff from the head office in Prague were redeployed to help ease the strain on branches. So far, ČSOB Czech Republic has opened more than 110,000 current accounts, 80% of which are for women. This adds up to support of more than 275 million Czech koruna.
Supporting our ageing clients in navigating the digital world

Ageing in a digital world brings specific challenges that we want to face together with our senior clients. Several educational initiatives have been rolled out in our core countries.

For example, as part of the ‘Digiwijs’ project in Belgium, KBC employees voluntarily coach clients who have problems navigating the digital world. Most target group members are aged 65 and above. Until now, this support was mostly offered over the phone. In 2022, KBC Belgium launched the ‘KBC Belmobiel’ pilot. The service provides access to banking services for non-digital and less mobile private clients. Upon request of the client, a KBC employee comes to the client’s home to provide the services required.

In the Czech Republic, ČSOB offers all clients aged 58 and above preferential account management. This includes an unlimited number of free payment orders entered at the Czech Post, and free delivery of cash. At every post office, we can send a request for a pension transfer to the Czech Social Security Administration on behalf of the client. ČSOB also operates a free help line for seniors. Clients aged 70 and above are connected to a team of specially trained operators. In 2022, 65,000 help calls were made on this line. Finally, in 2022, ČSOB also introduced the ebook ‘Senior’s Guide to the World of Finance’, which gives practical advice related to finances and safe use of the Internet.

Social bond

In 2022, KBC developed and implemented a comprehensive Social Bond Framework for its social asset portfolios. The Framework is aligned with the ICMAs (International Capital Market Association) Social Bond Principles. It is used to (re)finance projects that generate social benefits in support of our mission and vision.

Our first social bond, worth 750 million euros, was used for investments in healthcare. The bond was restricted to institutional and professional investors. To ensure transparency, we have a dedicated webpage on our corporate website, including information on our social bond issue and framework.

In the years ahead, we will focus on funding projects in the following areas: access to essential services (such as education, health care, sport and culture), affordable housing, job creation and SME financing.

Equator Principles

We signed up to the Equator Principles (EP) for project financing as far back as January 2004. This voluntary set of guidelines aims to support responsible decision-making related to environmental and social risks in project finance. This includes human rights risks, the rights of indigenous people, climate change and biodiversity.

We provide project financing or advisory services only when the borrower is willing to comply with the processes and policies of these principles. Our central credit department reviews the environmental and social aspects of projects and works closely with EP coordinators appointed in the entities.

In 2022, we concluded 24 transactions under the EP. This included 0 category A projects, meaning projects with potentially significant adverse environmental and social risks and/or severe impact. They also included three category B projects, i.e. projects with potentially limited adverse environmental and social risks and/or impact that are less severe. Finally, these transactions also included 21 category C projects, for which risks are considered minimal and the projects in legal compliance in the country of execution. More detailed reporting can be found in the ‘Sustainability facts and figures’ section.
IN THE SPOTLIGHT
BUSINESS SOLUTIONS IN OUR FOCUS AREAS: ENTREPRENEURSHIP

Supporting start-up and scale-ups

We support start-ups and scale-ups (entrepreneurs and companies) through our award-winning incubator programmes at Start it @KBC communities in Belgium, Hungary and the Czech Republic. Within these communities, we provide product development and investment support, mentoring and workshops to budding businesses. Over their lifetime, ‘Start it’ has supported more than 1,600 start-ups and scale-ups businesses in different core countries.

The Start it communities have dedicated programmes to help women go into business. These address some of the challenges women face when setting up a company. In the technology sector, Start it @K&H in Hungary, for example, specifically focused on businesses with female founders this year. A total of 55 start-ups have applied and out of the 16 selected start-ups, seven have a female founder. Start it @ KBC in Belgium has been focusing for several years already on female entrepreneurship and will continue to do so. We also have a target in place revolving female entrepreneurship at Start it @KBC in Belgium. This indicator helps us track and evaluate our progress on the second most significant impact area we have defined in our UNEP FI Principles for Responsible Banking’s impact analysis. Please refer to the appendix for more information on this exercise.

Our start-up communities also focus increasingly on supporting environmentally sustainable businesses. In Flanders, for example, we joined a network that helps start-ups in the circular economy and with sustainable business models. Through this, Start it @KBC helped multiple circular businesses see the light of day. Moreover, Start it @ČSOB organised a ‘Green Challenge’ for sustainable start-ups. Among the winners were a start-up for the recycling of soft and dirty plastics, a database of sustainable technologies in the construction industry and solutions for regenerative agriculture. Start it @ČSOB also launched a Start it @UNI programme in 2022. The goal is to give students’ projects every chance of success.

ČSOB Start it Social grant programme

In 2022, ČSOB announced the tenth anniversary year of the ČSOB Start it Social grant programme. To support social entrepreneurship and make this programme possible, we partnered with the expert guarantor and non-profit organisation P3 – People, Planet, Profit o.p.s. Organisations that employ people with reduced work ability were offered the opportunity to request tailor-made advice and financial incentives. In 2022, we mainly focused on projects that support environmental issues (energy and water savings and recycling) and digitalisation (creation of new websites and e-shops). Social projects have been supported since the project was first launched. Since the project was first launched, it has provided a total financial support of 9 million Czech koruna to projects that provide social benefits.

TARGET
FEMALE ENTREPRENEURSHIP AT START IT @KBC IN BELGIUM

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female entrepreneurs selected(^{1})</td>
<td>50%</td>
<td>34%</td>
<td>44%</td>
<td>53%</td>
</tr>
</tbody>
</table>

\(^{1}\)Number of start-ups with minimum one female co-founder.
Financial inclusion and impact investing

Not all people across the globe have access to basic financial services such as banking and insurance. KBC’s unique partnership with the Belgian Raiffeisen Foundation (BRS) was set up to specifically address this issue. BRS supplies funding through microfinance and microinsurance in the Global South. By giving rural entrepreneurs and farmers access to financial services, BRS aims to sustainably improve the quality of their lives. Also, BRS uses its unique practical experience and knowledge in cooperative banking and insurance to advise, coach and train partner associations. Through our partnership with BRS, we contribute to sustainable local development and financial inclusion.

Microfinance and microinsurance

BRS works with cooperative microfinance institutions (MFI) to maximise its social impact. These MFIs offer financial services, such as microcredits and microinsurance, and organise access to education and healthcare for their clients.

In 2021, BRS developed a monitoring framework to assess and evaluate the social impact of its MFI partners. The key performance indicators included in this monitoring framework are subject to independent social audits. BRS expects its MFI partners to score above sector benchmarks for a number of key social indicators. These indicators include elements such as client value, prevention of over-indebtedness, transparency and responsible pricing. In doing so, BRS generates financial and social returns for every partner by thoroughly screening the financial and social qualities of their MFI investees.

BRS also offers microinsurance services. Microinsurance can have a big impact in the Global South by preventing people from getting caught in a spiral of poverty. Something for which low-income groups are at heightened risk as their income is often generated by one provider. However, unlike microloans the social impact of microinsurance is less obvious as it covers a risk that might never materialise. BRS therefore also concentrates on financial advisory and training in this domain.

BRS Microfinance Coop

BRS Microfinance Coop is a joint initiative of KBC, Cera and BRS vzw. Together they raised capital through the issue of cooperative shares. This capital is invested in MFIs in Africa, Latin America and Asia. In turn, they supply microcredits to rural entrepreneurs and farmers.

In 2022, BRS Microfinance Coop set up a new investment policy. This policy includes the new requirements that investments are only made in well-known MFI investees. This means that they are or were partners of BRS’s training and coaching programme. Also, going forward BRS Microfinance Coop will invest in specialised MFI funds that operate mainly in rural areas in Africa, Latin-America and South-East Asia.

Through BRS Microfinance Coop, KBC – along with Cera and 1,718 private individuals – invests in six MFIs. Together, these investments reach 14 million entrepreneurs. BRS Microfinance Coop invested 2.6 million euros in Microfinance Funds and 7.1 million euros in Microfinance Institutions. At the end of the year, the outstanding share capital of BRS Microfinance coop amounted to 22.2 million euros, of which KBC contributed 34%.

For more details and updates, please find the latest annual reports on the BRS website.
**IN THE SPOTLIGHT**

**BRS MICROFINANCE COOP: A JOINT INITIATIVE OF KBC, CERA AND BRS VZW**

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**About Cera**

With almost 400,000 enthusiastic members, we are the most remarkable and friendliest cooperative in Belgium. Together, we get to share experiences, achieve more, and invest better: in schemes that are effective and connect people, and in projects that benefit all.

**Together, we take good care of each other.**

Inspired by the cooperative values of F.W. Raiffeisen, cooperation, solidarity and respect for all have been the cornerstone of Cera’s business for over 125 years. The first cooperative was founded in 1892 in Rillaar, Flemish Brabant, which went on to become CERA Bank. In June 1998, CERA Bank merged with Kredietbank and ABB Insurance to become KBC. The Cera cooperative has not been a bank for a long time now. Instead, it pools the shares of former CERA Bank members and those of new members who have joined, thereby rebuilding the ‘old’ cooperative values.

Read more about Cera’s mission and roots on the Cera [website](#) (available in Dutch, French and German).

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**Financial advisory, knowledge and information sharing**

BRS is particularly strong in financial advisory services, for which it relies on expert volunteers. The BRS Institute’s experts are experienced bankers and insurers who aid BRS’ partners. Active KBC staff also volunteer for BRS through KBC4BRS, KBC’s employee involvement programme.

In 2022, 55 active and retired KBC colleagues shared their financial knowledge with MFIs around topics such as risk management, cooperative governance, human resources, digitalisation, client-centricity and internal controls.

BRS also has an important informative role to play. It creates a social impact by sharing testimonies of people in the Global South in Belgium. It does so by organising information sessions, for example.

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**Microfact**

Microfact is a joint initiative of BRS and ADA, a Luxembourg-based NGO. MFIs can use Microfact for evaluating their financial and social performance. Microfact also provides support on transparently communicating on this performance. The free supporting software is publicly available [online](#).

Microfact also offers training modules. To do so, the organisation relies on a worldwide network of certified trainers. The Microfact e-learning platform offers digital courses on performance evaluation and business planning in three languages.

2022 was a great year for Microfact! Want to find more about what Microfact has achieved in 2022? Take a look at the Microfact video!
Our commitment to the environment and climate action

KBC is actively working on reducing its environmental impact. Currently, climate change mitigation and adaptation receive the most attention from many of our stakeholders. Our main focus is on these topics, although we are gradually expanding our focus to include other environmental issues. We have therefore extended the scope of our Sustainable Finance Programme to other environmental themes. In this section we focus on this programme in depth, as well as the actions we are taking within our commitment to the environment and climate action. This section therefore includes our TCFD (Task Force on Climate-related Financial Disclosures) report, in which we focus both on our direct and our indirect environmental impact.

KBC is a proud and active signatory of the Collective Commitment to Climate Action

In September 2019, we strengthened our climate commitment by signing the UN initiative entitled the Collective Commitment to Climate Action (CCCA). We launched our Sustainable Finance Programme as a part of this commitment, and to address climate change issues by bringing together all relevant climate expertise within our group.

The CCCA requires its signatories to set decarbonisation targets. In September 2022, we published KBC Group’s first Climate Report, containing:

- stringent decarbonisation targets for the sectors that cover the majority of our lending portfolio and related greenhouse gas (GHG) emissions; and
- clear targets for KBC Asset Management’s Responsible Investing funds.

We aim to ensure the structured implementation of these targets. We believe that a firm commitment needs to be combined with gradual policy decisions and related actions to ensure correct implementation. We have therefore formulated corresponding actions as a part of our Sustainable Finance Programme. These actions are fully embedded in our businesses and core countries. They are also part of the commercial steering, including through the budgetary planning cycles. You can read more on the implementation of the Sustainable Finance Programme in the section on “Our indirect environmental impact.”

Our climate commitment and stance on net zero

KBC fully supports the need to achieve a climate-neutral society. We refer to our CCCA commitment and the subsequent publication of our Climate Report. The baseline of the various targets in this report have been externally assured. This indicates the diligence with which we are undertaking our climate journey. We will also review our climate targets systematically as we progress.

At the end of 2022, KBC bolstered its intentions with regard to climate action by committing our 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 World Wildlife Fund (WWF). They define and promote best practices in emission reductions in line with climate science. They also provide technical expertise to companies who set science-based targets. Finally, they provide independent assessment and validation of targets based on an extensive and robust set of criteria and requirements. Through our engagement with SBTi, we commit ourselves to having our company-wide emission reduction targets validated in line with climate science within 24 months.

Over the years we have gradually improved our policies. Testimony to this is KBC’s systematic tightening of fossil fuel financing policies within our lending, advisory, insurance and asset management business (see KBC Sustainability policies and KBC Asset Management’s exclusion policies for RI funds).

We are convinced that our strategy reflects the highest possible contribution to the necessary decarbonisation within our sphere of influence and considering the current context.

 Whilst we have carefully reviewed the initiative and will continue to do so going forward, KBC will not be joining any of the net-zero alliances in the financial sector for the time being. In our view, too many uncertainties remain regarding the achievement
Working together with all stakeholders

We believe that active collaboration with all stakeholders is necessary to cope with climate challenges, in line with our CCCA commitment.

- We want to assist our clients in their sustainability transitions. We explain in more detail how we collaborate with our clients in the part on customer engagement.
- In our home countries we are a part of industry associations. Within this context, we have put sustainability issues – and climate change in particular – on the agenda. By doing so, we aim to agree on joint action within the financial sector. This is how we are endeavouring to further streamline the sustainability transition for local businesses and citizens.
- We regularly consult with various authorities (i.e. national, regional and municipal) to streamline our climate approach. We believe that the actions we take to support a transition towards a more sustainable society can only succeed within a supportive policy environment. In this respect, we are strongly guided by the Green Deal and the ‘Fit for 55’ objectives of the European Commission. In particular, further translations of these policies to the national level will have an important influence on our potential impact.

We choose the actions that we take to combat climate change by using a ‘double-materiality approach’. This means that we are committed to managing both our company’s impact on climate as well as the impact of climate change on our company:

- Environmental and social materiality: We are committed to managing the direct and indirect impact of our company on the climate. We want to limit the negative impact of our activities on the environment and increase our positive impact. We do this by adopting environmental policies and climate-related targets for our loan, investment and insurance portfolios.
- Financial materiality: We are committed to managing the impact of climate change on our company. We do so by closely monitoring the climate-related risks and opportunities, and by taking appropriate actions to manage them effectively.

The ‘double materiality’ approach guides our Sustainable Finance Programme

IN THE SPOTLIGHT

STAKEHOLDER ENGAGEMENT

Partnerships and platforms on sustainability

We think we can create the biggest sustainability impact if we bundle our forces with other stakeholders. In several of our core countries, we are therefore a member of platforms and partnerships on sustainability.

KBC Belgium, for example, participates in several spearhead clusters of the Flemish Agency for Innovation and Entrepreneurship (VLAIO). The clusters operate around important strategic domains, such as energy and water. The point of our participation is to closely follow up these clusters and to support them where possible.

Similarly, ČSOB in the Czech Republic, is also a member of a number of thematic platforms aimed at supporting the decarbonisation of the Czech economy. Some examples are the Commission for Sustainable Finance under the Czech Banking Association, Climate and Sustainable Leaders Czech Republic and the CSRD Project.
Gradually expanding the focus

In 2022 we gradually broadened our focus to cover other environmental objectives, although climate change remains our main focus. Our widened focus includes the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, as well as the protection and restoration of biodiversity and ecosystems. It is no coincidence that this scope aligns with the environmental objectives outlined in the EU Taxonomy. Technical criteria have already been published for climate change mitigation and adaptation, whereas such criteria for the other objectives are expected to be published in the near future.

KBC has been working on all these objectives for quite some time already. Our sustainability policies clearly exclude several environmentally harmful activities (see the ‘Sustainability policies’ part of this section).

Going forward, we will include the objectives within the scope of our Sustainable Finance Programme, so we can embed them in our activities in a structured manner. We will adopt an approach similar to our previous efforts on climate change mitigation and adaptation. The scope of our White Papers, for example, will be widened to include these issues. We are also following developments in the field of impact calculations and will continue to incorporate these into our approach in the course of 2023. Additionally, we have taken steps to include the other environmental risks into our risk approach. For more information, please refer to the part on ‘Risk management’ in this section.

Measuring and reporting on our environmental footprint

Measuring our impact on the climate is a crucial element of our sustainability approach. We see this as a crucial step in defining policies to reduce this impact. In practical terms: we measure both our direct and our indirect environmental footprint.

We further elaborate on our direct environmental impact in the part on our direct environmental footprint and the ‘Sustainability facts and figures’ section of this report. The part on our indirect environmental impact further specifies how we approach measuring our indirect environmental impact. We outline methodologies, outcomes of the calculations and strategies for improving data collection. Both the calculations of KBC Group’s direct footprint, as well as the target progress report of KBC’s Group’s lending portfolio have been independently assured by an external party. The items verified are indicated throughout the section, where relevant.

Work in progress

Many aspects of our climate approach are still under development. For example, climate-related data from many of our clients are still insufficiently available. Consequently, our methodologies for certain parts of our portfolio are based on the use of proxies and estimations. Therefore, while these calculations provide insight into our environmental impact, they should be interpreted with caution. For more information on this, please refer to the appendices of this report and our Climate Report.

In the Spotlight

STAKEHOLDER ENGAGEMENT

Keynotes and conferences

In 2022, we organised and participated in several conferences and keynotes around the topic of sustainability. In September 2022, K&H organised a TEDx conference on sustainability for its clients. An array of renowned speakers shared their ideas and visions about sustainability. The topics covered, among others, nature conservation, the consequences of climate change, sustainable urban transport and the energy transition.

KBC Securities again organised its yearly digital Sustainability Conference in Belgium. This year, the conference reached more than 140 clients, covering ESG topics from various perspectives.

Furthermore, in Belgium and Hungary, our employees held lectures at several major universities and colleges. For example, these lectures were given at Thomas More, Flanders’ largest university of applied sciences, at Budapest University of Technology and Economics and at Budapest Business School.

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We further elaborate on our direct environmental impact in the part on our direct environmental footprint and the ‘Sustainability facts and figures’ section of this report. The part on our indirect environmental impact further specifies how we approach measuring our indirect environmental impact. We outline methodologies, outcomes of the calculations and strategies for improving data collection. Both the calculations of KBC Group’s direct footprint, as well as the target progress report of KBC’s Group’s lending portfolio have been independently assured by an external party. The items verified are indicated throughout the section, where relevant.

Work in progress

Many aspects of our climate approach are still under development. For example, climate-related data from many of our clients are still insufficiently available. Consequently, our methodologies for certain parts of our portfolio are based on the use of proxies and estimations. Therefore, while these calculations provide insight into our environmental impact, they should be interpreted with caution. For more information on this, please refer to the appendices of this report and our Climate Report.

Gradually expanding the focus

In 2022 we gradually broadened our focus to cover other environmental objectives, although climate change remains our main focus. Our widened focus includes the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, as well as the protection and restoration of biodiversity and ecosystems. It is no coincidence that this scope aligns with the environmental objectives outlined in the EU Taxonomy. Technical criteria have already been published for climate change mitigation and adaptation, whereas such criteria for the other objectives are expected to be published in the near future.

KBC has been working on all these objectives for quite some time already. Our sustainability policies clearly exclude several environmentally harmful activities (see the ‘Sustainability policies’ part of this section).

Going forward, we will include the objectives within the scope of our Sustainable Finance Programme, so we can embed them in our activities in a structured manner. We will adopt an approach similar to our previous efforts on climate change mitigation and adaptation. The scope of our White Papers, for example, will be widened to include these issues. We are also following developments in the field of impact calculations and will continue to incorporate these into our approach in the course of 2023. Additionally, we have taken steps to include the other environmental risks into our risk approach. For more information, please refer to the part on ‘Risk management’ in this section.
Our direct environmental footprint

The biggest part of our environmental impact is indirect. Yet, this fact does not undermine our dedication to reducing the direct environmental impact from KBC’s own operations. That is why we have been measuring our group-wide, direct emissions since 2015. Since then, we have put targets in place for reducing our direct environmental footprint, and we have accomplished significant reductions in our GHG emissions.

In 2020, we set more stringent ambitions to reduce the GHG emissions resulting from our own operations. We also strengthened our ambitions regarding the use of electricity from renewable resources by 2030. The table on this page shows the progress we have made in comparison to those targets. Note that a gradual return to the workplace and resumption of business travel after two ‘Covid years’ resulted in a rise in our GHG emissions compared to 2020 and 2021. Nevertheless, we will continue to pursue our strategy of reducing our GHG emissions in line with our targets. We note that our direct footprint showed reductions for all items not related to business and commuter travel.

The calculations of our 2022 direct GHG emissions also contain two important changes compared to previous years:
- the acquisition of Raiffeisen bank in Bulgaria.
- the switch from NEDC values to WLTP values to quantify the emission from KBC’s entire business and commuter travel.

These changes have a material impact on our emission calculations. We therefore restated our 2015 baseline to allow year-on-year comparison, and we have also recalculated 2021 data accordingly.

Finally, and for the second consecutive year, we achieved net climate neutrality in the GHG emissions from our own operations. We took three steps to achieve this goal measure, reduce, offset.

Measure

Since 2015, we have been calculating the GHG emissions arising from our own operations at group level, in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Every year, an external party verifies the data and methodology for the calculations to a level of reasonable assurance in accordance with ISO 14064-3. The verification statements can be found in the assurance section of this report.

Targets

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total CO₂ emissions from own operations (direct footprint scope) in tonnes CO₂e</td>
<td>80% for the period 2015-2030</td>
<td>-70%</td>
<td>-71%</td>
<td>-56%</td>
<td>-42%</td>
</tr>
<tr>
<td>Renewable electricity consumption in %</td>
<td>100% by 2030</td>
<td>100%</td>
<td>100%</td>
<td>87%</td>
<td>83%</td>
</tr>
<tr>
<td>Carbon credits purchased in % of remaining GHG emissions from own operations</td>
<td>Not climate neutrality as of 2021</td>
<td>100%</td>
<td>100%</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

In 2022, the 2015 base year has been recalculated in accordance with the GHG protocol guidance on the recalibration of base-year emissions. They reflect the structural changes in the reporting organisation in 2022 (i.e. the acquisition of Raiffeisen bank in Bulgaria) and methodological changes (i.e. conversion factors used for business and commuter travel by car based on WLTP values instead of NEDC values going forward). The reduction percentage for the previous years is in comparison to the former baseline, before the 2022 restatement.

Our calculations include:
- Scope 1: direct emissions from fuel combustion and refrigerant gases in our office buildings and from business and commuter travel by our own company car fleet;
- Scope 2: indirect emissions from purchased energy (electricity, heat, cooling and steam consumption);
- Scope 3: indirect emissions from business and commuter travel, and emissions from sources over which we have direct operational control (such as paper and water consumption and waste generation).

These calculations give insight into our direct impact on the climate and help to identify the main sources of our impact.
Reduce

We have implemented an ISO 14001 environmental management system in all core countries to manage and reduce our direct environmental impact. In 2016, we formulated an initial, group-wide reduction target for lowering our direct GHG emissions by 2020. To achieve this target, each core country implemented an action plan.

In 2018, we set an additional long-term target for 2030. We raised the bar again in 2020, formulating the long-term ambition of achieving an 80% reduction in our direct emissions by 2030, as compared to 2015. Furthermore, we included commuter travel in our target scope, as it is a significant part of our direct footprint. In doing so, we aim to green our policy on employee mobility. Last but not least, we committed to increasing our own green electricity consumption to 100% by 2030. This goal was already reached in 2021.

In 2022 business travel and commuting rose again. However, the associated environmental footprint is well below pre-Covid values. In recent years, we have invested in switching to greener mobility: incentivising electric bicycles, promoting public transport and conversion to a greener and electric fleet.

Additionally, we transitioned our own energy consumption to more sustainable sources, using different initiatives, such as investments in solar panels and insulation. We reduced the waste we produced as well as the amount of paper consumed.

The outcome of these additional measures mitigated the impact of the increased business and commuter travel, and led to an overall increase in our carbon footprint of only 6% compared to the restated 2021 GHG emissions.

Carbon offsetting

In 2021, we began offsetting the direct GHG emissions that at that point could not yet be eliminated. Consequently, we achieved net climate neutrality with respect to our direct footprint from 2021 onwards. In 2022, we again chose to invest in high-quality climate projects to offset the remaining emissions emanating from our own operations. We selected projects of the highest quality that are certified under the most stringent standards (i.e., Gold Standard or the Verified Carbon Standard combined with Climate, Community and Biodiversity Standards). Hence, we aim to invest in projects that address climate change, whilst simultaneously ensuring additional benefits for local communities and biodiversity conservation. Also, the projects all have a clear link to our sustainability strategy. Note that our due diligence process is aimed at selecting projects with a demonstrated real-world impact, but that it ultimately relies on information supplied by third parties. Below, we describe the projects from which KBC bought part of its carbon credits.

Avoided deforestation: Protecting 200,000 hectares in Envira, Brazil

Tropical rainforests are home to many species and store large amounts of carbon. The Envira Amazonia Project will preserve rich biodiversity and a wide range of ecosystem services. Moreover, it will provide direct benefits to local communities, and mitigate the release of about 12.6 million metric tonnes of carbon dioxide emissions over the first 10 years of the project.

Efficient resource use: improved cookstoves in Malawi

In many countries charcoal is an important source of energy for cooking. The use of charcoal drives local deforestation but also leads to air pollution. This project aims to improve access to more efficient cookstoves in Malawi. The primary purpose, therefore, is to reduce greenhouse gas emissions from the combustion of non-renewable biomass. Simultaneously, the project contributes to the wider sustainable development of households.
Mangrove forests provide a number of valuable ecosystem services that contribute to human well-being. Besides storing carbon, they protect the coast from storms and form a nursery for many fish species. This project will afforest and reforest 226,000 hectares of degraded tidal wetlands in the Indus Delta Area (Sindh Province, Pakistan). In doing so, the project promotes climate change mitigation and adaptation. Furthermore, it contributes to the conservation and maintenance of biodiversity as well as the protection of coastal areas, while also improving the livelihoods of local communities.

Avoided deforestation: protecting 497,000 hectares of tropical forest in Cambodia

Uncontrolled conversion of forest to agricultural land makes the Southern Cardamom region one of the most threatened forest landscapes in South-East Asia. Rural communities depend on small-scale agricultural production to support their livelihood. There is a lack of sufficient employment opportunities for the growing rural population in the area. This, combined with a lack of knowledge regarding improved agricultural techniques, drives the local population to clear forests for cultivating commercial crops. Apart from forest protection, this project focuses on agricultural intensification and community-based ecotourism. These will help create greater financial security in these communities. As such, there will be less of a need to perform unsustainable resource extraction from the project area.

We are also involved in various local initiatives to support the environment. For example, in 2022, KBC Bank Bulgaria partnered with Gorata Bg. This is one of the most famous Bulgarian NGOs when it comes to ESG initiatives. Together with Gorata Bg, UBB started a campaign called 'Your Green Footprint'. Within this campaign, the Bank committed to plant a tree for every ten square meters of new home financed with its mortgage loans. Clients would then receive a certificate for the planted trees.

In Hungary, K&H set up the ‘Cooling groves program’ in combination with the 10 Million Trees Foundation. The programme aims to plant at least 555 trees and 1,100 shrubs in approximately 100 schoolyards. Kindergartens and schools can apply to the programme. The combination of shrubs and large trees creates a small, varied park in the courtyards of the institutions. The bushes will protect the trees from drying out, from weeds and from damage to the trunks. The programme started in November 2022 and runs until May 2023. To realise the project, K&H sets aside 10 Hungarian forint for each digital payment made between 19 September and 31 October 2022. Moreover, K&H clients were also asked for a donation to the project in September and October.

Finally, ČSOB Slovakia is a partner of Slovakia’s oldest national park ‘High Tatra’. As part of this collaboration, ČSOB made a commitment to plant 150,000 new trees before the end of 2024.
Our indirect environmental impact

Our largest environmental impact is indirect, through the financing and insuring of and the investing in other parties. These activities may have an environmental impact, either positive or negative. Climate change and other environmental threats also clearly impact our business as a financial institution in the form of both transition and physical risks. We do, however, also recognise that the transition to a greener, more sustainable economy brings many opportunities with it. Our Sustainable Finance Programme deals with all of these aspects for all relevant domains in our business.

In this part, we report on what we have achieved so far and how we see our future work in a world that is constantly changing. For the sake of transparency – and as a TCFD endorser – this section is structured according to the four pillars of the TCFD recommendations:

- Governance
- Risk management
- Metrics and targets

We believe that a transparent disclosure strategy supports a sound sustainability approach. We want to use this strategy to provide all stakeholders with clear insights into all the relevant aspects of our broader sustainability approach.

Governance

Our climate-related governance is fully embedded in our overall sustainability governance. It spans all levels and functions of our company. We therefore refer to the "Sustainability governance" part of this report for a detailed overview of our overall sustainability approach.

Strategy

The strategy of our Sustainable Finance Programme consists of different elements:

- **White Paper approach**: Our climate-related strategic initiatives focus in large part on the eight sectors that are the most carbon-intensive as well as three product lines. We refer to these sectors as our "White Paper sectors". In these White Papers, we also take a progressive approach towards environmental objectives other than climate change. In October 2022 we decided to perform additional analyses for these themes for the most impacted sectors.

- **Customer engagement**: We believe that we can only achieve significant change by supporting and collaborating with our clients. Customer engagement therefore forms a central part of our sustainability strategy.

- **Product development**: We identify climate-related opportunities and aim to incorporate them in our core products – such as bonds, loans, investments and insurance contracts – to the maximum extent possible.

- **Internal Carbon Pricing**: We have developed an approach for Internal Carbon Pricing (ICP). ICP refers to a methodology through which the estimated costs of emissions can be included in the internal accounting of companies and organisations.

In the following sections, we further elaborate on these elements.

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**IN THE SPOTLIGHT**

**BUSINESS SOLUTIONS IN OUR FOCUS AREAS: ENVIRONMENTAL RESPONSIBILITY**

**Start-ups and circular economy: a cooperation between Start it @KBC, VITO and the Flemish government**

It is becoming increasingly clear that innovative entrepreneurship is an important factor in the fight against global warming. We are welcoming a growing number of start-ups with a sustainable model into our community, the aim being to accelerate their business. They are the hope for our future. But there is still a lot of work to do to accelerate the circular transition. As the largest network for start-ups in Flanders, we want to take responsibility and launch initiatives to increase their chances of success.

Leading Flemish research centre VITO (Flemish Institution for Technological Research) will help the start-ups of the Start it @KBC accelerator to develop circular products and circular business models. The collaboration should further boost the circular economy. By supporting innovative start-ups from the outset Start it @KBC and VITO want to accelerate the transition to sustainable entrepreneurship.

One example is BRAUZZ, a Ghent start-up that is part of the Start it @KBC community. This start-up develops sustainable and plastic-free packaged household products, the aim being to rid the world of disposable plastic without compromising on quality or convenience.

The coffee roasters at Ray & Jules are another good example. They have come up with an innovative way of roasting coffee beans without the CO₂ emissions produced by the traditional process. Their ambitions go far further, however: they want to be the catalyst for making the global coffee industry 100% petrol-free by 2050. (Coffee with a splash of sunshine)
White Paper approach

Our Sustainable Finance Programme focuses on a selection of our portfolios and product lines. These were selected based on the materiality analysis methodology further specified in the TCFD recommendations.

Concretely, we focus on the three most carbon-intensive product lines, specifically: mortgages, car loans and car leasing. In addition, we focus on the following industry sectors: energy, commercial real estate, agriculture, food production, building and construction, chemicals, transportation and metals. These sectors were chosen because they have granted loan volumes that represent more than 5% of all our industrial loans. We have also chosen these sectors because they are important from the perspective of GHG emissions and have a significant impact on climate change.

In 2020 and 2021, we made the first strategic assessments of these sectors and product lines. We referred to them as our ‘White Paper analyses’. The term ‘White Paper’ refers to the open mind with which we embarked on the process. In 2022, we updated most of the White Papers.

Details on outstanding loan volumes and financed GHG emissions for these sectors and product lines can be found in the ‘Metrics and targets’ part of this section and the ‘Sustainability facts and figures’ section of this report.

The White Papers are an analysis of, among other aspects:

- Challenges and technological developments within these sectors and business lines,
- Relevant European and local regulations and action plans,
- An analysis of the potential impact of these policies on KBC’s portfolios,
- An analysis of climate-related risks and opportunities,
- An initial outline of possible risk-mitigating measures, commercial policy adjustments and how we can steer each of the portfolios such that they are in line with the Paris Agreement,
- Targets for most of these sectors. Where established, these targets have been published in our first Climate Report in October 2022, and
- Results from methodologies, such as PACTA, PCAF and UNEP FI (United Nations Environmental Programme Finance Initiative).

All White Paper analyses focus on our credit business, advisory services and insurance activities. We also zoomed in on the specific contexts in our core countries. To that end, the relevant local departments work closely together with their respective central departments.

The White Papers are regularly updated in order to include important developments in the sectors and to take timely action. The Internal Sustainability Board (ISB) closely monitors the White Papers. From 2023, the scope of some of the White Papers will be expanded to include the other environmental themes. In some cases, we pay attention to specific themes, such as sustainability reporting, subsidies and regulation. Examples of topics include the Corporate Sustainability Reporting Directive (CSRD), or the EU Taxonomy (i.e. what it is about, how to apply it and its importance). In so doing, we aim to help our clients gain an understanding of what these regulations are, their importance and how they should be applied.

Customer engagement

Customer engagement plays an important role in our Sustainable Finance Programme, and in fulfilling our CCCA commitment. We have had an active customer engagement strategy in place since 2020. Initially, this strategy focused on larger, mid-cap clients in Belgium. This scope has been gradually extended to all our core countries and to smaller clients – up to SMEs (small and medium-sized enterprises) – as well.

The customer dialogues focus on creating awareness about ESG topics, such as climate change, and stimulating and incentivising positive actions by our clients. In these dialogues, we aim to be a solid partner in our clients’ sustainability transition. In some cases, we pay attention to specific themes, such as sustainability reporting, subsidies and regulation. Examples of topics include the Corporate Sustainability Reporting Directive (CSRD), or the EU Taxonomy (i.e. what it is about, how to apply it and its importance). In so doing, we aim to help our clients gain an understanding of what these regulations are, their importance and how they should be applied.

We train our relationship managers to increase their awareness about ESG issues and to increase their knowledge of climate-related risks and opportunities. Through this training, we also aim to give them the tools to be able to support our clients in their sustainability transitions. In some cases, the training is sector specific.

7 For some of the sectors, not all core countries were included. This decision was made where the sectors were not material or relevant for the local portfolio.
In addition, we seize these contact moments with clients to gather environmentally relevant data. We work in an increasingly structured way by using surveys and ESG assessments. Carbon-footprint calculators deliver valuable insights and help in defining positive, climate-related investments. Based on insights from the White Papers, we set up more extensive surveys for specific sectors.

We aim to offer tailored solutions and expert advice. To do so, we also work together with partners such as Encon in Belgium. Based on the input retrieved from the conversations, we continuously improve our sustainable propositions and solutions.

The feedback of clients is mostly positive. For example, in KBC SME Banking in Belgium, 45% of clients were (highly) interested in having sustainability awareness conversations and wanted follow-up meetings to discuss concrete solutions.

At the end of 2022, more than 3,000 conversations across the various core countries had already been conducted since the initiative’s launch. We will continue with these conversations in the coming year. Besides this, we have set targets in all our core countries. These are, for example, targets for the number of customer awareness meetings, carbon-footprint calculations or signed contracts around specific solutions.

We know how to deal with ESG. We will advise you, too

ČSOB in Slovakia intensively concerns itself with the ESG theme and sets itself the highest objectives. ČSOB advises its clients about how new obligations can be changed into opportunities that will transform their company to a modern one. They help set sustainability objectives and define the steps needed to fulfill these objectives.

These experts are ready to advise our clients. They help them to analyse the current situation regarding sustainability. Then, they help set sustainability objectives and define the steps needed to fulfill these objectives.

Partnerships for expert advice

Our continued partnership with Encon in Belgium on energy and sustainability services for corporate banking clients led to several initiatives in 2022. Notably, we encouraged our clients to participate in the Encon Academy, which hosted several webinars on energy independence, diversity, sustainability strategies, as well as how to communicate about sustainability initiatives. We organised various in-person sessions regionally too. In addition, we collaborated with LIFEPOWR, a provider of advanced energy management systems and with IMPACT, which offers installation of high-quality solutions.
Opportunities linked to climate change and other environmental objectives

Climate change and the other environmental objectives defined in the EU Taxonomy carry several risks but also many opportunities. We believe that these opportunities not only contribute to today's sustainable economy models, but also reduce the adverse direct and indirect impacts on our environment and society.

As a financial institution, KBC has an important role to play in managing and seizing these opportunities. As part of our White Paper approach, we have identified several opportunities to direct the wind in a positive direction, amid environment crises. In Table 6.2, we provide an overview of the main opportunities identified. We also indicate a selection of our products and services in the White Paper sectors part of the Metrics and targets section.

Table 6.2: Climate- and other environmental objectives-related opportunities for KBC

<table>
<thead>
<tr>
<th>White Paper sector</th>
<th>Opportunity</th>
<th>Selection of products and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>Energy transition to alternative and affordable energy sources</td>
<td>• Expert advice for corporate and retail banking clients through our own network, through partnerships or through our mobile channels.</td>
</tr>
<tr>
<td></td>
<td>Green hydrogen production</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increased electricity storage capacity</td>
<td></td>
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<tr>
<td>Real Estate</td>
<td>Retrofitting buildings and energy-efficiency advisory services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Integration of renewable energy such as energy-efficient heat pumps and photovoltaics</td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>Transition to electric vehicles and bicycles</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Green hydrogen for long-haul transport</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Use of recycled plastic and batteries for the remanufacturing of vehicles</td>
<td></td>
</tr>
<tr>
<td>Agriculture, food and beverages</td>
<td>Bioenergy and chemical production from agri-food waste resources</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Capturing and storing carbon in soil and plants through carbon farming</td>
<td></td>
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<tr>
<td></td>
<td>Smart and precision farming</td>
<td></td>
</tr>
<tr>
<td>Building and construction</td>
<td>Bio-based and carbon-negative building materials</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Modular constructions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electrification of machinery</td>
<td></td>
</tr>
<tr>
<td>Metals</td>
<td>Recycling of steel and aluminium in old scraps</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extraction of rare earth metals and lithium from electric batteries</td>
<td></td>
</tr>
<tr>
<td>Chemicals</td>
<td>Increase in plastic recycling rates by implementing mechanical and chemical recycling techniques</td>
<td></td>
</tr>
</tbody>
</table>

Internal carbon pricing

In 2021 KBC established an internal carbon price (ICP) schedule. ICP is a mechanism that helps companies apply an internally estimated cost of carbon emissions. In the 2021 Sustainability Report, we reported on how we define our internal carbon price levels. To date, our ICP is predominantly used in a lending context.

Internal carbon pricing in a credit context

Following a successful pilot, the Group Credit Risk Department began using an ICP calculation tool to understand and assess the financial impact of greenhouse-gas-intensive companies for larger credit files. Credit advisors use this theoretical cost in the financial analysis of counterparties. It enables them to underpin climate-related opportunity cases and support decision makers in managing climate-related risks. The ICP calculation tool supports head office decision makers in assessing credit proposals in some of the most affected industries (such as the energy, chemical, metals, building material and car manufacturing sectors).

Colleagues in Business Unit Belgium started a CO2 pilot based on ICP. In it, colleagues used estimated counterparty greenhouse gas emissions and KBC’s ICP to test the sensitivity of a company’s earnings. The outcome of this sensitivity analysis will be used as a trigger for further financial analyses and to initiate discussions with clients. The pilot will also focus on companies that are active in the most carbon-intensive industries.
Risk management

The effects of climate change are becoming increasingly visible. The expectations and mindsets of our stakeholders are changing accordingly. If not addressed, climate change is expected to have devastating effects, such as extreme storms, floods, pandemics, mass migration and economic crises. Aside from these physical risks, transitioning to a more sustainable economy also induces additional risks, which may impact clients as well as financial institutions. Climate risk has therefore been reconfirmed as a top risk for KBC in 2022. We address our risk approach in-depth in our annual risk report. In this section, we provide a summary of our approach.

KBC approaches climate-related risks from a double materiality perspective. We concentrate on financial materiality (i.e. focusing on the impact of climate change on our business activities) and environmental and social materiality (considering our impact on the climate).

We also distinguish between transition risks and physical risks, as defined by the Task Force on Climate-related Financial Disclosures (TCFD).

- **Transition risks**: Risks arising from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy. Transition risks are driven by potential changes in policies and regulation, technological development and/or customer behaviour. This, in turn, may result in stranded assets and/or reputational and litigation risks. These risks may impact the stability and value of our loan and investment portfolios.

- **Physical risks**: Risks related to potential financial implications from physical phenomena associated with climate trends and extreme weather events. Climate trends include, for example, changing weather patterns, rising sea levels, increasing temperatures or chronic heat waves. Extreme weather events are, for example, storms, floods, fires, heatwaves or droughts.

Climate risk is heavily interlinked with other environmental risks, such as biodiversity loss, water stress, pollution and waste management. These may re-enforce the adverse effects of climate change. Moreover, they can have a re-enforcing effect on climate change, but can also significantly affect financial institutions’ balance sheets in several other ways, through their clients and investments. We are therefore also increasingly taking these other environmental risks into account in our risk analyses.

Risk governance

The management of ESG risks is embedded in our existing Risk Management Governance. The ‘Three Lines of Defence Model’ constitutes the cornerstone of KBC’s risk governance and specifies the roles and responsibilities regarding risk management for all risks to which KBC is exposed, including ESG risks.

Moreover, the risk function is actively represented on the main sustainability committees at the Group and local level (e.g. in the Internal Sustainability Board, Sustainable Finance Programme Steering Committee). For further reading, please refer to the ‘Sustainability governance’ part of this report.

Integration into risk management frameworks and processes

The KBC Enterprise Risk Management Framework defines KBC’s overall approach to risk management and sets group-wide standards for risk management. It covers all risks to which KBC is exposed. This includes ESG risks, which are gradually being embedded in KBC’s overarching risk management processes.

ESG risks, including climate risk, are identified in our risk taxonomy as key risks related to KBC’s business environment. ESG risks are considered as key risk drivers of the external environment that manifest themselves through all other traditional risk areas, such as credit risk, market risk, technical insurance risk and reputational risk. As such, we do not categorise ESG risks as standalone risk types. Until now, our main focus has been on climate risk. Risk assessment methodologies for climate risk are much further advanced than methodologies for some of the other ESG risk areas. At KBC, our initial focus has also been on the integration of climate-related risks within all risk management frameworks and processes, such as risk identification, measurement, stress testing and risk appetite.

However, we are increasingly taking environmental risks other than climate change into account in our risk analyses. We integrate social and governance risks into our risk management approach as well, including anti-money laundering, anti-corruption, data protection and cyber security.
Risk identification

We use a variety of approaches and processes to identify new, emerging and changing risks, including climate and other ESG risks. We incorporate a forward-looking perspective by considering emerging risks in the short (1-to-3-year horizon), medium (4-to-10-year horizon) and long term (beyond a 10-year horizon).

To ensure pro-active risk identification, we have already taken several initiatives. In this section, we provide a short overview of the most important approaches. For more detail, please refer to the Risk Report.

- Climate risk, cyber risk, compliance risks (including anti-money laundering, GDPR and embargo) and conduct risk have been identified as top risks by the Group Executive Committee and the Board of Directors for some years now.
- ESG risk signals are regularly reported to the Group Executive Committee, the Risk and Compliance Committee and Board of Directors via the Integrated Risk Report.
- We take sustainability and climate-related risks (e.g. greenwashing) into account when deciding on new products or services.
- We assess the risk impacts of relevant climate risk drivers within our White Paper sectors. We provide more details on this in the section on our ‘White Paper approach’ of this report.
- KBC developed a Climate Risk Impact Map. The goal of the map is to identify the most significant material climate-risk drivers impacting KBC’s businesses and portfolios for different time horizons and climate scenarios. With respect to traditional risk types, it reflects the impact of transition and physical risk drivers. As of 2022, we began integrating the map findings into our core risk management processes (e.g. risk appetite and stress testing).
- In 2022, we made substantial progress regarding physical risk assessments for our loan and insurance portfolios. We performed a flood risk assessment in line with the UNEP FI methodology for various home loan and corporate/SME portfolios across the KBC Group. We also extended this assessment to our property insurance portfolios, since these are naturally more sensitive to evolutions in flood risk. In parallel, we collected portfolio data and enlisted scientific support to identify our portfolios’ sensitivity to the other physical risks listed within the Climate Risk Impact Map.

Risk measurement, scenario analysis and stress testing

Tools and methodologies

We make use of a series of tools and methodologies to provide further insights into the impact of climate change on our business model. Additionally, we aim to use these tools to assess the impact of our activities on the environment. By doing so, we want to gradually improve our credit underwriting and investment policies as well as our engagement with our clients. For more information, please refer to the part on ‘Metrics and targets’ in this section and the Risk Report.

Stress testing

We apply stress tests and sensitivity analyses to our lending, insurance and investment activities. The results of these tests allow us to identify weaknesses or blind spots and to assess capital and liquidity adequacy.

Climate risk is playing an increasingly prominent role in the scenarios of KBC’s stress tests and sensitivity analyses. We also consider other ESG drivers, such as operational risk losses due to possible cyber hacks. More insights can be found in the Risk Report.

Setting and cascading risk appetite

KBC has a well-developed Risk Appetite Statement and process to support KBC in the successful implementation of its strategy. KBC’s risk appetite covers all material risks that it is exposed to. It pays particular attention to risks that dominate the external environment, now and in the future.

Climate and environmental impacts are firmly embedded within our Risk Appetite Statement and process. When integrating climate risk reflections into our Risk Appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration. Other ESG themes, such as cyber, information or reputational risks, are also included in the...
definitions of our risk appetite objectives. All these risk appetite objectives are then translated into different risk types, such as credit, market, insurance, compliance or operational risks.

In turn, KBC's risk appetite is supported by its policies on sustainable and responsible lending, insurance, advisory services and investments, as well as its sustainability targets. In this way, KBC aims to safeguard its long-term sustainability.

More information on our policies and sustainability targets can be found in the part on "Sustainability policies" and the part on "Our sustainability targets" in this report.

**Risk analysis, monitoring, reporting and follow-up**

Indicators for climate-related risks and opportunities are integrated into the KBC Sustainability Dashboard. Given that ESG risks are well integrated into ICAAP/ILAAP/ORSA and related analyses, these risks are already extensively addressed in these reports.

All regulatory disclosure requirements are steered by the dedicated Data and Metrics project within the Sustainable Finance Programme.

As of 2022, the EBA templates on Pillar 3 disclosures on ESG-risk are included in the Risk Report. Also, regarding the Sustainable Finance Disclosure Regulation (SFDR), KBC (and particularly KBC Asset Management) is implementing the various disclosure requirements (regarding entity, service and product level).

The Board of Directors, the Risk & Compliance Committee and the Executive Committee are the prime recipients of the various outputs of the main risk management processes.

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6 The Internal Capital Adequacy Assessment Process (ICAAP) & Internal Liquidity Adequacy Assessment Process (ILAAP) submission is a comprehensive set of documents, in which all material evolutions in the risk, capital and liquidity situation of KBC Group, its business model, governance and risk management are documented and summarized in Capital and Liquidity Adequacy Statements. These documents are input into ECB's Supervisory Review and Evaluation Process (SREP).
Gathering climate-relevant data on our portfolios is of great importance to us. We use these data to monitor and steer our portfolios with respect to climate. We also use them to set targets and to meet the reporting requirements of regulators and supervisors. This section gives a concise overview of the methodologies we use for portfolio assessment and target setting. We also discuss some of the obtained outputs and the climate-related targets we have set. First, we discuss how we do this for our lending business. Second, we discuss our approach for our investment portfolios. At the end of this section, we also report on the first pilot we conducted for our insurance underwriting business. The pilot tests the initial climate measurement methodologies, which have only recently become available.

We use a variety of methodologies to track the climate-related impact on and of our portfolios. Each tool serves different purposes and informs us about and supports us in correctly reporting on the climate-related impact of our portfolios in different ways. Through their combined use, they support us in setting targets on and to increase the sustainability of our portfolios.

For our loan portfolios, we use:
- PACTA (Paris Alignment Capital Transition Assessment);
- a UNEP FI-inspired (United Nations Environmental Programme Finance Initiative) physical and transition risk assessment, and;
- PCAF (Partnership for Carbon Accounting Financials).

For our investment activities, we use the Trucost data and methodology.

Metrics and targets

For our lending business, we have set the following targets:

- Renewable energy: 75% of total energy of our loan portfolio by 2030.
- Electricity: -39% by 2030 (kg CO2e/MWh) for electricity producers.
- Agriculture: -21% by 2030 (tonne CO2e/m euro).
- Mortgages and commercial residential real estate: -43% by 2030 (kg CO2e/m²/year).
- Real estate: -38% by 2030 (tonne CO2e/m euro).
- Steel: -14% by 2030 (tonne CO2/tonne steel).
- Cement: -16% by 2030 (tonne CO2/tonne cement).
- Electricity: -39% by 2030 (kg CO2e/MWh) for electricity producers.
- Energy: -34% by 2030 (tonne CO2e/m euro).
- Mortgage and commercial residential real estate: -43% by 2030 (kg CO2e/m²/year).
- Responsible Investing funds: -50% by 2030 for corporate investees in responsible funds (tonne CO2e/m USD revenue).
- Financing of passenger cars: -42% by 2030 in loans and financial lease (g CO2/km).
- Financing of passenger cars: -81% by 2030 in operational lease (g CO2/km).
- Responsible Investing funds: -50% by 2030 for corporate investees in responsible funds (tonne CO2e/m USD revenue).
- Agriculture: -21% by 2030 (tonne CO2e/m euro).
- Mortgages and commercial residential real estate: -43% by 2030 (kg CO2e/m²/year).
- Real estate: -38% by 2030 (tonne CO2e/m euro).
- Steel: -14% by 2030 (tonne CO2/tonne steel).
- Cement: -16% by 2030 (tonne CO2/tonne cement).
- Electricity: -39% by 2030 (kg CO2e/MWh) for electricity producers.
- Energy: -34% by 2030 (tonne CO2e/m euro).
- Responsible Investing funds: -50% by 2030 for corporate investees in responsible funds (tonne CO2e/m USD revenue).
- Financing of passenger cars: -42% by 2030 in loans and financial lease (g CO2/km).
- Financing of passenger cars: -81% by 2030 in operational lease (g CO2/km).
- Responsible Investing funds: -50% by 2030 for corporate investees in responsible funds (tonne CO2e/m USD revenue).
- Agriculture: -21% by 2030 (tonne CO2e/m euro).
- Mortgages and commercial residential real estate: -43% by 2030 (kg CO2e/m²/year).
- Real estate: -38% by 2030 (tonne CO2e/m euro).
- Steel: -14% by 2030 (tonne CO2/tonne steel).
- Cement: -16% by 2030 (tonne CO2/tonne cement).
- Electricity: -39% by 2030 (kg CO2e/MWh) for electricity producers.
- Energy: -34% by 2030 (tonne CO2e/m euro).

Figure 6.2: Our 2030 targets for our lending business and our asset management activities

Percentage reduction compared to 2021 baseline levels for our lending business and compared to 2019 benchmark for our asset management activities. A detailed overview of all targets and metrics used is provided elsewhere in this section. This figure highlights only part of the targets set.

1 Please note that the targets in this figure are an update of the ones that were published in our Climate Report. This includes a more challenging reduction target between now and 2030 for electricity. This results from the recalculation of our 2021 baseline for these sectors, while at the same time our 2030 and 2050 targets remained unchanged. More information on the reasons of this recalculation can be found further in this section.

READ MORE

- PACTA methodology and results
- Methodologies explained: PACTA
- UNEP FI methodology and results
- KBC Group 2021 Sustainability Report: UNEP FI Climate-related transition risk assessment
- Climate target setting, PCAF methodology and results
- ‘Metrics and targets: Loan portfolio assessments’
- ‘Methodologies explained: Target setting’
- ‘Methodologies explained: PCAF’
- Trucost methodology and results
- ‘Metrics and targets: Investment portfolio assessments’
- ‘Methodologies explained: Trucost data and methodology’
Using these methodologies has shown that collecting the necessary and sufficiently granular, climate-related data on our portfolios remains a major challenge. This is especially the case for private individuals, SMEs and mid-caps. The majority of these clients do not have basic, climate-related data or calculations of their GHG emissions. Larger companies are often already required to disclose non-financial data and are hence able to share climate-related data more easily. Overall, there is still a far way to go in improving data gathering on climate-related issues. We have started a dedicated Data and Metrics Project to deal with challenges regarding the availability of the correct and usable data. The goal of this project is to identify the data that need to be collected. In a subsequent step, we aim to integrate the gathering of these data in all relevant processes in our core countries.

Multi-level climate action landscape driving KBC’s climate approach

Climate change is a global challenge, and the climate action landscape is formed by opinions from various societal counterparts and influences. KBC’s strategic climate action is informed by several of these influences. For example, our dedication to the objectives of the Paris Agreement is central to our climate action strategy. We want to support a society that limits global warming to well below 2 degrees and preferably 1.5 degrees Celsius, compared to pre-industrial levels. The EU Green Deal ambition and implementation, along with the Nationally Determined Contribution plans of KBC core countries, provide the operational context for the economies where we mainly operate.

Figure 6.3 outlines the various levels within the climate action landscape that influence, inspire and steer KBC’s overall climate strategy. The layers in the figure reflect:

- The sectoral initiatives and climate-related reporting standards that provide structure to and guidance in our efforts to improve climate-related transparency.
- The sectors and products that are most carbon-intensive and in which KBC’s financial leverage is largest in support of the transition to a low-carbon economy. With respect to our lending activities, we established an initial set of climate targets in September 2022 and for the first time produced metrics on our progress in this report.
EU Taxonomy

The EU Taxonomy Regulation sets out an EU-wide framework for investors and businesses to assess whether certain economic activities are environmentally sustainable. It came into effect in July 2020. The first EU Climate Delegated Act was published at the end of 2021. This Act specifies the technical screening of activities that substantially contribute to the objectives of climate change mitigation and adaptation.

The EU Disclosures Delegated Act was also approved and published at the end of 2021. This delegated act sets out the content, methodology and presentation of the information which companies covered by the Non-Financial Reporting Directive (NFRD) need to disclose under the Taxonomy Regulation. The Disclosures Delegated act introduces a phased approach for these reporting requirements. While the focus is in first instance is on ‘taxonomy-eligibility’ for climate change mitigation and for climate change adaptation, this will be extended to all environmental objectives as from 2024 onwards.²

² From 1 January 2022 until 31 December 2023, financial undertakings are to disclose only on ‘taxonomy-eligibility’ for climate change mitigation and for climate change adaptation, meaning to which extent their activities are described in the Taxonomy Climate Delegated Act. From 1 January 2024, key performance indicators are to be reported on the taxonomy alignment for all environmental objectives.

KBC Group is a large undertaking that is required to publish non-financial information under the NFRD. As such, it is also subject to the disclosure obligations set out in the Taxonomy Disclosures Delegated Act. Being a financial group, KBC conducts activities as a credit institution and as a (re)insurer (in conformity with the definition of such undertakings in the Disclosures Delegated Act). As a credit institution, the green asset ratio or ‘GAR’ will in due time constitute an important performance indicator. We report on the taxonomy eligibility for these financial activities in our 2022 KBC Group Annual Report.

We also point out the challenges and complexities faced in this respect, as many ambiguities will need further elaboration. At the same time, we are preparing for detailed reporting on the taxonomy alignment of our activities from 2024 onwards. From that time, the first mandatory alignment disclosures under Article 8 of the Taxonomy Regulation will apply to financial undertakings.
Loan portfolio assessments

KBC has calculated the financed emissions (i.e. KBC’s Scope 3) for at least a portion of its portfolios since 2019, using the PCAF Global Standard. Over the years, the scope of these calculations has gradually expanded. Since 2021, we have applied this methodology to estimate the financed emissions of our entire portfolio. Furthermore, we published our first Climate Report in September 2022, in which we set and communicated sectoral climate targets for our lending activities.

In this section, we give an update of the financed emissions from our loan and lease portfolio. We also report on our initial progress against the targets set in our climate report.

Lending portfolio overview

Measuring the indirect climate impact of our lending activity is a crucial first step in defining climate strategies. We measure this indirect climate impact by calculating our Scope 3 GHG emissions associated with our lending activities (so-called financed emissions). In this section of our report, we use the term ‘financed emissions’ to refer to our financing share in our clients’ Scope 1 and 2 GHG emissions. We do this to align the scope of financed emissions with the emissions that are in scope for our lending climate targets. KBC also reports, in full, on the financed emissions of our entire loan portfolio (i.e. financed emissions associated with our clients’ Scope 1, 2 and 3 emissions) in the Sustainability facts and figures section of this report. For further reading on our financed emission calculation approach, please refer to the ‘Methodologies explained’ appendix of this report. The overview of these financed emissions are based on the PCAF Global Standard and not comparable with similar information in other reports released by KBC (such as the EBA’s methodology).

In addition, we have set targets on emission intensities rather than on absolute financed emissions. This approach is at present the most valuable one for the financial sector for a number of reasons. Firstly, physical emission intensities (e.g. t CO₂/t produced material) can be compared and monitored over the data quality of our clients’ Scope 3 emissions.

Figure 6.4 is a schematic representation of our outstanding loan portfolio in the White Paper sectors and an overview of the financed GHG emissions of KBC Group (i.e. associated with our clients’ Scope 1 and 2 emissions).

We aim to continuously improve the quality of the calculations respecting the indirect climate impact associated with our lending business. Compared to last year, we have already achieved several improvements in our calculations. We also were able to use more granular, underlying data. Therefore, these updated financed emission calculations provide an adjusted image, compared to previous reports.

Climate targets

We have set targets for a subset of our White Paper (sub-)sectors and highlight them in the graphs below. The White Paper sectors and product lines represent around 73% of the total financed Scope 1 and 2 GHG emissions associated with our loan and lease portfolio. Moreover, they represent approximately two thirds of KBC Group’s total outstanding loan portfolio. The scope of our existing climate targets currently covers about 56% of our total financed Scope 1 and 2 emissions. In the ‘Sustainability facts and figures’ section we give a detailed overview of the climate target coverages, per sector. Currently, we are focusing our climate targets only on our clients’ Scope 1 and 2 GHG emissions because this data is the most reliable at this point in time. Indeed, many concerns still exist over the data quality of our clients’ Scope 3 emissions.

For some White Paper (sub-)sectors no climate targets have been set, due to a lack of usable, climate-relevant data, non-existing or premature target-setting methodologies, lack of climate-scenario data or a combination of the above. Notwithstanding the lack of climate targets, these sectors are still part of our overall White Paper approach. See the Sustainability Report 2021 for more information on these sectors. When and where possible, we will extend our target scope to these sectors as well.

It is important to note that there are limitations to our target-setting approach, which we explain in greater detail in the Technical Appendix of our Climate Report.

This last point goes hand in hand with the challenge of taking account of transition finance in carbon-intensive sectors. Emission intensities incentivize transition finance as it should lead to an improvement of a company’s relative carbon performance. Unless adjusted for, absolute emission targets currently do not allow incentivization of much-needed transition financing in carbon-intensive sectors because any additional financing would be categorized as financed emissions. 10

It is relevant for companies that are implementing climate targets to take into account the effects of transition financing and to incentivize specific activities to reduce climate impacts associated with their financing.

10 Sources: (i) Portfolio Alignment Team (2021). Measuring Portfolio Alignment, published at the TCFD hub and (ii) Science Based Targets Initiative (2022), Financial Sector Science-Based Targets Guidance, published at the SBTi website.

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Most material climate-sensitive sectors and product lines (White Papers) and scope of target setting Overview of the financed emissions distribution includes our clients’ Scope 1 and 2 emissions for all sectors except real estate and agriculture. KBC Ireland and KBC Bank Bulgaria are included in the overview. Loan book data is as per the end of September 2022 data, except for cement and steel, as per end of June 2022 data. Operational vehicle leasing is not included in the total loan portfolio of KBC Group (financed emissions are based on the net book value of leased vehicles). The totals can deviate from the sum of all categories due to rounding. More details are available in the ‘Sustainability facts and figures’ section of this report.
Our targets: progress report

In this section we focus on our first annual progress reporting with respect to our emission reduction targets for our lending portfolio. Figure 6.5 outlines our approach for measuring progress.

The progress report consists of:
- Calculating the 2022 emission intensities or reduction rates of the sectors and products in scope. We outline our 2022 portfolio emission intensities or reduction rates in Table 6.3 under the ‘KBC portfolio value’ heading.
- Comparing these 2022 emission intensities and reduction rates against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways for that same year. We outline these values in Table 6.3 under the ‘KBC pathway value’ heading. We use these theoretical intermediate values to assess how well the subject portfolios are progressing towards reaching the 2030 targets:
  - Green: KBC portfolio value is currently at or below the KBC pathway value
  - Amber: KBC portfolio value is currently maximum 5% higher than the KBC pathway value
  - Red: KBC portfolio value is currently more than 5% above the KBC pathway value

Our first progress report was issued just three months after the release of our Climate Report. This progress report gives an overall impression of how this initial progress compares to our climate scenario pathways. However, the period of active steering of our portfolios has been simply too short to reach fundamental conclusions. Please note that our climate targets are directed towards a convergence with 2030 and 2050 goals. Intermediate and short-term fluctuations in our progress (measurements) cannot be excluded given the many uncertainties that surround the much-needed climate transition and the sometimes very concentrated portfolios in which changes occur.

For each sector or product line in scope, we provide further details on our climate performance, progress and plans in the White Paper parts of this section. The “Methodologies explained” appendix of this report provides further details about our progress measurement.

Figure 6.5: Overview of KBC’s progress reporting approach

READ MORE
- More information on our target-setting approach: climate scenario choices, 2021 baseline calculations and methodologies used KBC Group Climate Report
- Details on the data and measurement choices of our progress measurement ‘Appendix: Methodologies explained’
Table 6.3: Overview of our climate targets and progress (restated figures highlighted)

<table>
<thead>
<tr>
<th>White Paper sectors</th>
<th>(Sub)sector within scope of target setting</th>
<th>Scope1</th>
<th>Scenario/Pathway (if applicable)</th>
<th>Data measurement methodology</th>
<th>Financial exposure in scope in m euros2</th>
<th>Metric</th>
<th>Baseline 2021 portfolio</th>
<th>2022 KBC portfolio value</th>
<th>2022 KBC pathway value</th>
<th>Progress indicator2</th>
<th>2022 versus baseline</th>
<th>2030 target</th>
<th>2050 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy</strong></td>
<td>Energy (whole sector)</td>
<td>1 + 2</td>
<td>Not applicable</td>
<td>PCAF</td>
<td>4,389</td>
<td>t CO₂e/m euros outstanding</td>
<td>463</td>
<td>419</td>
<td>454</td>
<td>-8%</td>
<td>-34%</td>
<td>-82%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Electricity</td>
<td>1</td>
<td>Below 2°C (NGFS Phase 2)</td>
<td>PCAF</td>
<td>2,468</td>
<td>kg CO₂e/MWh</td>
<td>210</td>
<td>208</td>
<td>204</td>
<td>-1%</td>
<td>-39%</td>
<td>-77%</td>
<td></td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>Commercial real estate and mortgages</td>
<td>1 + 2</td>
<td>Not applicable</td>
<td>PCAF inspired</td>
<td>76,880</td>
<td>t CO₂e/m euros outstanding</td>
<td>27</td>
<td>26</td>
<td>26</td>
<td>-4%</td>
<td>-38%</td>
<td>-72%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(whole sector excl. pure commercial development)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Transport</strong></td>
<td>Vehicle loans and financial lease</td>
<td>1</td>
<td>Passenger cars</td>
<td>PCAF inspired</td>
<td>69,294</td>
<td>kg CO₂e/m²/year</td>
<td>50</td>
<td>49</td>
<td>48</td>
<td>-3%</td>
<td>-4%</td>
<td>-85%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>Light commercial vehicles</td>
<td>PCAF inspired</td>
<td>2,969</td>
<td>t CO₂e/MWh</td>
<td>139</td>
<td>140</td>
<td>137</td>
<td>-1%</td>
<td>-4%</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>Light commercial vehicles</td>
<td>PCAF inspired</td>
<td>715</td>
<td></td>
<td>208</td>
<td>203</td>
<td>206</td>
<td>-2%</td>
<td>-3%</td>
<td>-84%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicle operational lease</td>
<td>1</td>
<td>Passenger cars</td>
<td>PCAF inspired</td>
<td>1,158</td>
<td>g CO₂/km</td>
<td>133</td>
<td>124</td>
<td>131</td>
<td>-7%</td>
<td>-8%</td>
<td>-10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>Light commercial vehicles</td>
<td>PCAF inspired</td>
<td>71</td>
<td></td>
<td>196</td>
<td>197</td>
<td>195</td>
<td>-7%</td>
<td>-3%</td>
<td>-90%</td>
<td></td>
</tr>
<tr>
<td><strong>Agriculture</strong></td>
<td>Agriculture (whole sector)</td>
<td>1 + 2</td>
<td>Below 2°C (NGFS Phase 2)</td>
<td>PCAF</td>
<td>5,012</td>
<td>t CO₂e/m euros outstanding</td>
<td>1,405</td>
<td>1,392</td>
<td>1,372</td>
<td>-1%</td>
<td>-21%</td>
<td>-34%</td>
<td></td>
</tr>
<tr>
<td><strong>Building and construction</strong></td>
<td>Cement producers</td>
<td>1 + 2</td>
<td>Below 2°C (SEA ETP 2020 SDS)</td>
<td>PACTA</td>
<td>126</td>
<td>t CO₂/t cement</td>
<td>0.69</td>
<td>0.68</td>
<td>0.67</td>
<td>-0.4%</td>
<td>-16%</td>
<td>-68%</td>
<td></td>
</tr>
<tr>
<td><strong>Markets</strong></td>
<td>Steel producers</td>
<td>1 + 2</td>
<td>Below 2°C (SEA ETP 2020 SDS)</td>
<td>PACTA</td>
<td>767</td>
<td>t CO₂/t steel</td>
<td>1.34</td>
<td>1.51</td>
<td>1.31</td>
<td>+13%</td>
<td>-14%</td>
<td>-56%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 + 2</td>
<td>Below 2°C (TP)</td>
<td>Client information</td>
<td>22</td>
<td>t CO₂e/t aluminium</td>
<td>0.59</td>
<td>0.59</td>
<td>4.64</td>
<td>+1%</td>
<td>Stay well below the global sectoral intensity climate benchmark</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The baseline emission intensities of our targets reflect the Scope 1 and 2 GHG emissions associated with our lending to the sector, and are the result of updated estimates and calculations, as further explained below, as well as in the ‘Methodologies explained’ appendix of this report. For energy and aluminium, our 2021 baseline is restated for reasons explained further on in this report. For steel and cement, the baseline calculations have not been restated. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value of the whole sector according to the TPI Below-2°C pathway and not a KBC-specific portfolio convergence value.

1 Client emissions in scope of target: Scope 1 or Scope 1 + 2
2 Financial exposure reflects the outstanding exposure as of 30 September 2022. For the steel and cement sectors, the financial exposure reflects the granted exposure as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022. For vehicle operational leasing the exposure reflects the net book value as of 30 September 2022.
3 Restated outstanding exposures may differ from those appearing in other sections of this report, due to differences in: (i) booking entries in scope KBC Ireland and KBC Bank Bulgaria (including its subsidiaries) are excluded from our climate targets but are included in KBC Group’s consolidation scope; and (ii) scope of sub-sectors.
4 The progress indicator for the energy and real estate t CO₂e/m euros outstanding is based on a separate 2022 KBC pathway value calculation. Here, the KBC pathway value reflects the 2022 value in the linear reduction path between our 2021 baseline and our first intermediate (2030) target.
5 The progress indicator for the steel and cement sectors is defined as the sum of Scope 1 emissions. The steel and cement sector Scope 1 emissions calculation, as included in the sustainability facts and figures section of this report, is fully based on the PCAF Global Standard.
### Portfolio overview

The energy sector is a major contributor to the climate impact of the EU, accounting for 28% of total GHG emissions. Our energy scope includes power production, oil and gas, biofuels, transmission and distribution.

At the end of September 2022, KBC’s outstanding loan volume to the energy sector was €4.4 billion. This represented 2% of KBC’s lending portfolio. The bulk of this portfolio relates to the financing of renewable energy production capacity, transmission, and distribution. Our energy portfolio accounts for around 9% of our total financed Scope 1 and 2 GHG emissions (1.8 Megatonnes CO₂).

KBC contributes to the decarbonisation of the energy sector by increasingly limiting its exposure to fossil fuels. From 2021, KBC also stopped financing the exploration and extraction of all new oil and gas fields. In addition, vertically integrated energy companies that operate in the field of oil and gas extraction are subjected to additional requirements.

### Energy production, oil and gas, transmission and distribution

<table>
<thead>
<tr>
<th>Energy Portfolio overview</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>-39%</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>-1%</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>4.4 BILLION EUROS OUTSTANDING IN SCOPE</td>
</tr>
</tbody>
</table>

KBC previously reported that it had completely eliminated its remaining direct exposure to the thermal coal sector. This statement remains correct for our home markets. Our diligent climate progress follow-up target-setting approach has revealed a legacy file (originally booked in 2008) of 1.4 million euros in granted exposure related to a participation in the financing of a coal-fuelled power plant in a non-core market. However, we stand behind our pledge to no longer be involved in the direct financing of thermal coal-related activities beyond 2021. We therefore considered all the possible options to exit from this transaction. At the time of publication, we had received notification that the borrower had started the process of repaying the existing debt and it should be cancelled in full during the second quarter of 2023. Please note that this transaction was already included in the scope of our climate target baseline and progress measurement for the electricity sector.

### Portfolio climate targets

**TARGETS**

**ENERGY SECTOR CLIMATE TARGETS AND PROGRESS**

<table>
<thead>
<tr>
<th>Energy sector</th>
<th>Baseline 2022</th>
<th>2022 progress</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of renewables in total energy loan portfolio (excluding transmission and distribution)</td>
<td>63%</td>
<td>63%</td>
<td>Minimum 75%</td>
</tr>
<tr>
<td>Emissions (Scope 1 + 2) in t CO₂e/m euros</td>
<td>434 300 82</td>
<td>208 127 49</td>
<td>127 49</td>
</tr>
</tbody>
</table>

**Electricity**

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity generation</td>
<td>-34%</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>-8%</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>-34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

### Energy whole sector

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

**Electricity generation**

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

**Oil and gas**

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

**Transmission and Distribution**

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

**Biofuels**

<table>
<thead>
<tr>
<th>Energy</th>
<th>2022 VERSUS 2021 BASELINE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Transmission and Distribution</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
<tr>
<td>Biofuels</td>
<td>2022 VERSUS 2021 BASELINE</td>
</tr>
</tbody>
</table>

Table 6.4: Exposure and financed emissions (scope of existing climate targets) per 30 September 2022

1. Reported outstanding exposures may differ from those appearing in other sections of this report, due to differences in (i) booking entities in scope (KBC Ireland and KBC Bank Bulgaria are excluded from our climate targets but are included in KBC Group’s consolidation scope) and (ii) scope of sub-sectors (e.g. energy trading companies are not within the scope of our climate targets).

2. The financial emissions for the electricity generation sector only cover Scope 1 emissions.

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We have reduction targets in place for the financial GHG intensity of the energy sector, as a whole, and for the physical GHG intensity of the electricity generation sector in particular. We also have an ambitious loan portfolio target in place specifically for the renewable electricity sector.

While conducting our progress measurements, we made improvements to our baseline calculations of the electricity sector with a material impact. As a result, we recalculated our 2021 baseline for both the electricity sector and for the whole energy sector. These recalculations were subject to the PwC assurance process. The 2030 and 2050 targets remained unchanged, but because our starting point has been raised for the electricity sector, we are facing a more challenging reduction target between now and 2030 for this sector.

**Portfolio steering**

KBC supports the local energy transition plans in our home countries. All these transition plans need to be aligned with the European ‘Fit for 55’ package and the Green Deal Investment Plan. KBC acts to support the rapid, additional renewable energy capacity uptake while also safeguarding energy security.

We aim to support the decarbonisation of the energy system via all our customer segments. We target both a cleaner energy supply (through financing additional, renewable energy capacity), as well as the stimulation of lower energy consumption (through financing energy-efficiency improvements). We are therefore proud that in offshore wind farm financing we are the leading bank in Belgium and active in Europe with participations in the United Kingdom, Germany and the Netherlands. Furthermore, we act as a trusted energy optimisation advisor for corporates and SMEs, as well as helping private individuals make their homes more energy efficient.

Another main element of our energy strategy is safeguarding short-term energy security. In this regard, 2022 was a very challenging year. Energy prices soared and a rapid shift away from Russian energy supplies was needed. In general, this resulted in a further increase in new, renewable energy projects and additional infrastructure for (liquified) natural gas storage volumes and distribution. KBC supported these governmental action plans, resulting in additional temporary and short-term financing of gas storage activities, among other outcomes. We are closely monitoring our relevant exposures.

The small decrease in the GHG emission intensity of our electricity portfolio by 1% is the result of an increase in the financing of renewable energy. Please also note that there is a delay between the financing of a project and its effect on our financed emission intensity.

The financed emission intensity of the overall energy portfolio decreased by 1%. This decrease was caused by the increased exposure to renewables and to temporary additional financing of natural gas storage and distribution activities. Gas storage and distribution activities generally emit fewer GHGs than upstream oil and gas extraction activities. Consequently, our increased financing led to a relative decrease in GHG emissions per million euros.

We use both the input from customer dialogues as well as insights from our yearly PACTA-analysis to follow up on and steer our energy portfolio.

Finally, we note that the additional financing of renewables was not reflected in our share of renewables. This is caused by a temporary, short-term financing of gas storage in one of our core countries. This financing is linked to the additional gas storage requirement of the relevant government to safeguard the energy supply during the winter of 2022. If this additional financing is excluded from the actuals, the share of renewables in the total energy portfolio, excluding transmission and distribution, increases to 68%.

**Supporting our clients to decrease their energy consumption**

We launched ‘Energy Insights’ at KBC Mobile in Belgium enabling our retail clients to follow-up on their electricity and gas consumption. The app includes features such as forecasting, comparison to similar households and tips on how to reduce energy consumption. Users of the app can set goals for and monitor their energy consumption.

Furthermore, after a successful pilot, KBC established a subsidiary company ‘ecoWise’ to support our SME and agricultural clients with advice on energy savings, rational energy use and conversion to renewable energy production.

KBC Belgium also has begun a pilot project involving 300 employees, called ‘Energy@home’. They get the opportunity to test an energy management system solution including the installation of solar panels and/or a home battery. This energy management system helps to optimise energy consumption in a smart way by maximising the usage of their self-generated solar power. Based on the insights from this pilot project and after a thorough evaluation, KBC intends to develop similar solutions for all its clients.
IN THE SPOTLIGHT
CLIMATE-RELATED OPPORTUNITIES: PRODUCTS AND SERVICES

Financing renewable energy

The Project Finance Team at KBC Securities provided several financing solutions responsible for 86.3 MWp of new renewable energy capacity in 2022. To further support our clients’ growth, the team’s geographical scope has been expanded. Following successful transactions in onshore and offshore wind energy in the Netherlands and Germany, the Project Finance Team was also successful in taking up its first participation in an offshore wind project in the United Kingdom.

KBC Bank Bulgaria launched a campaign to identify corporate and SME clients needing photovoltaic investment loans. Since the beginning of 2022, KBC Bank Bulgaria has financed over 115 new projects for renewable energy.

Portfolio actions

Our continued focus is supporting the shift to an energy system based on renewables. In the first instance, by increasing our positive climate impact through financing new renewable energy capacity. To this end, we have set the ambitious target of a 75% share of our loan portfolio by 2030. Additionally, our ambition is to reduce our negative climate impact. Our emission targets for the electricity sector and our policies reflect our endeavour of putting limits on exposure to GHG-emitting power and energy-production activities.

IN THE SPOTLIGHT
STAKEHOLDER ENGAGEMENT

Knowledge-sharing and networking

It is very important to us to share knowledge about and create networks of different stakeholders around the topic of sustainability. In 2022, we did this in several ways.

For example, in Belgium, we hosted a round table for 25 C-suite executives on the energy crisis. An expert keynote speaker shared her vision on sustainability. We also provided a forum for executives to exchange concerns about and solutions to deal with the energy crisis.

In Belgium, we also conducted in-depth research into several sustainability topics. What the Belgian offshore wind farms (“The Belgian North Sea as green power plant”) and green hydrogen could mean for the future (“HY-Ambitions”) is a case in point. The equity research team of KBC Securities also held in-depth discussions on sustainability-related topics with large listed Belgian corporates such as Colruyt, DEME, CFE, Agfa and Umicore. These discussions helped us form a comprehensive and real-world view on these important topics. To increase the reach and impact of these activities, we shared the reports of the discussions and studies with investors and the press.

In Hungary, we were also present during large financial conferences. During these events, our employees addressed the role that banks can play in combatting climate change from different angles.
Portfolio overview

The real estate sector accounts for 40% of total energy consumption in the EU and is responsible for around 13% of total GHG emissions. Most of the existing building stock in Europe is energy inefficient, so the potential savings are huge.

Real estate financing amounts to almost half of KBC’s total outstanding loan exposure and represents an estimated 10% of the total financed Scope 1 and 2 GHG emissions. KBC strives to make a substantial contribution to the sector’s decarbonisation. The main challenge is the improvement of older building stock, as regulators are already imposing high standards on newly built real estate.

Table 6.5: Exposure and financed emissions (scope of existing climate targets) per 30 September 2022

<table>
<thead>
<tr>
<th>Sector Sub-sector</th>
<th>Outstanding loan exposure (in m euros)</th>
<th>Financed emissions (Scope 1 + 2) in t CO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential real estate - mortgages</td>
<td>66 829</td>
<td>1 618 442</td>
</tr>
<tr>
<td>Residential real estate - commercial</td>
<td>2 465</td>
<td>47 823</td>
</tr>
<tr>
<td>Non-residential real estate - commercial</td>
<td>7 585</td>
<td>348 454</td>
</tr>
</tbody>
</table>

1 Reported outstanding exposures may differ from those appearing in other sections of this report, due to differences in: (i) booking entities in scope (KBC Ireland and KBC Bank Bulgaria are excluded from our climate targets but are included in KBC Group’s consolidation scope); and (ii) scope of sub-sectors (e.g. real estate development is not within the scope of our climate targets).

Portfolio climate targets

We have a reduction target in place for GHG intensity per financed m² per year for the residential property sector (both privately and commercially financed) and a financial GHG intensity target for the real estate sector as a whole.

TARGETS

REAL ESTATE CLIMATE TARGETS AND PROGRESS

<table>
<thead>
<tr>
<th>Sector</th>
<th>Baseline 2021 (kg CO₂e/㎡)</th>
<th>2022 progress (kg CO₂e/㎡)</th>
<th>2022 KBC pathway value (EU NGFS Phase 2 – Below 2°C)</th>
<th>2030 target</th>
<th>2050 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential real estate</td>
<td>60</td>
<td>49 729</td>
<td>48</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>% change</td>
<td>-3%</td>
<td>-43%</td>
<td>-85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate whole sector</td>
<td>50</td>
<td>49 729</td>
<td>48</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>% change</td>
<td>-3%</td>
<td>-38%</td>
<td>-72%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The financial targets are not adjusted for inflation.

1 The KBC pathway value reflects the 2022 value in the linear reduction path between our 2021 baseline and our first intermediate 2030 target.

2 2019 data European Environmental Agency (EEA) EEA greenhouse gases data viewer

77 BILLION EUROS OUTSTANDING IN SCOPE

Real estate

-43% TARGET 2030 VERSUS 2021 (kg CO₂e/㎡)

-3% 2022 VERSUS 2021 BASELINE

Real estate

-38% TARGET 2030 VERSUS 2021 (tonne CO₂e/m euros outstanding)

-4% 2022 VERSUS 2021 BASELINE
Portfolio steering

KBC encourages its clients to improve the energy performance of their properties. We do so by:
- Sharing information on sustainable construction and renovation;
- Providing guidance on relevant subsidy schemes; and
- Working with partners on energy-efficiency exercises.

We take on these actions for both residential and non-residential properties.

In 2022, the financed emission intensity of the overall real estate portfolio decreased by 4% compared to the 2021 baseline. This is partly explained by the reduction of the emission intensity, to 49 kg CO₂e/m², of the residential portion of the real estate portfolio. The latter is not yet fully in line with the 2022 KBC pathway value of 48 kg CO₂e/m². An additional factor explaining the reduction observed in the overall real estate portfolio is an improvement in data quality.

Portfolio actions

We monitor developments in the EU regulatory framework, as well as national or local regulations. In some core countries where government action is lagging, we only consider financing the acquisition of the least energy-efficient commercial real estate buildings if the customer commits to a renovation to improve energy efficiency.

We notice that not all of KBC’s home countries already have sufficient government schemes and incentive packages in place to substantially boost much-needed, energy-efficiency building improvements. This is very decisive for the progress and even the feasibility of the targets we have set.

Stimulating green housing and energy-efficient renovations

We incentivise our clients to aim for better energy efficiency through renovations and improved energy management. Our aim in this is to contribute to a greening of the housing sector and we do this in multiple ways.

In Hungary, we have been offering the K&H Green Housing Loan since August 2022. This loan aims to incentivise the purchase of energy efficient homes and energy efficient renovations. To this end, a HUF 120 000 refund is offered for green renovations and to cover the cost of obtaining an Energy Performance Certificate (EPC).

KBC Belgium has now embedded EPC labelling in the pricing of its mortgage loans, as was already the case for investment credits in 2021. When clients renovate their house to achieve an A or B EPC label and upload their newly obtained EPC, they receive a discount on the interest rate for the remaining tenor of the loan.

Moreover, KBC Belgium helps lighten the load for clients planning sustainable renovations, thanks to its participation in the start-up Setle. Setle’s renovation tool will supply thorough support in the pre-purchase phase by offering a clear cost breakdown. Prospective (re)builders will get an overview of market rates for all renovation work and will be able to easily calculate renovation costs for the property they have their eye on. This service will be launched for home renovations in the course of 2023 and is expected to be extended to small commercial properties later on.

UBB in Bulgaria started offering the ‘Energy-efficient home’ mortgage product that provides advantageous interest rates for buildings with primary energy demand of up to 150kWh/m² per year (EPC A+, A, and best part of B). UBB also participated in the rollout of a nation-wide brochure providing basic knowledge about energy efficiency in housing and the advantages of obtaining an EPC in Bulgaria.

Green bonds

The real estate sector is one of the leading sectors when it comes to sustainable bond financing. KBC supported various key players in the industry by issuing green bonds. In the course of 2022, KBC acted as:
- Joint bookrunner for the 1 billion euros green bond issue for VGP, a leading, pan-European, pure-play logistics real estate company, a follow-up transaction on the inaugural 600 million euros green bond issued by VGP in 2021;
- Joint lead manager for the issuance of a 55 million euros green retail bond for Atenor, a real estate development company with urban expertise on the European level; and
- Joint bookrunner for the 125 million euros green retail bond for Immobel, a Belgian real estate development company that focuses on creating sustainable urban spaces through residential, office and mixed-use projects.

14 Housing

The term ‘green’ is used in accordance with the Hungarian National Bank’s framework.
Portfolio overview

Transport is responsible for a quarter of the EU’s greenhouse gas emissions, with road transport being the largest share. Road transport emissions are still primarily driven by an increasing demand for transportation. 

KBC Group’s credit exposure to the transport sector is mainly granted to passenger cars, light commercial vehicles and road freight transport. Additionally, we have a material exposure to suppliers to the automotive sector. As of the end of September 2022, the amount of outstanding vehicle loans (loans and financial leasing) reached 4.0 billion euros while the outstanding book value of operational vehicle leases amounted to 1.2 billion euros. The majority of this portfolio relates to passenger car financing. Overall, vehicle financing accounts for around 6% of our total financed Scope 1 and 2 GHG emissions (1.3 Megatonnes CO2e).

Table 6.6: Exposure and financed emissions (scope of existing climate targets) per 30 September 2022

<table>
<thead>
<tr>
<th>Product type</th>
<th>Sector</th>
<th>Outstanding loan exposure (in m euros)</th>
<th>Financed emissions (Scope 1) in t CO2e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and financial leasing</td>
<td>Passenger cars</td>
<td>2.969</td>
<td>226.269</td>
</tr>
<tr>
<td></td>
<td>Light commercial vehicles</td>
<td>715</td>
<td>101.210</td>
</tr>
<tr>
<td>Operational leasing</td>
<td>Passenger cars</td>
<td>1.158</td>
<td>186.861</td>
</tr>
<tr>
<td></td>
<td>Light commercial vehicles</td>
<td>71</td>
<td>37.124</td>
</tr>
</tbody>
</table>

Portfolio climate targets

In our target setting, we focused on vehicle financing. We have physical emission intensity targets in place for loans and financial- and operational leasing of passenger cars as well as light commercial vehicles.

Table 7.1: Transport climate targets and progress

<table>
<thead>
<tr>
<th>Passenger cars and light commercial vehicles</th>
<th>Base-line 2021 (g CO2/km)</th>
<th>Progress 2022 (g CO2/km)</th>
<th>2022 KBC pathway value (g CO2/km)</th>
<th>Target 2030</th>
<th>Target 2050</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan and financial leasing</td>
<td>139</td>
<td>140</td>
<td>137</td>
<td>137</td>
<td>81</td>
</tr>
<tr>
<td>% change</td>
<td>+1%</td>
<td>-42%</td>
<td>-100%</td>
<td>-100%</td>
<td>-100%</td>
</tr>
<tr>
<td>Light commercial vehicle and financial leasing</td>
<td>208</td>
<td>203</td>
<td>206</td>
<td>145</td>
<td>33</td>
</tr>
<tr>
<td>% change</td>
<td>-2%</td>
<td>-30%</td>
<td>-84%</td>
<td>-84%</td>
<td>-84%</td>
</tr>
<tr>
<td>Operational leasing</td>
<td>133</td>
<td>124</td>
<td>131</td>
<td>25</td>
<td>0</td>
</tr>
<tr>
<td>% change</td>
<td>-7%</td>
<td>-81%</td>
<td>-100%</td>
<td>-100%</td>
<td>-100%</td>
</tr>
<tr>
<td>Light commercial vehicle and operational leasing</td>
<td>196</td>
<td>197</td>
<td>195</td>
<td>132</td>
<td>19</td>
</tr>
<tr>
<td>% change</td>
<td>+1%</td>
<td>-33%</td>
<td>-90%</td>
<td>-90%</td>
<td>-90%</td>
</tr>
</tbody>
</table>

Sustainable Finance

- Our approach to sustainable finance
- Our sustainability policies
- Responsible Investing on behalf of our clients
- Sustainability in own investments
- Our commitment concerning our social impact
- Our commitment to the environment and climate action

About this report

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Our people

Our responsibility

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Portfolio steering

As a leading bank in its core markets, KBC wants to support and finance the decarbonisation of road transport. The first step is the car and light commercial vehicle market, where electrification is ready for broad adoption.

KBC actively stimulates the use of electric vehicles and bicycles by offering tailored financing and insurance solutions. The emission intensity of our operational lease portfolio of passenger cars decreased by 7%. This is solidly in line with our 2030 targets.

Concerning road freight transport, KBC has decided to stop financing trucks that do not meet specific environmental standards. In parallel, we are closely monitoring changes in drive train technologies for heavy duty vehicles and required infrastructure. Once technological solutions become clearer, we are ready to support our clients by offering relevant financing to invest in these better alternatives. Finally, we support automotive suppliers in transitioning to new technologies linked to electrification.

Portfolio actions

We are committed to continuing our efforts in this important sector. In addition to support and guidance, we report internally and externally on the progress we make on our targets. In selected markets, we also differentiate our pricing to support the financing of the transition, for example, by offering a reduced interest rate to finance electric vehicles. Finally, we closely monitor developments on the road freight transport and automotive supplier markets. We update our strategies for these sectors on a yearly basis to reflect any changes and trends.

IN THE SPOTLIGHT

CLIMATE-RELATED OPPORTUNITIES: PRODUCTS AND SERVICES

Financing and insuring low-emission cars

In all our core countries, we are steadily increasing the financing of low-emission cars.

K&H in Hungary, for example, started offering a leasing scheme entitled ‘Green Car Finance’. Under this HUF-based leasing structure, micro-SMEs can purchase new or second-hand electric cars with a favourable, fixed interest rate. This is the first favourable, non-subsidised lease financing scheme currently available on the Hungarian market.

A similar leasing scheme for green mobility is also available through ČSOB Slovakia. ČSOB Poistovňa has also launched the first casco insurance product for electric vehicles in Slovakia.

ČSOB in the Czech Republic succeeded in meeting the green mobility targets set for its leasing business. The annual target of financed electric and low-emission cars (with CO₂ emissions < 50 gr/100 km) was achieved. ČSOB plans further growth through strategic cooperation with partners in the energy and automotive industries.

Bicycle leasing solution for the Flemish government

The leasing of company bicycles is a fairly new phenomenon with a lot of growth potential. KBC gladly pioneered with a bicycle leasing product which, since its launch in 2017, has become increasingly popular. Thanks to electrification, the distance from home to the office that staff are willing to consider travelling by bicycle has doubled: from 3 to 10 km previously, to 6 to 20 km today.

In Belgium, KBC Autolease is the clear market leader in bicycle leasing. In 2022, KBC Autolease Belgium was selected by the Flemish government to partner in offering its bicycle leasing solution. The objective of this collaboration was to stimulate sustainable mobility within the Flemish government. As a result, this year and for the first time, KBC Autolease will order the same number of bicycles as cars.

KBC Autolease supports the transition to electric driving

In Belgium, KBC Autolease is leading the way in the leasing market regarding the transition to electric driving. In 2022, 63% of the cars ordered were electric vehicles. In 2023, this transition will continue. We expect that 70% of the cars ordered will be fully electric.

In addition, in 2022, KBC Autolease launched its road guide to electric driving during the Brussels Motor Show. The aim of the guide is to inform and assist drivers who are using an electric vehicle for the first time, in this transition.
Agriculture

5 BILLION EUROS OUTSTANDING IN SCOPE

PORTFOLIO OVERVIEW

The agricultural sector is responsible for an estimated 13% of GHG emissions in the EU. Within KBC’s loan portfolio, agriculture represents around 3%. However, the share of the agricultural sector within our total financed Scope 1 and 2 emissions is more significant, specifically 32% (6.9 Megatonnes CO₂e).

PORTFOLIO CLIMATE TARGETS

Notwithstanding the constraints in terms of the availability of non-financial data for our agricultural portfolio, we have set a financial intensity target for this sector. We have done so because of the climate relevance of the agricultural sector and the materiality in our overall portfolio in terms of associated GHG emissions.

Table 6.7: Exposure and financed emissions (scope of existing climate targets) – data as per 30 September 2022

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Outstanding loan exposure (in m euros)</th>
<th>Financed emissions (scope 1 + 2) in t CO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5 012</td>
<td>6 980</td>
</tr>
</tbody>
</table>

-21% TARGET 2030 VERSUS 2021 (tonne CO₂e/m euros outstanding)

-1% 2022 VERSUS 2021 BASELINE

TARGETS

AGRICULTURE CLIMATE TARGETS AND PROGRESS

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Baseline 2021 (t CO₂e/m euros)</th>
<th>2022 progress (t CO₂e/m euros)</th>
<th>2022 KBC pathway value (Phase 2 – Below 2°C)</th>
<th>2030 target</th>
<th>2050 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate</td>
<td>1 405</td>
<td>1 392</td>
<td>1 372</td>
<td>-21%</td>
<td>-34%</td>
</tr>
<tr>
<td>KBC Group</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

-1% change

The financial targets have not been adjusted for inflation.
Portfolio steering

It is our ambition to accelerate the transition towards a more sustainable agricultural sector. We also want to mitigate transition risks, prevent and insure physical risks (such as damage or reduced production due to extreme weather conditions, including storms, hail, frost, drought) and stimulate opportunities.

We organise sustainability conversations with farmers to achieve these goals. In these talks, we pay specific attention to renewable energy production. We offer clients a full, tailor-made, energy solution. We also promote the use of high quality carbon-footprint calculators that include proposals to improve the client’s carbon footprint. Finally, in these discussions we zoom in on other relevant topics, like physical risks within the sectors, enteric emissions of cattle and carbon farming solutions.

The estimated financed emission intensity moved slightly towards the direction of the 2022 KBC pathway value. This is partly explained by portfolio increases to agriculture activities with lower, underlying average emission intensities, such as more crop-related farming rather than animal-related farming in ČSOB CZ.

Portfolio actions

In 2023, we will continue our customer engagement track in the agricultural sector, and we will continue and evaluate our pilot projects. During our yearly White Paper update, we will investigate the potential extra actions we can take for the sector. The investigations will not only focus on climate change mitigation and adaptation, but also on other relevant environmental domains (biodiversity, pollution, water and circularity).

IN THE SPOTLIGHT

CLIMATE-RELATED OPPORTUNITIES: PRODUCTS AND SERVICES

The agricultural sector is heavily influenced by specific local conditions. Agricultural practices, activities, regulations, customer preferences and risks all depend on the region in which the activities take place. For this reason, our approach to the sector (and its opportunities) also takes these local differences into account.

Partnership and advisory in agriculture

Business Unit Belgium collaborated with the start-up Claire to accelerate local carbon farming practices. Following this collaboration, KBC launched a pilot study inventorying the interest of (a limited subset of) its corporate and SME clients in voluntary carbon offsetting.

We are also engaged in conversations with dairy farmers in Flanders on how to accelerate the roll-out of the Klimrek tool. Klimrek is a science-based tool that provides information on the GHG emissions of dairy farmers and proposes actions on how to reduce their carbon footprint.

Through our subsidiary ecoWise, we also advise our Flanders-based SME and agricultural clients on energy savings, sustainable energy production and rational energy use.

Carbon calculator for agriculture in Bulgaria

In 2022, UBB developed a user-friendly application to be used for the assessment of GHG emissions in agriculture. The app was developed in collaboration with the Institute for Agricultural Economy based on internationally recognised guidelines and inventories.

The calculator covers 23 agricultural sub-sectors at the country level and five sub-sectors at the local and regional level. The calculator provides an initial indication of the GHG emissions of an agricultural enterprise. Clients can choose to receive a detailed report with information on their GHG emissions. In the future, UBB aims to integrate the provisioning of advisory services for GHG emission reductions.

Guiding farmers towards a more sustainable production

Insurance also stimulates sustainable practices among farmers. In 2023, KBC Verzekeringen NV plans to use a digital crop-monitoring platform to help farmers achieve higher and more sustainable production.
Portfolio overview

The cement sector ranks second among all heavy industries in terms of CO₂ emissions. It is also one of the largest energy consumers. The direct emissions of the sector account for 28% of industrial emissions globally.³

Cement is a sub-sector in our building and construction portfolio. In terms of outstanding exposure, this sub-sector represents approximately only 0.01% of KBC Group’s total outstanding loan portfolio. However, it contributes an estimated 0.1% to the financed Scope 1 and 2 GHG emissions, or 21 kilotonnes of CO₂e.⁴

Table 6.8: Exposure and financed emissions (scope of existing climate targets) – per 30 June 2022

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub-sector</th>
<th>Granted exposure (in m euros)¹</th>
<th>Outstanding loan exposure (in m euros)</th>
<th>Financed emissions (Scope 1 + 2) in t CO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building and construction</td>
<td>Cement³</td>
<td>126</td>
<td>16</td>
<td>21,290</td>
</tr>
</tbody>
</table>

¹ We base our targets for this sub-sector on granted exposure given the smaller size of the loan portfolio.
² Corporate industrial counterparties only (i.e. excluding SME portfolios).
³ As the main GHG associated with cement production is CO₂, emissions measured in tonnes of CO₂ and tonnes of CO₂e are roughly the same and therefore the terms CO₂, CO₂e and GHG are used interchangeably. Our targets are expressed in t CO₂/t cement, mirroring the alignment metric of the underlying climate scenario benchmarks.
⁴ IEA (2021), Energy Technology Perspectives 2020. All rights reserved.
⁵ Calculation based on 30 June 2022 outstanding loan portfolio data.

Portfolio climate targets

We included the cement sub-sector in our target setting because of its unequivocal climate impact. Despite KBC’s relatively small and concentrated lending exposure, we have set a physical GHG-intensity reduction target for the cement sector.

<table>
<thead>
<tr>
<th>Targets</th>
<th>Cement</th>
<th>Baseline 2021 (t CO₂/t cement)</th>
<th>2022 progress (t CO₂/t cement)</th>
<th>2022 KBC pathway value (PACTA global &amp; ETFE 2050 target) (t CO₂/t cement)</th>
<th>2030 target</th>
<th>2050 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregated KBC Group target:</td>
<td>Cement</td>
<td>0.69</td>
<td>0.68</td>
<td>0.67</td>
<td>0.58</td>
<td>0.22</td>
</tr>
<tr>
<td>% change</td>
<td></td>
<td>-0.4%</td>
<td></td>
<td>-16%</td>
<td>-68%</td>
<td></td>
</tr>
</tbody>
</table>

¹ Target applicable to corporate industrial counterparties only (i.e. excluding SME portfolios).

Cement³
Sub-sector of the building and construction sector
Portfolio steering

In 2022, KBC specifically focused on developing its climate targets. Subsequently, we used the 2030 targets to adjust our corporate lending policy to this sector (see “Our sustainability policies” in this section of the report). The cement sector is one of the hard-to-abate industries and this is reflected in our progress. The emission intensity of our cement loan portfolio decreased marginally, by 0.4%, which is slightly higher than our climate pathway value. KBC is therefore committed to supporting its clients in their transition. We will engage with our clients to support them in the decarbonisation challenges that lie ahead.

Portfolio actions

KBC will use its climate targets to steer customer engagement discussions and to benchmark existing clients’ GHG-reduction progress. New clients will only be onboarded if their transition plans are in line with our climate target.

IN THE SPOTLIGHT
BUSINESS SOLUTIONS IN OUR FOCUS AREAS
ENVIRONMENTAL RESPONSIBILITY

Supporting environmentally sustainable businesses in the Czech Republic

ČSOB CZ started a green challenge acceleration programme within the Start it @ČSOB in 2022 to work with B2B technology start-ups entering the go-to-market phase. In the acceleration programme, we provide mentoring to start-ups to help them avoid common mistakes and organise workshops to guide them through the key business areas.

This year, for example, we supported a start-up that was developing a database on the calculation of carbon footprint and ESG values in the building and construction sector. Programme participants had an opportunity to work in the Prague Impact Hub and receive international support from the GAN (Global Network of Accelerators). This will ease their expansion into foreign markets. Companies can apply to the green challenge acceleration programme every six months.

Finally, ČSOB CZ was this year also a partner of the Energy and Civilization exhibition, a social event at which mid-cap and SME clients participated. The freely accessible outdoor exhibition travelled through seven cities of the Czech Republic from May to October 2022 and showed the dependence of our well-being and level of security on energy sources.
Steel and aluminium are sub-sectors within our metals loan portfolio. The steel sector ranks first among all heavy industries in terms of CO₂ emissions. It is also one of the largest energy consumers. Globally, direct emissions of the sector account for roughly 7% of total energy sector emissions and 28% of industrial emissions.11

The aluminium sector is the fourth largest industrial emitter of direct CO₂e emissions, globally. Primary aluminium production is highly energy intensive and is approximately ten times more energy intensive than secondary production.12

In terms of outstanding exposure, the steel sector represents around 0.2% of KBC Group’s total outstanding loan portfolio. However, it contributes an estimated 3% to the total Scope 1 and 2 financed GHG emissions. This is equivalent to 710 kilotonnes of CO₂e in 2022.19

Our exposure to the aluminium sector is small, covering around 0.01% of KBC Group’s total outstanding loan portfolio. In terms of financed emissions, the sector contributes an estimated 0.05% of the total Scope 1 and 2 financed GHG emissions. This amounts to almost 10 kilotonnes of CO₂e in 2022.

Table 6.9: Exposure and financed emissions (scope of existing climate targets) – per 30 June 2022 (for steel) and per 30 September 2022 (for aluminium)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Sub-sector</th>
<th>Granted exposure (in m euros)</th>
<th>Outstanding loan exposure (in m euros)</th>
<th>Financed emissions (Scope 1 + 2) in t CO₂e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metals</td>
<td>Steel6</td>
<td>767</td>
<td>491</td>
<td>710.195</td>
</tr>
<tr>
<td></td>
<td>Aluminium2</td>
<td>22</td>
<td>21</td>
<td>9.897</td>
</tr>
</tbody>
</table>

1 We base our targets for these sub-sectors on granted exposure given the smaller size of the loan portfolio.
2 Corporate industrial counterparties only (i.e. excluding SME portfolios).

As the main GHG associated with steel production is CO₂ emissions measured in tonnes of CO₂ and tonnes of CO₂e are roughly the same and therefore the terms CO₂- and CO₂e- and GHG are used interchangeably. Our targets are expressed in t CO₂/t steel, mirroring the alignment metric of the underlying climate scenario benchmark.

Portfolio overview

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2 Corporate industrial counterparties only (i.e. excluding SME portfolios).

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Portfolio climate targets

Despite KBC’s relatively small and concentrated lending exposure, we have set targets for the steel and aluminium sub-sector, given their climate impact. For the steel sector, we set a physical GHG intensity-reduction target. For the aluminium sector we have a qualitative target in place.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Baseline 2021 (t CO₂/t steel)</th>
<th>2022 progress (t CO₂/t steel)</th>
<th>2022 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO₂/t steel)</th>
<th>2030 target</th>
<th>2050 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steel</td>
<td>1.34</td>
<td>1.51</td>
<td>1.31</td>
<td>1.15</td>
<td>0.59</td>
</tr>
<tr>
<td>Aluminium</td>
<td>0.592</td>
<td>0.59</td>
<td>Stay well below the global sectoral intensity climate benchmark</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Target applicable to corporate industrial counterparties only (i.e. excluding SME portfolios).
2 We restated our 2021 baseline of 0.65 due to a change in CO₂e intensity information from one of the companies within the scope of our target.
Portfolio steering

In 2022, KBC focused particularly on developing its climate targets. Subsequently, we used the 2030 targets to adjust our corporate lending policy to these sectors (see ‘Our sustainability policies’ in this section of the report). The emission intensity of our steel loan portfolio increased by 13% and is thereby off track of our climate pathway value. The substantial increase was mainly driven by an observed change in emission intensity of one corporate group in our portfolio. We plan to engage with this client to support them in their transition journey. In our aluminium portfolio, we restated our 2021 baseline of 0.65 due to a change in CO₂e intensity information from one of the companies within the scope of our target. Taking this restatement into account, the change in the 2022 portfolio CO₂e intensity was driven by the evolution of the portfolio composition, rather than a change in the CO₂ performance of the underlying companies.

This illustrates that a change in only a small set of counterparties can have a large positive or negative impact, potentially creating more volatility in the progress measurement of smaller loan portfolios. Overall, these sectors are classified as hard to abate, but KBC is nevertheless committed to supporting its clients in their transition. We will engage with our clients to support them in the decarbonisation challenges that lie ahead.

Portfolio actions

KBC will use its climate targets to steer client engagement discussions and to benchmark existing clients’ CO₂ reduction progress. New clients will only be onboarded if their transition plans are in line with our climate target.
Investment portfolio assessment

-50%
TARGET 2030 VERSUS 2019 BENCHMARK (tonne CO₂e/million USD revenue) FOR CORPORATE INVESTEES IN RESPONSIBLE FUNDS

-66%
2022 VERSUS 2019 BENCHMARK

KBC has mapped and reported on the climate impact and carbon intensity of its investment portfolios since 2020. This covers both our investments on behalf of our clients as well as our own investments. We use the Trucost data and methodology to assess our investment portfolios. This section gives an overview of the main outcomes of this assessment. In the appendix of this report, we give a more elaborate description of the methodologies and assumptions used, as well as the results. Please note that the findings we present here require a careful and nuanced interpretation, as our experience with the methodology and datasets continue to be under development.

Investment products offered by KBC Asset Management

After a pilot in 2020 and an extension in 2021, this is the third time KBC Asset Management reports on the carbon intensity of our investments.

Equity and corporate bonds

In 2022, KBC Asset Management updated its Responsible Investing (RI) methodology. At the same time, we also set a new target for lowering the (Scope 1 + 2) carbon intensity of the corporate investees in Responsible funds by 50% by 2030, compared to the end-of-2019 reference values. For more details on the target and methodology, please refer to the part on 'Responsible Investing on behalf of our clients' and the Trucost appendix of this report.

The carbon intensity of our equity and corporate bonds investments has decreased since 2019. Furthermore, we benchmarked our funds and mandates with broad benchmarks such as MSCI ACW and Iboxx EUR corporates. The benchmarking exercise showed that our funds and mandates have lower carbon intensity measures than these benchmarks.

KBC’s RI funds have generally recorded lower weighted average carbon intensity scores compared to our conventional funds. This is attributed to our new RI methodology incorporating ESG portfolio targets such as a carbon intensity reduction target in the so-called Responsible funds, and to an even stricter policy regarding fossil fuels (excluding the extraction and burning of fossil fuels to produce electricity).

TARGETS
RESPONSIBLE FUNDS CLIMATE TARGETS AND PROGRESS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2019 benchmark</th>
<th>Baseline 2021</th>
<th>2022</th>
<th>2025 target</th>
<th>2030 target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon- intensity (Scope 1 + 2) of corporate investees in Responsible funds (tCO₂e/million USD revenue)</td>
<td>196</td>
<td>66 (-67%)</td>
<td>-</td>
<td>98 (-50%) versus benchmark 2019</td>
<td></td>
</tr>
</tbody>
</table>

1. End-of-year data
2. The RI methodology introduced in 2022 assigns a 50% carbon intensity reduction target to Responsible funds versus their specific reference portfolio value at year-end 2019 (target being 98 tCO₂e/million USD revenue). The aggregated reduction target for Asset Management combines the specific targets of these funds under the assumption of a neutral asset allocation. We note that at year-end 2022, the Responsible funds’ combined score on carbon intensity is already below its target of a 50% reduction by 2030 versus 2019. Note however that potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at that point. Substantial changes in this allocation may also result due to a significant change in the product mix offered to our clients and may lead to a restatement of the target by 2030.

READ MORE

- Investment products offered by KBC Asset Management
- ‘Responsible Investing on behalf of our clients’
- Own investments of KBC Group
- ‘Sustainability in own investments’
- Details on the results and methodology to map the climate impact of our investment portfolios
- Methodologies explained: Trucost

24 The analysis of our equity and corporate bonds investments covers Scope 1 and 2 GHG emissions of the companies in which our products invest. Scope 3 emissions of those companies are not taken into account for now, due to data quality concerns.
Government bonds

The assessment of our government bond portfolio suggests that the carbon intensity of our aggregated portfolio is higher than the EMU benchmark. This outcome was expected due to high exposure to emerging market sovereigns and to countries with relatively higher GHG intensity scores, such as Belgium, the Netherlands and the USA.

The carbon intensities of our RI funds are lower compared to all funds, reflecting the relative carbon target at the portfolio level, our exclusion policies, and the fact that these funds are mainly geared to lower carbon intensity eurozone sovereigns.

Own investments of KBC Insurance

Equity portfolio

In 2019, the carbon intensity of our equity portfolio was still comparable with the MSCI World AC benchmark. However, its carbon intensity decreased much faster than the benchmark (6.3% versus 8% in the benchmark). This difference can be explained by the rapid implementation of the updated Investment Policy – including the additional exclusion criteria – since 2021. The exclusion policy mainly related to fossil fuels, including thermal coal-related activities and had the largest impact on carbon intensity levels.

Corporate bond portfolio

The emission intensity of our corporate bond portfolio also strongly decreased in the last three years. Similar to some of our other portfolios, it performs better than other benchmarks in terms of emission intensity. Our corporate bond portfolio has an overweight position on financials with a low carbon intensity compared to the benchmark. However, the introduction of the additional exclusion criteria, especially relating to fossil fuels, also resulted in a decrease as early as 2020 (maturing bonds within the energy sector were replaced by bonds with lower carbon intensity). In 2022 we observed the carbon intensity of the corporate bond portfolio improving more than the benchmark.

Government bonds

As a Belgian insurance company, KBC Insurance is traditionally overweighted in Belgian government bonds. These bonds – including those of Flanders, Brussels and Wallonia – make up 38% of the total government bond portfolio. Belgium’s carbon intensity score is very high. Consequently, the carbon intensity of our government bond portfolio is higher than the benchmark.

Pensioenfonds KBC investments

Equities

The carbon intensity of the equities within the portfolio of Pensioenfonds KBC is significantly lower than its benchmark: around 48% of the MSCI World AC benchmark. Moreover, their level of carbon intensity has declined by an annual average of 12%, since 2019. This is due to the implementation of the updated KBC Group Investment Policy.

Corporate bonds

The carbon intensity of Pensioenfonds KBC’s corporate bonds is also significantly lower than its benchmark: 44% of the Iboxx EUR Corporates benchmark. Since 2019, the carbon intensity of this portfolio has shown an annual average decline of -3.7%. In 2021, however, the carbon intensity of this portfolio increased slightly due to a shift in the Liability-Driven Investment (LDI)25 bond portfolio to a portfolio containing more non-financial corporates. These typically have higher carbon intensity compared to financial corporates.

Government bonds

Finally, the government bond portfolio of Pensioenfonds KBC performed slightly worse than its benchmark. At the end of 2022, it stood at 124% of the JPM EMU government bond benchmark. Since 2019, however, the carbon intensity of this portfolio has declined by an annual average of -8.7%. This high carbon intensity compared to benchmark is due to the bond themes within the portfolio (Emerging Market Bonds and High Interest Bonds), as well as some higher emitting government bonds in the LDI portfolio (Poland, Slovenia, Belgium, Netherlands, Austria).

Assessment of the insurance underwriting portfolio

We are also gradually collecting the necessary information and data for our insurance portfolio. As we do so, our focus is on the data needed for the assessment of both climate change mitigation and climate change adaptation impacts. This exercise is embedded within the existing data projects. We are preparing to collect the necessary data through our insurance-specific channels (e.g. our property portfolio).

In addition to that, we are closely monitoring developments in the methodologies used to measure climate impact associated with the insurance business. For example, the first PCAF guidelines for insurance-related emissions for Motor Insurance and the Commercial Lines were published as recently as November 2022 (see the “Methodologies explained” appendix). We are also monitoring the UN-convened Net-Zero Insurance Alliance (NZIA), which has launched a public consultation on the Alliance’s first Target-Setting Protocol.

25 The primary goal of a Liability Driven Investment portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities.
SUSTAINABILITY FACTS AND FIGURES

- Direct economic value generated and distributed
- Policy influence
- Sustainable finance
- Entrepreneurship
- Anti-money laundering, anti-corruption, data protection and cyber security
- Employees
- Community involvement
- Environmental data and emissions
This section of the report provides transparent information on sustainability and climate-related data with respect to our portfolios. We have collected our sustainability data through a group-wide process that involves strict, hierarchical validation. All KBC entities in their core countries report on the non-financial areas of human capital, direct footprint, our clients and community involvement. We gather climate-related data on our loan, insurance and investment portfolios. This is part of the KBC Sustainable Finance Programme, established under the KBC Sustainable Finance Programme. We acknowledge that the data collection process is as yet incomplete. This is especially true for the granular, climate-related data of our business portfolios. We will therefore continue to improve data quality going forward. The reporting period is 1 October of the previous year until 30 September of the current year, unless otherwise stated.

Direct economic value generated and distributed

**Suppliers**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating costs</td>
<td>m euros</td>
<td>1 237</td>
<td>1 058</td>
<td>1 015</td>
</tr>
</tbody>
</table>

1 FY data, see note 3.8 of the 2022 KBC Group Annual Report. Includes general administrative expenses such as repair and maintenance expenses, advertising costs, rent, professional fees, utilities and other such expenses.

<table>
<thead>
<tr>
<th>Number of suppliers that signed the Code of Conduct for suppliers</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>number</td>
<td>3 042</td>
<td>3 200</td>
</tr>
</tbody>
</table>

1 2020 data are corrected compared to the previous Sustainability Report.

**Employees**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff expenses</td>
<td>m euros</td>
<td>2 561</td>
<td>2 457</td>
<td>2 329</td>
</tr>
</tbody>
</table>

1 FY data, see note 3.8 of the 2022 KBC Group Annual Report.

**Shareholders**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net result</td>
<td>m euros</td>
<td>2 743</td>
<td>2 634</td>
<td>1 440</td>
</tr>
<tr>
<td>Gross dividend per share</td>
<td>euros</td>
<td>4.0</td>
<td>8.6</td>
<td>2.44</td>
</tr>
</tbody>
</table>

1 FY data, see “Consolidated income statement” in the 2022 KBC Group Annual Report. 2 FY data, see “Our employees, capital, network and relationships” in the 2022 KBC Group Annual Report.

**Clients**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest paid to clients (interest expense)</td>
<td>m euros</td>
<td>6 046</td>
<td>1 849</td>
<td>1 787</td>
</tr>
</tbody>
</table>

1 FY data, see note 31 of the 2022 KBC Group Annual Report.

**Governments (tax)**

For detailed country-by-country reporting on tax, please refer to the 2022 KBC Group Annual Report.

**Community**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total corporate community investment</td>
<td>m euros</td>
<td>18.3</td>
<td>13.0</td>
<td>11.9</td>
</tr>
</tbody>
</table>

1 Based on the Value Hierarchy for Sourced Financial Framework.
2 The total amount spent on corporate community involvement in 2022 excludes spending by KBC Ireland.

**Policy influence**

We prohibit political involvement of any kind within the group. We remain impartial by adopting a strict policy of not expressing political convictions. Neither do we make financial or other contributions to political parties, government organisations, politicians or campaign events. Readers are referred to KBC Group Corporate Public Affairs Policy.

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual total monetary contributions to trade associations, industry associations and business associations</td>
<td>m euros</td>
<td>5.03</td>
<td>5.00</td>
<td>4.44</td>
</tr>
</tbody>
</table>

Largest contributions:

- Fabelfin (Belgium Financial Sector Federation) 1 m euros 1.81 1.84 1.53
- Assuralia (Belgian Professional Association of Insurers) 1 m euros 0.94 0.90 0.81
-Česká bankovní asociace (Czech Banking Association) 1 m euros 0.41 0.41 0.40
- Czech Association of Insurance Companies 1 m euros 0.20 0.22 0.25
- VOKA (Flanders’ Chamber of Commerce and Industry) 1 m euros 0.19 0.19 0.19

1 FY data
Sustainable Finance

**Financing contributing to environmental objectives**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan portfolio in renewable energy and biofuel sector (granted amount)</td>
<td>bn euros</td>
<td>2.26</td>
<td>2.11</td>
<td>1.84</td>
</tr>
<tr>
<td>Of which renewable energy project finance (granted amount)</td>
<td>1 bn euros</td>
<td>1.73</td>
<td>1.74</td>
<td>1.48</td>
</tr>
<tr>
<td>Avoided GHG emissions through renewable energy project finance</td>
<td>tonnes CO₂e</td>
<td>601.368</td>
<td>447.460</td>
<td>448.351</td>
</tr>
<tr>
<td>Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio (excluding transmission and distribution)</td>
<td>%</td>
<td>75 (2030)</td>
<td>6.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Mortgages for energy efficient housing (granted amount)</td>
<td>3 bn euros</td>
<td>11.7</td>
<td>9.5</td>
<td>8.8</td>
</tr>
<tr>
<td>Low carbon vehicles financing (outstanding amount)</td>
<td>4 m euros</td>
<td>319</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Exposure to coal-related activities: remaining direct coal-related financing (granted amount at year-end)</td>
<td>5 m euros</td>
<td>0 (2021)</td>
<td>16</td>
<td>28</td>
</tr>
</tbody>
</table>

**Social impact finance**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan portfolio in healthcare and senior living sector (granted amount)</td>
<td>1 bn euro</td>
<td>6.20</td>
<td>6.06</td>
<td>6.09</td>
</tr>
<tr>
<td>Loan portfolio in education sector (granted amount)</td>
<td>1 bn euro</td>
<td>1.16</td>
<td>1.09</td>
<td>1.03</td>
</tr>
</tbody>
</table>

**Advice provided by experts on sustainability-related matters in 2022**

Sometimes, advice is requested because doubt exists on whether a transaction is in scope of a certain policy. If the conclusion is that a transaction is not in scope of the policy, this will lead to a positive advice.

<table>
<thead>
<tr>
<th>Policy domain</th>
<th>Total</th>
<th>Conclusion of advice</th>
<th>Type of advice</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Positive</td>
<td>Positive with conditions</td>
</tr>
<tr>
<td>Human rights</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Controversial weapons (including nuclear and white phosphorous weapons)</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Controversial regimes</td>
<td>8</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>18</td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Soft commodity speculation</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Arms-related activities with exception of controversial weapons</td>
<td>59</td>
<td>41</td>
<td>6</td>
</tr>
<tr>
<td>Energy</td>
<td>126</td>
<td>89</td>
<td>27</td>
</tr>
<tr>
<td>Gambling</td>
<td>14</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>Tobacco</td>
<td>18</td>
<td>6</td>
<td>1</td>
</tr>
<tr>
<td>Others</td>
<td>21</td>
<td>14</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>270</td>
<td>177</td>
<td>45</td>
</tr>
</tbody>
</table>

1 FY data (for Bulgaria excl. KBC Bank Bulgaria). This only includes new production in 2022.
2 Part of the new financed renewable assets are not yet in production.
3 Includes data of 30 September 2022 for Belgium, the Czech Republic, Bulgaria etc. KBC Bank Bulgaria EAD, Hungary and Slovakia. The 30 September 2021 data also contained Ireland (in addition to the 2022 scope) as well as Belgium, the Czech Republic, Ireland and Slovakia. The reported amounts correspond with residential property with A or B energy performance labels. The data are based on actual EPIC labels or on first approximation where no labels were available.
4 Includes data for financial leasing, loans and operational leasing as of 30 September 2022 for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (i.e. vehicles with emissions < 50 g CO₂/km meeting the substantial contribution criteria of the EU Taxonomy; including bicycles, motorcycles, passenger cars and light commercial vehicles).
5 KBC previously reported to have completely eliminated our remaining direct exposure to the thermal coal sector. This statement remains correct for our home markets. Our diligent climate progress follow-up target setting approach has unveiled a legacy file (originally booked in 2008) of 1.5 million euros granted exposure related to a participation in the financing of a coal-fired power plant in a non-core market. The 2021 and 2020 reported amounts are restated accordingly. We stand behind our pledge to no longer be involved in the direct financing of thermal coal-related activities beyond 2021. We therefore considered all the possible options to exit from this transaction. At the time of publication, we had received notification that the borrower had started the process of repaying the existing debt and it should be cancelled in full during the second quarter of 2023. Please note that this transaction was already included in the scope of our climate target baseline and progress measurement for the electricity sector.
### KBC green bonds

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total amount of green bonds issued</td>
<td>m euros</td>
<td>0</td>
<td>750</td>
<td>500</td>
</tr>
<tr>
<td>Aggregated</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total amount of green bonds issued</td>
<td>m euros</td>
<td>1,750</td>
<td>1,750</td>
<td>1,000</td>
</tr>
<tr>
<td>Total annual avoided emissions</td>
<td>t CO₂</td>
<td>279,862</td>
<td>298,789</td>
<td>188,139</td>
</tr>
<tr>
<td>Total renewable energy produced</td>
<td>MWh</td>
<td>1,581,435</td>
<td>1,383,667</td>
<td>775,362</td>
</tr>
<tr>
<td>Total energy saved</td>
<td>MWh</td>
<td>82,656</td>
<td>74,804</td>
<td>38,827</td>
</tr>
</tbody>
</table>

1. FY data

### Equator Principles

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project finance, number of transactions</td>
<td></td>
<td>11</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>of which Category A transactions**</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>of which Category B transactions**</td>
<td>number</td>
<td>3</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>of which Category C transactions***</td>
<td>number</td>
<td>8</td>
<td>4</td>
<td>2</td>
</tr>
<tr>
<td>Project-related corporate loans, number of transactions</td>
<td></td>
<td>13</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>of which Category A transactions</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>of which Category B transactions**</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>of which Category C transactions***</td>
<td>number</td>
<td>13</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Project finance advisory</td>
<td>number</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Project finance and project-related corporate loans, by sector</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td>1,2</td>
<td>number</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1</td>
<td>number</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Power</td>
<td>1</td>
<td>number</td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>number</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Project finance and project-related corporate loans, by region</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe, Middle East and Africa</td>
<td>1</td>
<td>number</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>Project finance and project-related corporate loans, designated country</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1</td>
<td>number</td>
<td>18</td>
<td>17</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>number</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>Project finance and project-related corporate loans, independent review</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yes</td>
<td>1</td>
<td>number</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>No</td>
<td>1</td>
<td>number</td>
<td>18</td>
<td>19</td>
</tr>
</tbody>
</table>

1. FY data

### Responsible Investing (RI)

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2022</td>
<td>2021</td>
<td>2020</td>
</tr>
<tr>
<td>RI direct client money</td>
<td>1 bn euros</td>
<td>32.3</td>
<td>31.7</td>
<td>16.8</td>
<td></td>
</tr>
<tr>
<td>RI funds in % of total assets under distribution (AUM) (direct client money)</td>
<td></td>
<td>45% (2025)</td>
<td>55% (2030)</td>
<td>37%</td>
<td>-</td>
</tr>
<tr>
<td>RI funds in % of total annual fund production (gross sales)</td>
<td></td>
<td>1%</td>
<td>65% (2030)</td>
<td>48</td>
<td>55</td>
</tr>
<tr>
<td>Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds</td>
<td>t CO₂/USD million</td>
<td>13</td>
<td>98 t CO₂/USD million (2019 bench mark: 190, 2030)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. FY data

2. Includes end-of-year data for 2022 and 2021 and data as of 31 March for 2020.
Financial inclusion and impact investing

BRS vzw

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of projects in the Global South</td>
<td>number</td>
<td>14</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Number of countries</td>
<td>number</td>
<td>9</td>
<td>9</td>
<td>11</td>
</tr>
<tr>
<td>Financial support for projects</td>
<td>euros</td>
<td>145,005</td>
<td>161,904</td>
<td>252,765</td>
</tr>
<tr>
<td>Number of days of coaching and training (mainly by KBC staff volunteering for BRS)</td>
<td>number</td>
<td>428</td>
<td>236</td>
<td>267</td>
</tr>
<tr>
<td>Number of days of training via Microfact, a training platform jointly created by BRS and partner organisation AOA, specialising in performance management for microfinance and microinsurance</td>
<td>number</td>
<td>105</td>
<td>142</td>
<td>257</td>
</tr>
<tr>
<td>Budget spent on coaching and training</td>
<td>euros</td>
<td>101,983</td>
<td>74,044</td>
<td>57,038</td>
</tr>
</tbody>
</table>

1 FY data

BRS Microfinance Coop

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cooperative share capital</td>
<td>m euros</td>
<td>22.2</td>
<td>22.3</td>
<td>22.8</td>
</tr>
<tr>
<td>Share of capital contributed by KBC</td>
<td>%</td>
<td>33.77</td>
<td>33.62</td>
<td>33.51</td>
</tr>
<tr>
<td>Outstanding balance (loans to microfinance institutions and investment in microfinance funds)</td>
<td>m euros</td>
<td>9.7</td>
<td>10.2</td>
<td>11.5</td>
</tr>
<tr>
<td>Number of microfinance institutions financed</td>
<td>number</td>
<td>6</td>
<td>8</td>
<td>10</td>
</tr>
</tbody>
</table>

1 FY data

UNEP FI Principles for Responsible Banking (PRB)

KBC was a founding signatory of the UNEP FI PRBs in September 2019. The principles set out the framework for a sustainable banking system. The principles help embed sustainability at the strategic, portfolio and transactional levels, and across all business areas. In addition to this, they help us demonstrate how we make a positive contribution to society.

In 2022, we performed the fourth self-assessment of our progress towards implementing the UNEP FI PRBs. This assessment is included in the ‘Principles for Responsible Banking’ appendix of this report. Selected information within it was subjected to independent limited assurance by PwC.

UN Principles for Responsible Investment (PRI)

We have been a signatory to the PRIs since 2016. As part of this engagement, we report on the actions taken each year in relation to the six principles for responsible investment. The report is available for consultation on the UN PRI website.

Entrepreneurship

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of start-ups supported through Start it @KBC in Belgium</td>
<td>number</td>
<td>142</td>
<td>130</td>
<td>134</td>
<td></td>
</tr>
<tr>
<td>Female entrepreneurs selected (as a % of total entrepreneurs)</td>
<td>%</td>
<td>50%</td>
<td>34%</td>
<td>46%</td>
<td>53%</td>
</tr>
</tbody>
</table>

1 Scope: Start it @KBC in Belgium. 2 Number of start-ups with a minimum of one female co-founder at the last pitch of the year (October).

Anti-money laundering, anti-corruption, data protection and cyber security

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees that have completed training in</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anti-money laundering (as a % of target audience)</td>
<td>%</td>
<td>97</td>
<td>99</td>
<td>97</td>
</tr>
<tr>
<td>General Data Protection Regulation (GDPR) (as a % of target audience)</td>
<td>%</td>
<td>96</td>
<td>97</td>
<td>97</td>
</tr>
<tr>
<td>Anti-corruption</td>
<td>%</td>
<td>98</td>
<td>96</td>
<td>-</td>
</tr>
<tr>
<td>Cyber security</td>
<td>%</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

1 Based on the average employee coverage as a % of target audience at all entities rather than the employee coverage as a % of target audience at the group level.
### Employees

#### Number of employees

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Full-time equivalents (FTE)</td>
<td>39,215</td>
<td>37,244</td>
<td>37,354</td>
</tr>
<tr>
<td>1, 2</td>
<td>Headcount</td>
<td>41,873</td>
<td>40,088</td>
<td>40,401</td>
</tr>
</tbody>
</table>

#### Full-time equivalents (FTE) excluding flexible DPP and DPC contracts (temporary contracts primarily for students in the Czech Republic and Slovakia)

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td>39,081</td>
<td>37,091</td>
<td>37,218</td>
</tr>
</tbody>
</table>

#### Headcount excluding flexible DPP and DPC contracts (temporary contracts primarily for students in the Czech Republic and Slovakia)

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>number</td>
<td>41,071</td>
<td>39,025</td>
<td>39,255</td>
</tr>
</tbody>
</table>

1 FTE and headcount figures differ from the figures reported in the 2022 KBC Group Annual Report and on p. 7 of this report due to a difference in reporting period. See 2022 KBC Group Sustainability Report: ‘About this report’.  
2 The increase in number of FTEs and headcount in 2022 is explained mainly by the acquisition of the Bulgarian operations of Raiffeisen Bank International.

#### Employees, by country

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Belgium</td>
<td>%</td>
<td>38.2</td>
<td>40.4</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>%</td>
<td>15.9</td>
<td>17.7</td>
</tr>
<tr>
<td></td>
<td>Czech Republic</td>
<td>%</td>
<td>24.9</td>
<td>26.9</td>
</tr>
<tr>
<td></td>
<td>Hungary</td>
<td>%</td>
<td>9.3</td>
<td>9.7</td>
</tr>
<tr>
<td></td>
<td>Ireland</td>
<td>%</td>
<td>2.6</td>
<td>3.0</td>
</tr>
<tr>
<td></td>
<td>Slovakia</td>
<td>%</td>
<td>8.1</td>
<td>9.3</td>
</tr>
<tr>
<td></td>
<td>Rest of the world</td>
<td>%</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

#### Employees, by age group

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total employees</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt; 30 years</td>
<td>%</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>30-50 years</td>
<td>%</td>
<td>56</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>&gt; 50 years</td>
<td>%</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Board of Directors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt; 30 years</td>
<td>%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>30-50 years</td>
<td>%</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>&gt; 50 years</td>
<td>%</td>
<td>88</td>
<td>94</td>
</tr>
<tr>
<td></td>
<td>Executive Committee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt; 30 years</td>
<td>%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>30-50 years</td>
<td>%</td>
<td>28</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>&gt; 50 years</td>
<td>%</td>
<td>72</td>
<td>86</td>
</tr>
</tbody>
</table>

#### Employees, by employment type

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Permanent</td>
<td>%</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td></td>
<td>Temporary</td>
<td>%</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Full-time</td>
<td>%</td>
<td>84</td>
<td>83</td>
</tr>
<tr>
<td></td>
<td>Part-time</td>
<td>%</td>
<td>16</td>
<td>17</td>
</tr>
</tbody>
</table>

1 FTE and headcount figures include flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia while no other people indicators include flexible DPP and DPC contracts. Only basic data with regard to our people have been gathered for some small entities (together representing less than 50 FTEs) located outside the core countries and Ireland, and which are not corporate branches of KBC Bank NV. These entities have therefore not been included in the employees’ indicators (except for headcount, FTE, gender and employee category).
### Employees, by employment type, by gender

<table>
<thead>
<tr>
<th>Note</th>
<th>United States</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Full-time</td>
<td>%</td>
<td>47</td>
<td>53</td>
<td>48</td>
</tr>
<tr>
<td>Part-time</td>
<td>%</td>
<td>24</td>
<td>76</td>
<td>24</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>44</td>
<td>56</td>
<td>-</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>33</td>
<td>67</td>
<td>-</td>
</tr>
</tbody>
</table>

1. The 2020 figures are restated due to changes made to the grade-levelling system of employees in Belgium.

### Employees, by employment type, by country

<table>
<thead>
<tr>
<th>Note</th>
<th>United States</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>99.6</td>
<td>0.4</td>
<td>98.9</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Hungary</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Ireland</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Slovakia</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>Men</td>
<td>Women</td>
<td>Men</td>
<td>Women</td>
</tr>
<tr>
<td>Permanent</td>
<td>%</td>
<td>89.4</td>
<td>971</td>
<td>99.6</td>
</tr>
<tr>
<td>Temporary</td>
<td>%</td>
<td>10.6</td>
<td>2.9</td>
<td>10.2</td>
</tr>
</tbody>
</table>

1. Employee turnover is the total number of leavers (excluding internal mobility within a specific legal entity but including the staff moving between different legal entities within the group) divided by total headcount at the end of the reporting period.

2. The figure reported for 2022 excludes the employees migrated from KBC Group to KBC Global Services in 2022. This migration of employees is part of a larger project to comply with the subordination requirement for MREL (Minimum Requirements for own funds and Equity Liabilities), as defined by the Single Resolution Board and applicable from January 2024, and hence not considered as employee turnover.

### New employees and employee turnover

<table>
<thead>
<tr>
<th>New employee hires, total headcount</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>%</td>
<td>5,120</td>
<td>3,799</td>
<td>3,590</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee turnover, total headcount</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>1,2</td>
<td>15.3</td>
<td>14.5</td>
<td>11.9</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proportion of voluntary leavers</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>89.2</td>
<td>80.5</td>
<td>79.1</td>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Internal mobility</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>3</td>
<td>14.6</td>
<td>24.4</td>
<td>22.0</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average seniority years</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
New employee hires and employee turnover, by country

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>New employee hires</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>number</td>
<td>1 116</td>
<td>723</td>
<td>483</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>number</td>
<td>1 392</td>
<td>809</td>
<td>871</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>number</td>
<td>1 394</td>
<td>1 130</td>
<td>1 192</td>
</tr>
<tr>
<td>Hungary</td>
<td>number</td>
<td>694</td>
<td>666</td>
<td>682</td>
</tr>
<tr>
<td>Ireland</td>
<td>number</td>
<td>16</td>
<td>33</td>
<td>113</td>
</tr>
<tr>
<td>Slovakia</td>
<td>number</td>
<td>427</td>
<td>410</td>
<td>480</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>number</td>
<td>51</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Employee turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>%</td>
<td>11.5</td>
<td>10.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>%</td>
<td>23.5</td>
<td>17.7</td>
<td>17.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>%</td>
<td>13.9</td>
<td>17.7</td>
<td>12.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>%</td>
<td>18.7</td>
<td>18.8</td>
<td>15.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>%</td>
<td>11.1</td>
<td>21.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Slovakia</td>
<td>%</td>
<td>18.4</td>
<td>16.9</td>
<td>12.3</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>%</td>
<td>13.8</td>
<td>8.5</td>
<td>10.7</td>
</tr>
</tbody>
</table>

1. The figure reported in 2022 excludes the employees migrated from KBC Group to KBC Global Services in 2022. The migration of employees is part of a larger project to comply with the subordination requirement for MREL (Minimum Requirements for own funds and Equity Liabilities), as defined by the Single Resolution Board and applicable from January 2024.
2. The increased turnover in Bulgaria in 2022 was mainly due to the merger with the Bulgarian operations of Raiffeisen Bank International and the increased turnover in Slovakia in 2022 is mainly due to the merger with OTP Bank taking its full effect.
3. The increased turnover in KBC Ireland in 2021 was a consequence of the announced sale of the Irish portfolio to Bank of Ireland.

New employee hires, by age

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 years</td>
<td>%</td>
<td>45.5</td>
<td>47.0</td>
<td>45.5</td>
<td></td>
</tr>
<tr>
<td>30-50 years</td>
<td>%</td>
<td>45.1</td>
<td>46.2</td>
<td>47.5</td>
<td></td>
</tr>
<tr>
<td>&gt; 50 years</td>
<td>%</td>
<td>9.4</td>
<td>6.8</td>
<td>7.0</td>
<td></td>
</tr>
</tbody>
</table>

New employee hires, by gender

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Women</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New employee hires</td>
<td>%</td>
<td>40.2</td>
<td>59.8</td>
<td>389</td>
</tr>
</tbody>
</table>

Diversity and inclusion

Employees by gender

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>%</td>
<td>43</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Female</td>
<td>%</td>
<td>57</td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>

Women promoted as a % of total promotions

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>1</td>
<td>59</td>
<td>59</td>
<td>58.7</td>
</tr>
</tbody>
</table>

Gender diversity, by management level

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>%</td>
<td>62</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Group Executive Committee</td>
<td>%</td>
<td>86</td>
<td>14</td>
<td>86</td>
</tr>
<tr>
<td>Senior management</td>
<td>%</td>
<td>78</td>
<td>24</td>
<td>78</td>
</tr>
<tr>
<td>Middle and junior management</td>
<td>%</td>
<td>57</td>
<td>43</td>
<td>59</td>
</tr>
<tr>
<td>White and blue collar</td>
<td>%</td>
<td>33</td>
<td>67</td>
<td>33</td>
</tr>
</tbody>
</table>

Gender diversity, by nationalities

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgian</td>
<td>%</td>
<td>37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Czech</td>
<td>%</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Slovak</td>
<td>%</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bulgarian</td>
<td>%</td>
<td>16</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hungarian</td>
<td>%</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>%</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1. For details on the diversity of nationalities of our Group Executive Committee and our Board of Directors, please refer to the 2022 KBC Group Annual Report.

New employee hires, by country

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>number</td>
<td>1 116</td>
<td>723</td>
<td>483</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>number</td>
<td>1 392</td>
<td>809</td>
<td>871</td>
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<td>Czech Republic</td>
<td>number</td>
<td>1 394</td>
<td>1 130</td>
<td>1 192</td>
</tr>
<tr>
<td>Hungary</td>
<td>number</td>
<td>694</td>
<td>666</td>
<td>682</td>
</tr>
<tr>
<td>Ireland</td>
<td>number</td>
<td>16</td>
<td>33</td>
<td>113</td>
</tr>
<tr>
<td>Slovakia</td>
<td>number</td>
<td>427</td>
<td>410</td>
<td>480</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>number</td>
<td>51</td>
<td>28</td>
<td>23</td>
</tr>
<tr>
<td>Employee turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>%</td>
<td>11.5</td>
<td>10.1</td>
<td>9.5</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>%</td>
<td>23.5</td>
<td>17.7</td>
<td>17.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>%</td>
<td>13.9</td>
<td>17.7</td>
<td>12.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>%</td>
<td>18.7</td>
<td>18.8</td>
<td>15.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>%</td>
<td>11.1</td>
<td>21.4</td>
<td>13.5</td>
</tr>
<tr>
<td>Slovakia</td>
<td>%</td>
<td>18.4</td>
<td>16.9</td>
<td>12.3</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>%</td>
<td>13.8</td>
<td>8.5</td>
<td>10.7</td>
</tr>
</tbody>
</table>

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New employee hires, by age

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>Target</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 30 years</td>
<td>%</td>
<td>45.5</td>
<td>47.0</td>
<td>45.5</td>
<td></td>
</tr>
<tr>
<td>30-50 years</td>
<td>%</td>
<td>45.1</td>
<td>46.2</td>
<td>47.5</td>
<td></td>
</tr>
<tr>
<td>&gt; 50 years</td>
<td>%</td>
<td>9.4</td>
<td>6.8</td>
<td>7.0</td>
<td></td>
</tr>
</tbody>
</table>

New employee hires, by gender

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Women</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New employee hires</td>
<td>%</td>
<td>40.2</td>
<td>59.8</td>
<td>389</td>
</tr>
</tbody>
</table>

Diversity and inclusion

Employees by gender

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>%</td>
<td>43</td>
<td>44</td>
<td>44</td>
</tr>
<tr>
<td>Female</td>
<td>%</td>
<td>57</td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>

Women promoted as a % of total promotions

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>1</td>
<td>59</td>
<td>59</td>
<td>58.7</td>
</tr>
</tbody>
</table>

Gender diversity, by management level

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors</td>
<td>%</td>
<td>62</td>
<td>38</td>
<td>62</td>
</tr>
<tr>
<td>Group Executive Committee</td>
<td>%</td>
<td>86</td>
<td>14</td>
<td>86</td>
</tr>
<tr>
<td>Senior management</td>
<td>%</td>
<td>78</td>
<td>24</td>
<td>78</td>
</tr>
<tr>
<td>Middle and junior management</td>
<td>%</td>
<td>57</td>
<td>43</td>
<td>59</td>
</tr>
<tr>
<td>White and blue collar</td>
<td>%</td>
<td>33</td>
<td>67</td>
<td>33</td>
</tr>
</tbody>
</table>

Gender diversity, by nationalities

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgian</td>
<td>%</td>
<td>37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Czech</td>
<td>%</td>
<td>24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Slovak</td>
<td>%</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bulgarian</td>
<td>%</td>
<td>16</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hungarian</td>
<td>%</td>
<td>9</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>%</td>
<td>5</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1. For details on the diversity of nationalities of our Group Executive Committee and our Board of Directors, please refer to the 2022 KBC Group Annual Report.
Health and workplace

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sick leave (days)</td>
<td>number</td>
<td>9.0</td>
<td>8.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Sick-leave rate (number of working days)</td>
<td>%</td>
<td>4.2</td>
<td>3.8</td>
<td>3.5</td>
</tr>
<tr>
<td>Lost-time injury frequency rate (LTIFR) (per million hours worked)</td>
<td>1, 2 number</td>
<td>191</td>
<td>198</td>
<td>5.0</td>
</tr>
<tr>
<td>Employees entitled to workplace flexibility options (as a % of total headcount)</td>
<td>%</td>
<td>99</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td>Employees able to control and/or vary the start or end times of the working day, or work week (as a % of total headcount)</td>
<td>%</td>
<td>99</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Employees able to control and/or vary the location where they work (as a % of total headcount)</td>
<td>%</td>
<td>99</td>
<td>99</td>
<td>98</td>
</tr>
</tbody>
</table>

Learning and development

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total time spent on learning and development per FTE</td>
<td>days</td>
<td>12</td>
<td>4.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Money invested in learning and development</td>
<td>m euros</td>
<td>24.2</td>
<td>22</td>
<td>12.9</td>
</tr>
<tr>
<td>Employees participating in (top) talent development programmes (end-of-year data)</td>
<td>number</td>
<td>34</td>
<td>331</td>
<td>392</td>
</tr>
<tr>
<td>Male</td>
<td>number</td>
<td>11</td>
<td>217</td>
<td>265</td>
</tr>
<tr>
<td>Female</td>
<td>number</td>
<td>13</td>
<td>114</td>
<td>127</td>
</tr>
<tr>
<td>KBC University Programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total time spent by top management and top talent on KBC University training programmes and events</td>
<td>3.5, 6 days</td>
<td>408</td>
<td>123</td>
<td>602</td>
</tr>
</tbody>
</table>

1 This excludes KBC University training programmes completed by top management and top talent, as these are reported separately.
2 Learning and development data include only training courses for which there is a formal registration in the local learning management system. On-the-job learning and knowledge sharing amongst employees is often not formally registered, while – based on relevant literature – it is assumed that employees spend up to one third of their working hours on informal learning activities. Formally registered training courses therefore only cover a small part of total learning activities, and it is fair to assume that the actual time spent on learning and development is much higher than the figure reported in the table above.
3 FY data
4 The number of employees participating in (top) talent development programmes decreased in 2022 compared to 2021. In 2022, the Top Talent in Action programme focused on a specific, customised development approach with a smaller target group.
5 The total time spent by top management and top talent on the KBC University training programmes and events decreased in 2021 compared to 2020 due to the disruption caused by Covid-19 and the associated measures taken. All live events and training programmes were cancelled. Virtual sessions were organised instead. These sessions were dedicated to climate, climate change and its impact on KBC as a financial institution and included a Climate Business Game.
6 A gradual increase of the total time spent by top management and top talent on KBC University training programmes and events was again recorded in 2022.

Labour relations

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees covered by collective bargaining agreements</td>
<td>1 %</td>
<td>77</td>
<td>82</td>
<td>81</td>
</tr>
<tr>
<td>Employees covered by employee representation structures</td>
<td>2 %</td>
<td>74</td>
<td>79</td>
<td>77</td>
</tr>
</tbody>
</table>

1 The number of employees covered by collective bargaining agreements decreased in 2022 compared to 2021. This is due to the acquisition of the Bulgarian operations of Raiffeisen Bank International.
2 The number of employees covered by employee representation structures decreased in 2023 compared to 2020. This is due to the acquisition of the Bulgarian operations of Raiffeisen Bank International.

Competence, learning and development and engagement

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest educational level achieved</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Master’s degree and higher</td>
<td>%</td>
<td>38.4</td>
<td>34.9</td>
<td>35.6</td>
</tr>
<tr>
<td>Bachelor’s degree</td>
<td>%</td>
<td>34.4</td>
<td>35.6</td>
<td>35.6</td>
</tr>
<tr>
<td>Secondary education certificate</td>
<td>%</td>
<td>27</td>
<td>27.3</td>
<td>28.6</td>
</tr>
<tr>
<td>Primary education certificate</td>
<td>%</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
</tbody>
</table>

1 LTIFR is the number of injuries as a result of work-related injury/number of hours worked x 1 000 000.
2 Restatement of the 2021 LTIFR.

Excluding KBC University training programmes completed by top management and top talent, as these are reported separately.
Learning and development data include only training courses for which there is a formal registration in the local learning management system. On-the-job learning and knowledge sharing amongst employees is often not formally registered, while – based on relevant literature – it is assumed that employees spend up to one third of their working hours on informal learning activities. Formally registered training courses therefore only cover a small part of total learning activities, and it is fair to assume that the actual time spent on learning and development is much higher than the figure reported in the table above.
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Community involvement

We, at KBC, support various projects and activities that contribute to the needs of the local communities where we are active. KBC community involvement is not centralised in one department, but is rather situated in the various countries and aligned with local priorities and strategies.

For more information please refer to the KBC Group Community Involvement Policy and to the local Reports to Society published on our corporate website. These reports also outline examples of ways in which we are involved in the communities in which we operate.

Group employee survey

<table>
<thead>
<tr>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1st half year</td>
<td>2nd half year</td>
<td>1st half year</td>
</tr>
<tr>
<td>Belgium</td>
<td>%</td>
<td>75</td>
<td>77</td>
<td>69</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2%</td>
<td>76</td>
<td>78</td>
<td>64</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2%</td>
<td>74</td>
<td>80</td>
<td>31</td>
</tr>
<tr>
<td>Hungary</td>
<td>%</td>
<td>85</td>
<td>87</td>
<td>85</td>
</tr>
<tr>
<td>Ireland</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Slovakia</td>
<td>%</td>
<td>50</td>
<td>43</td>
<td>44</td>
</tr>
<tr>
<td>Group Services branches Czech Republic and Bulgaria</td>
<td>%</td>
<td>88</td>
<td>88</td>
<td>78</td>
</tr>
</tbody>
</table>

1 For more information on the employee engagement survey, please refer to the ‘Our people’ part of this report.
2 Excluding KBC’s own shared service centres in the Czech Republic and Bulgaria, which are reported separately.

Note Unit 2022 2021 2020

<table>
<thead>
<tr>
<th>Engagement score1</th>
<th>1st half year</th>
<th>2nd half year</th>
<th>1st half year</th>
<th>2nd half year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>%</td>
<td>69</td>
<td>72</td>
<td>72</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2%</td>
<td>70</td>
<td>65</td>
<td>70</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>2%</td>
<td>73</td>
<td>76</td>
<td>74</td>
</tr>
<tr>
<td>Hungary</td>
<td>%</td>
<td>64</td>
<td>68</td>
<td>62</td>
</tr>
<tr>
<td>Ireland</td>
<td>%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Slovakia</td>
<td>%</td>
<td>62</td>
<td>58</td>
<td>59</td>
</tr>
<tr>
<td>Group Services branches Czech Republic and Bulgaria</td>
<td>%</td>
<td>66</td>
<td>70</td>
<td>71</td>
</tr>
</tbody>
</table>

1 For more information on the employee engagement survey, please refer to the ‘Our people’ part of this report. The engagement score is the sum of the engaged and strongly engaged employees. This represents the sum of the employees who: (i) on a 6-point scale going from strongly disagree to strongly agree – gave a score of 4.5 or higher, on average, for the three defined engagement questions (i.e. feeling proud, motivated and committed).
2 This excludes KBC’s own, shared service centres in the Czech Republic and Bulgaria, which are reported separately.

Note Unit 2022 2021 2020

| Total corporate community investment | 1, 2 | m euros | 18.3 | 13.0 | 11.9 |
| By country | Belgium | m euros | 13.0 | 9.8 | 7.0 |
| Bulgaria | m euros | 0.1 | 0.1 | 0.3 |
| Czech Republic | m euros | 4.3 | 1.8 | 3.0 |
| Hungary | m euros | 0.5 | 0.4 | 0.7 |
| Ireland | 2 | m euros | / | 0.5 | 0.6 |
| Slovakia | % | 0.4 | 0.4 | 0.3 |
| By type of contribution | Cash contributions | m euros | 9.5 | 6.4 | 6.5 |
| Time: employee volunteering during paid working hours | m euros | 5.6 | 4.0 | 2.2 |
| In-kind giving: product or service donations, projects/partnerships or similar | m euros | 0.8 | 0.6 | 0.3 |
| Management overheads | m euros | 2.4 | 2.0 | 2.9 |
| By motivation for contribution | m euros | 4.3 | 1.8 | 2.0 |
| Charitable donations | m euros | 12.4 | 9.5 | 71 |
| Community Investments | m euros | 1.6 | 1.7 | 2.8 |
| Employee volunteering hours (estimated number) | number | 20 000 | 12 000 | 12 000 |

1 Based on the G4S Business for Societal Impact Framework.
2 The total amount spent on corporate community involvement in 2022 excludes spending by KBC Ireland.
Environmental data and emissions

Scope and boundary of KBC Group total GHG emissions

We report on our direct and indirect GHG emissions, and in order to be as comprehensive as possible, we report on KBC Group's Scope 1, Scope 2 and Scope 3 emissions. The table below provides a schematic overview of the scope and boundary of KBC Group's GHG emissions and the respective data quality of the GHG emissions calculations.

We use different methodologies for different reporting purposes. The reporting of our direct emissions is in accordance with the requirements of the GHG protocol corporate standard. As regards our loan and lease portfolio (i.e. financial emissions), we apply the methodology outlined in the Global GHG Accounting and Reporting Standard for the Financial Industry developed by the Partnership for Carbon Accounting Financials (PCAF). Finally, we apply the Trucost data and methodology to our asset management and our own investments. For further reading on these methodologies, please refer to the relevant, respective parts within this sustainability report.

We report detailed GHG emissions and activity data on the following pages.

1. For Scope 3 Category 15 and Category 16, data quality scores are in accordance with the PCAF data quality scoring method as specified in The Global GHG Accounting and Reporting Standard for the Financial Industry. A score of 1 reflects the highest data quality and a score of 5 the lowest data quality. We note here that the data collection process related to climate-related data of our business portfolios is incomplete and we will continue to improve the data quality going forward.

2. KBC Group’s direct environmental footprint has been externally verified in accordance with ISO 14064-3.

3. Scope 2 emissions of the electric fleet are not included in the calculation, which is justifiable given the still limited share of electric vehicles at the end of the reporting period.

4. For the second time, we conducted an analysis of the climate-related impact for the majority of KBC Insurance’s own investments, as managed by Group Treasury as well as the investments of Peniassavond KBC, based on the Trucost data and methodology. The results of this analysis can be found in the ‘Risk management’ appendix of this report. Please note that debt securities (such as bonds), as managed by Group Treasury, are included in the KBC Group’s loan portfolio.
## Summary of KBC Group's total GHG emissions

<table>
<thead>
<tr>
<th>Scope 1</th>
<th>Note</th>
<th>Unit</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>tonnes CO₂e</td>
<td>11,236</td>
<td>12,994</td>
<td>12,850</td>
<td></td>
</tr>
<tr>
<td>Refrigerants</td>
<td>tonnes CO₂e</td>
<td>1,124</td>
<td>1,357</td>
<td>1,302</td>
<td></td>
</tr>
<tr>
<td>Employee commuting (own fleet)</td>
<td>tonnes CO₂e</td>
<td>5,412</td>
<td>3,090</td>
<td>2,498</td>
<td></td>
</tr>
<tr>
<td>Employee business travel (own fleet)</td>
<td>tonnes CO₂e</td>
<td>3,823</td>
<td>3,597</td>
<td>2,861</td>
<td></td>
</tr>
<tr>
<td>Total Scope 1</td>
<td>tonnes CO₂e</td>
<td>21,596</td>
<td>21,038</td>
<td>19,511</td>
<td></td>
</tr>
</tbody>
</table>

### Scope 2 (market based)

| 2 | Energy | tonnes CO₂e | 3,482 | 4,076 | 3,857 |
|   | Total Scope 2 (market based) | tonnes CO₂e | 3,482 | 4,076 | 3,857 |

### Scope 3

| Employee commuting (excluding own fleet) | tonnes CO₂e | 14,472 | 10,522 | 10,022 |
| Employee business travel (excluding own fleet) | tonnes CO₂e | 1,784 | 828 | 675 |
| Paper consumption | tonnes CO₂e | 1,542 | 1,947 | 1,844 |
| Water consumption | tonnes CO₂e | 107 | 111 | 101 |
| Waste generation | tonnes CO₂e | 896 | 945 | 830 |
| Total Scope 3 excluding portfolio data | tonnes CO₂e | 18,803 | 16,353 | 13,473 |

### Total own operational footprint (Scope 1 + Scope 2 + Scope 3 excluding portfolio data)

| 3 | tonnes CO₂e | 43,882 | 40,468 | 36,861 |

### % Change compared to base year (2015)

| -4 | % | -80% (2030) | -69.68% | -71.35% | -70.89% |

### Carbon credits purchased to offset our own operational footprint for the relevant year (uncorrected for subsequent restatements, carried out purely for comparability reasons).

<table>
<thead>
<tr>
<th>Carbon credits</th>
<th>Net climate-neutrality (2021)</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>44,000</td>
<td>-</td>
<td>37,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Emissions from leasing and lending portfolio

| 5 | tonnes CO₂e | 56,206 | 65,715 | 67,045 |

### Total Scope 3 including portfolio data

| tonnes CO₂e | 56,225 | 67,061 | 67,058 |

### Total Scope 1 + Scope 2 + Scope 3 including portfolio data

| tonnes CO₂e | 56,250 | 67,086 | 67,082 |

---

1. A gradual return to the workplace and resumption of business travel after two "Covid years" caused an increase in our GHG emissions, as compared to 2021.
2. Location-based Scope 2 emissions are reported on p. 104.
3. KBC Group's direct footprint includes Scope 1 emissions, Scope 2 emissions and Scope 3 emissions from sources over which we have direct operational control.
4. We have set 2015 as our base year for our own operational footprint as reliable data have been available since that year for the whole group.
5. We have recalculated 2021 data accordingly to allow year-on-year comparison. The 2021 Scope 3 emissions from our loan portfolio have not been recalculated to reflect the acquisition of Raiffeisen bank in Bulgaria.
Direct environmental footprint

KBC Group’s own operational footprint has been externally verified in accordance with ISO 14064–3 by an independent third party. Vinçotte has verified KBC Group’s GHG assertion of 43,882 tonnes of CO₂e to a level of reasonable assurance and concluded that KBC Group’s reported GHG emissions for 2022 are reliable and fairly stated. View the verification statement here.

Our direct footprint emissions include:

• Scope 1: direct emissions from fuel combustion and refrigerant gases in our office buildings and from business and commuter travel by our own company car fleet;
• Scope 2: indirect emissions from purchased energy (i.e. electricity, heat, cooling and steam consumption);
• Scope 3: indirect emissions from business travel and commuter travel and emissions from sources over which we have direct operational control (i.e. paper and water consumption and waste generation).

The system boundaries for GHG 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.

The data for the GHG inventory are mainly historical in nature. Not all entities are able to provide all of the required emission source data. Also, entities in countries with fewer than 100 FTEs are out of scope of the non-financial, environmental data-gathering. In these situations, we have extrapolated available data based on historical activity data per FTE and CO₂e emissions per FTE, respectively. The GHG emissions calculated by extrapolation account for about 2.6% of total GHG emissions in 2022. Hypothetical approaches were only used for limited activities.

The calculations of our 2022 direct GHG emissions contain two important changes compared to previous years. The first is the acquisition of Raiffeisen bank in Bulgaria. The second concerns our switch from using NEDC values to WLTP values in order to quantify emissions from the entirety of KBC’s business and commuter travel. These changes have a material impact on our emission calculations. In accordance with the GHG protocol guidance on the recalibration of base-year emissions, we have restated our 2015 baseline. Moreover, to facilitate year-on-year comparison, we report a recalculated number that reflects the two material changes described above.

### Direct footprint, by country

<table>
<thead>
<tr>
<th>Note Unit</th>
<th>2022</th>
<th>2021 recalculated¹</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time equivalents (FTE) covered</td>
<td>1</td>
<td>number</td>
<td>37,943</td>
</tr>
<tr>
<td>%</td>
<td></td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Belgium</td>
<td>tonnes CO₂e</td>
<td>16,752</td>
<td>15,056</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1</td>
<td>tonnes CO₂e</td>
<td>5,078</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>tonnes CO₂e</td>
<td>4,179</td>
<td>11,465</td>
</tr>
<tr>
<td>Hungary</td>
<td>tonnes CO₂e</td>
<td>4,701</td>
<td>4,890</td>
</tr>
<tr>
<td>Ireland</td>
<td>tonnes CO₂e</td>
<td>450</td>
<td>380</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2</td>
<td>tonnes CO₂e</td>
<td>3,973</td>
</tr>
<tr>
<td>Rest of the world</td>
<td>tonnes CO₂e</td>
<td>447</td>
<td>417</td>
</tr>
<tr>
<td>Total own operational footprint (Scope 1 + Scope 2 + Scope 3, excluding portfolio data)</td>
<td>tonnes CO₂e</td>
<td>43,882</td>
<td>41,468</td>
</tr>
</tbody>
</table>

¹ The FTEs covered differ from FTE figures reported under people indicators. This is because the system boundaries for GHG emissions were determined by operational control and aligned with the financial consolidation scope of the KBC Group. Some entities have therefore not been included in the environmental data even though they are included in employee information. The acquired Raiffeisen Bank Bulgaria is included in the reported data as from reporting year 2022 onwards.

² The 2015 base year has been recalculated in accordance with the GHG protocol guidance on the recalibration of base-year emissions. They reflect the structural changes in the reporting organisation in 2022 (i.e. the acquisition of Raiffeisen bank in Bulgaria) and methodological changes (i.e. conversion factors used for business and commuter travel by car based on WLTP values instead of NEDC values going forward). We have also recalculated 2021 data accordingly to enable year-on-year comparison. We have also recalculated 2021 data accordingly to enable year-on-year comparison.

³ From reporting year 2021, GHG emission data for Slovakia include data for OTP Banka Slovensko, acquired at the end of November 2020.
### Energy consumption

<table>
<thead>
<tr>
<th>Scope</th>
<th>Note</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kWh</td>
<td>tonnes CO₂e</td>
<td>kWh</td>
<td>tonnes CO₂e</td>
</tr>
<tr>
<td>Scope 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural gas</td>
<td>60 940</td>
<td>613</td>
<td>11 124</td>
<td>69 997</td>
</tr>
<tr>
<td>Heating oil</td>
<td>431 535</td>
<td>111</td>
<td>666 513</td>
<td>171</td>
</tr>
<tr>
<td>Electricity (own production) from renewable sources</td>
<td>1 821 566</td>
<td>0</td>
<td>1 484 212</td>
<td>0</td>
</tr>
<tr>
<td>Electricity (own production) from non-renewable sources</td>
<td>316 714</td>
<td>0</td>
<td>247 933</td>
<td>0</td>
</tr>
<tr>
<td>Other types of direct energy consumption</td>
<td>2 435 718</td>
<td>1</td>
<td>2 916 056</td>
<td>2</td>
</tr>
<tr>
<td>Total Scope 1</td>
<td>65 629</td>
<td>432</td>
<td>11 236</td>
<td>75 064</td>
</tr>
<tr>
<td>Scope 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchased electricity - market based</td>
<td>124 504</td>
<td>667</td>
<td>0</td>
<td>129 694</td>
</tr>
<tr>
<td>- of which renewable electricity</td>
<td>124 504</td>
<td>667</td>
<td>0</td>
<td>129 694</td>
</tr>
<tr>
<td>Purchased electricity - location based</td>
<td>124 504</td>
<td>667</td>
<td>31 978</td>
<td>129 694</td>
</tr>
<tr>
<td>District heating, cooling and steam consumption</td>
<td>20 219</td>
<td>505</td>
<td>3 483</td>
<td>23 858</td>
</tr>
<tr>
<td>Other types of energy consumption</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Scope 2 (market based)</td>
<td>144 724</td>
<td>172</td>
<td>3 483</td>
<td>153 552</td>
</tr>
<tr>
<td>Total Scope 2 (location based)</td>
<td>144 724</td>
<td>172</td>
<td>35 461</td>
<td>153 552</td>
</tr>
<tr>
<td>Total Scope 1 + 2 (market based)</td>
<td>210 036</td>
<td>890</td>
<td>34 719</td>
<td>228 368</td>
</tr>
<tr>
<td>Total Scope 1 + 2 (location based)</td>
<td>210 036</td>
<td>890</td>
<td>57 057</td>
<td>228 368</td>
</tr>
</tbody>
</table>

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

Source emission factors: Department for Business, Energy & Industrial Strategy (DEFRA) GHG reporting; 2022 conversion factors; European Residual Mixes 2021 Association of Issuing Bodies.

### Refrigerants

<table>
<thead>
<tr>
<th>Scope</th>
<th>Note</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kg</td>
<td>tonnes CO₂e</td>
<td>kg</td>
<td>tonnes CO₂e</td>
</tr>
<tr>
<td>Scope 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refrigerants and air condition equipment</td>
<td>597</td>
<td>1124</td>
<td>736</td>
<td>1 357</td>
</tr>
<tr>
<td>Total Scope 1</td>
<td>597</td>
<td>1124</td>
<td>736</td>
<td>1 357</td>
</tr>
</tbody>
</table>

Source emission factors: DEFRA GHG reporting; 2022 conversion factors and supplier data.
### Paper consumption

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>tonnes</td>
<td>tonnes</td>
<td>tonnes</td>
</tr>
<tr>
<td></td>
<td>CO₂e</td>
<td>CO₂e</td>
<td>CO₂e</td>
</tr>
</tbody>
</table>

**Scope 3**

- **Recycled paper consumption**
  - 83
  - 62
  - 73
  - 54
  - 58
  - 43

- **Other paper consumption**
  - 1.65
  - 1.481
  - 2.059
  - 1.893
  - 1.959
  - 1.803

**Total Scope 3**

- 1.694
- 1.542
- 2.132
- 1.967
- 2.017
- 1.846

Source emission factors: DEFRA GHG reporting 2022 conversion factors.

### Water consumption

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>m³</td>
<td>tonnes</td>
<td>tonnes</td>
</tr>
<tr>
<td></td>
<td>CO₂e</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Scope 3**

- **Drinking water consumption and water treatment**
  - 254,825
  - 107
  - 263,834
  - 111
  - 240,758
  - 101

**Total Scope 3**

- 254,825
- 107
- 263,834
- 111
- 240,758
- 101

Source emission factors: DEFRA GHG reporting 2022 conversion factors.

### Waste generation

<table>
<thead>
<tr>
<th>Note</th>
<th>2022</th>
<th>2021 recalculated</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>tonnes</td>
<td>tonnes</td>
<td>tonnes</td>
</tr>
<tr>
<td></td>
<td>CO₂e</td>
<td>CO₂e</td>
<td>CO₂e</td>
</tr>
</tbody>
</table>

**Scope 3**

- **Recycled waste generation**
  - 1,607
  - 34
  - 1,812
  - 39
  - 1,628
  - 35

- **Inerted waste generation**
  - 577
  - 12
  - 534
  - 11

- **Landfilled waste generation**
  - 1,820
  - 850
  - 1,916
  - 895
  - 1,679
  - 784

**Total Scope 3**

- 4,004
- 895
- 4,263
- 945
- 3,841
- 830

Source emission factors: DEFRA GHG reporting 2022 conversion factors.

---

Source emission factors: DEFRA GHG reporting - 2022 conversion factors; European Environment Agency (EEA), car manufacturer data and Association of Issuing Bodies.

1 As from 2022, a distinction between non-electric and electric vehicles is made where the relevant information is available. Hence, the number of kilometers traveled with KBC’s own electric vehicle fleet are reported separately as from current reporting year (where the information is available). The related Scope 2 emissions are zero. Vehicles that are charged on KBC premises are charged with renewable electricity. Also, in some other cases, vehicles are charged with known renewable electricity. In most cases, however, vehicles are charged where the source of electricity is unknown (for example at employees’ own premises). We reduced the related electricity consumption as part of our offsetting strategy via the purchase of Guarantees of Origins.
Indirect environmental impact: financed Scope 3 GHG emissions from leasing and lending portfolio and emission intensity

<table>
<thead>
<tr>
<th>Product lines and sectors</th>
<th>Data quality level score</th>
<th>Financed GHG emissions (tonnes CO₂e) (share as a % covered by a climate target)</th>
<th>Climate targets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Scope 1</td>
<td>Scope 2</td>
</tr>
<tr>
<td><strong>WHITE PAPER SECTORS AND PRODUCT LINES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture²</td>
<td>5.0</td>
<td>6 909 434 (100%)</td>
<td>70 148 (100%)</td>
</tr>
<tr>
<td>Building and construction</td>
<td>4.5</td>
<td>21 290 (100%)</td>
<td>12 575 (100%)</td>
</tr>
<tr>
<td>Cement</td>
<td>5.0</td>
<td>252 077 (5%)</td>
<td>39 726 (5%)</td>
</tr>
<tr>
<td>Total Building and construction³</td>
<td>5.0</td>
<td>273 367 (7%)</td>
<td>39 726 (7%)</td>
</tr>
<tr>
<td>Energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil, gas and other fuels</td>
<td>4.4</td>
<td>339 589 (100%)</td>
<td>51 429 (100%)</td>
</tr>
<tr>
<td>Transmission and distribution</td>
<td>4.8</td>
<td>402 985 (99%)</td>
<td>27 560 (99%)</td>
</tr>
<tr>
<td>Electricity</td>
<td>4.3</td>
<td>1 076 100 (99%)</td>
<td>148 (1%)</td>
</tr>
<tr>
<td>Total energy</td>
<td></td>
<td>1 818 674 (99%)</td>
<td>44 474 (0%)</td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mortgages</td>
<td>3.0</td>
<td>1 759 111 (92%)</td>
<td>-</td>
</tr>
<tr>
<td>Commercial real estate³</td>
<td>3.1</td>
<td>447 606 (88%)</td>
<td>4 489 (0%)</td>
</tr>
<tr>
<td>Total real estate</td>
<td></td>
<td>2 206 717 (91%)</td>
<td>4 489 (0%)</td>
</tr>
<tr>
<td>Food and beverage producers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food producers</td>
<td>5.0</td>
<td>328 532 (91%)</td>
<td>115 853 (91%)</td>
</tr>
<tr>
<td>Beverages</td>
<td>5.0</td>
<td>48 420 (100%)</td>
<td>16 440 (100%)</td>
</tr>
<tr>
<td>Total food and beverage producers</td>
<td></td>
<td>376 952 (91%)</td>
<td>132 292 (91%)</td>
</tr>
<tr>
<td>Metals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steel</td>
<td>3.7</td>
<td>710 195 (100%)</td>
<td>-</td>
</tr>
<tr>
<td>Aluminum</td>
<td>3.1</td>
<td>9 897 (100%)</td>
<td>9 000 (100%)</td>
</tr>
<tr>
<td>Remainder metals</td>
<td>5.0</td>
<td>87 860 (100%)</td>
<td>2 177 662 (0%)</td>
</tr>
<tr>
<td>Total metals</td>
<td></td>
<td>807 953 (89%)</td>
<td>2 177 662 (0%)</td>
</tr>
<tr>
<td>Transport: automotive and vehicles financing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial lease and loans¹</td>
<td>3.3</td>
<td>1 004 475 (37%)</td>
<td>-</td>
</tr>
<tr>
<td>Operational lease</td>
<td>1.2</td>
<td>318 483 (84%)</td>
<td>-</td>
</tr>
<tr>
<td>Automotive</td>
<td>5.0</td>
<td>327 214 (100%)</td>
<td>26 325 (100%)</td>
</tr>
<tr>
<td>Total automotive and vehicles leasing</td>
<td></td>
<td>1 650 172 (35%)</td>
<td>26 325 (0%)</td>
</tr>
<tr>
<td>Chemicals¹</td>
<td>5.0</td>
<td>1 203 293 (100%)</td>
<td>78 055 (100%)</td>
</tr>
<tr>
<td>Total White Paper sectors and product lines</td>
<td></td>
<td>15 246 562 (77%)</td>
<td>613 170 (77%)</td>
</tr>
</tbody>
</table>
This figure was calculated based on aggregated outstanding exposure, as used for PCAF calculation purposes. Please note that this aggregated exposure does not mirror the same scope of the reported outstanding loan book of KBC as per 30 September 2022 as (i) the outstanding mining activities are part of the sectors energy, building and construction, metals and chemicals. Consequently, mining activities are also included in our White Paper approach. Please note that the associated PCAF quality score for real estate development financing is 5. As there are no separate Scope 1 and 2 related data of our business portfolios is incomplete and we will continue to improve the data quality going forward.

A separate PCAF calculation performed for the cement sector is based on 30 June 2022 data, but no subdivision is presented purposes. The ‘remainder metals’ sector was calculated as the difference between the total metals, steel and aluminium sector and the cement sector. The ‘remainder building and construction sector was calculated as the difference between the total building and construction and the cement sector calculations. The share of financed emissions covered by the climate target applies to total financed Scope 1 + 2 GHG emissions but is stated under Scope 1 for presentation purposes.

1 Financial emissions associated with vehicles may be double counted due to vehicle loans granted in the sectors specified below.

2 This sector includes Scope 1 and 3 financed emissions, as specified in The Global GHG Accounting and Reporting Standard (PCAF Global Standard) Appendix II, Calculation Methodology. A score of 4 reflects the highest data quality and is given to data that is not included in our direct environmental footprint calculations and is double counted as a result.

3 This includes Scope 1 emissions associated with our own fleet, which is also included in our direct environmental footprint calculations and is double counted as a result.

4 These figures are based on aggregated outstanding exposure, as used for PCAF calculation purposes. Please note that this aggregated exposure does not mirror the same scope of the reported outstanding loan book of KBC as per 30 September 2022 as. (i) the outstanding exposure as of 30 June 2022 was used for the steel and cement sectors and (ii) the calculations also include operational leasing, which is not included in the scope of loan book reporting. Also, for an approximate 4% of the outstanding loan book, no PCAF calculation could be made.

5 This calculation excludes KBC Ireland and KBC Bank Bulgaria.

6 This sector also includes outstanding exposure to mining activities that may already be accounted for in the mining sector in the table above and thus may be double counted (calculation performed separately for the mining sector).

7 Separately reported Scope 2 and 3 financed emissions relate to real estate development financing that is not included in our climate target scope. Please note that the associated PCAF quality score for real estate development financing is 5. As there are no separate Scope 1 and 2 emission factors for residential real estate, Scope 1 financed emissions also include a fraction of Scope 2 associated emissions for residential real estate.

8 A separate PCAF calculation performed for the steel sector is based on 30 June 2022 data. With respect to steel and aluminium (PCAF calculation), no subdivision is available for Scope 1 and 2 financed emissions. The total metals sector calculation is based on 30 September 2022 data. The ‘remainder metals’ sector was calculated as the difference between the total metals, steel and aluminium sector calculations. The share of financed emissions covered by the climate target is calculated with total financed Scope 1 + 2 GHG emissions, but it is stated under Scope 1 for presentation purposes.
APPENDICES

- Value creation: our material topics 2022
- GRI content index and SASB disclosure
- Methodologies explained
- Principles for Responsible Banking
- Principles for Sustainable Insurance

ASSURANCE STATEMENTS

GLOSSARY
Value creation: our material topics 2022

Materiality assessment

Every two years, we conduct a well-prepared and independently supported materiality assessment upon request of our Board of Directors. This assessment helps us to assess the most material topics among our stakeholders’ opinions on environmental, social and governance (ESG-) related issues as well as the impact of our business on these issues. In 2022, we repeated our materiality assessment and found that the top three high-priority topics selected in 2020 were the same in 2022, even though the priority levels have slightly changed. Consequently, delivering sustainable and responsible products and services along with conducting ethical and resilient business remain high priority for our management and our external stakeholders alike.

Process

As in previous years, we conducted the assessment in collaboration with a reputable and independent third party. This year, the Group Corporate Sustainability department also worked with a team of internal cross-country representatives. They supported the entire process by providing feedback from the local stakeholders (i.e. clients, employees, and sector organisations). The engagement of a wide range of stakeholder groups such as core shareholders, clients, employees, investors, suppliers, NGOs, regulators and sector organisations ensures that the concerns and expectations of all parties are considered in the assessment. In doing so, we observed the revised GRI standards and maintained a double materiality perspective as part of the assessment methodology.

In conducting the materiality assessment, we carried out the following five steps.

**STEP 1**
- **Map:** Performing a stakeholder mapping exercise and assessment of our stakeholder groups.

**STEP 2**
- **Collect:** Screening internal and external sources to arrive at a list of potential material topics (long list).

**STEP 3**
- **Rate:** Discussion with the members of our External Sustainability Board and identification of 15 material topics (short list).

**STEP 4**
- **Survey:** Assessing the expectations of our stakeholders to gain insights into the 15 material topics. In-depth dialogue with our management on these topics.

**STEP 5**
- **Approve:** Discussion of the results of the materiality assessment by the Internal Sustainability Board, validation by the Executive Committee and subsequently presentation to the members of the Board of Directors.

Outcome

**Impact on society**

The topics considered to be highly material to our business in 2022 are:

1. Sustainable and responsible service and product offering
2. Ethical business conduct and responsible behaviour
3. Long-term resilience of our business model
4. Partner in the transformation to a more sustainable future
5. Sustainable and responsible asset management and investing
6. Data protection and cyber security

The top three high-impact topics defined in 2020 also remained highly material in 2022, although the ranking has changed. ‘Sustainable and responsible service and product offering’ (ranked #2 in 2020) gained importance and became the most material topic in 2022. The ‘Long-term resilience of our business model’ topic (ranked #1 in 2020) has dropped to #3 in the ranking this year. For 2022, we also saw a stronger emphasis on the topic of ‘Ethical business conduct and responsible behaviour’ (ranked #3 in 2020). It is worth pointing out that ‘Partner in the transformation to a more sustainable future’ (ranked #7 in 2020) moved up in the overall ranking, becoming the 4th material topic this year. This indicates KBC’s strong drive to take a larger role in the sustainability transition of our clients and to become an even more reliable and robust partner for clients in the near future. The ‘Sustainable and responsible asset management and investing’ topic (ranked #4 in 2020) dropped one place in the ranking this year. This could be a result of KBC’s greater internal as well as external efforts over the last few years to create new services and products in areas where responsible asset management activities and investing already existed for quite some time.
As part of the 2022 materiality assessment, we decided to integrate the double materiality concept to analyse the impact of a total of 15 material topics on KBC. This was a desktop analysis performed by an independent external consultant. The consultants initiated a stakeholder consultation with some members of our Executive Committee and Board of Directors and identified the topics that are the most impactful on KBC (in a positive or negative sense). They also assessed potential risks to and opportunities for our own business. The three topics with the greatest impact on KBC are:

1. Long-term resilience of our business model
2. Data protection and cyber security
3. Employee development and well-being

At the end of the double materiality assessment, we invited Group Risk and Finance to assess the outcome of the study since it revealed the risks and opportunities associated with the material topics. In amongst others, we assessed whether the externally identified risks and opportunities corresponded to our existing internal studies and estimations. Please see our 2022 KBC Group Risk Report for more information on non-financial risks and relevant sections of this report for details on opportunities.

The short list of material topics and definition is as follows:

<table>
<thead>
<tr>
<th>Topic</th>
<th>KBC definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Long-term resilience of our business model</td>
<td>Ensuring the resilience of our business model and financial responsibilities, by analysing, mitigating, and adapting to large societal challenges, such as climate change and demographic changes.</td>
</tr>
<tr>
<td>2. Direct environmental impact of our activities</td>
<td>Limiting any direct adverse impact on the environment from our operational activities and the resources we use.</td>
</tr>
<tr>
<td>3. Sustainable and responsible service and product offering</td>
<td>Continuously &amp; actively working on lending, insurance and advisory services, in support of ESG principles, such as sustainable loans, insurance solutions covering climate risks, bike leasing, restricting lending to controversial activities, etc.</td>
</tr>
<tr>
<td>4. Sustainable and responsible asset management and investing</td>
<td>Continuously enhancing the inclusion of ESG as well as human rights-related criteria in our decision-making process regarding our asset management and investment strategy.</td>
</tr>
<tr>
<td>5. Partner in the transformation to a more sustainable future</td>
<td>Taking our responsibility as an important partner in the transition to a more sustainable future by taking part in the public debate and advocating on societal challenges among our key stakeholders, and by building partnerships to draw external support.</td>
</tr>
<tr>
<td>6. Community engagement</td>
<td>Meeting our social responsibility towards our stakeholders and society by launching (social) initiatives close to our business and by supporting local communities through corporate engagement.</td>
</tr>
<tr>
<td>7. Inclusive service offering</td>
<td>Fostering inclusion by providing affordable financial products and services for the less-advanced clients.</td>
</tr>
<tr>
<td>8. Service offering stimulating the local economy</td>
<td>Stimulating the local economy and encouraging entrepreneurship by financing small companies and start-ups with innovative ideas and projects.</td>
</tr>
<tr>
<td>9. Accessibility and usability of products and services</td>
<td>Making sure banking and insurance products and services are and remain physically and digitally accessible to everyone according to their needs, including elderly, people with disabilities, etc.</td>
</tr>
<tr>
<td>10. Promotion of financial literacy</td>
<td>Contributing actively to the improvement of the general public knowledge of financial concepts and products.</td>
</tr>
<tr>
<td>11. Fair, understandable and transparent information to clients</td>
<td>Helping clients to make well-informed financial choices through fair, understandable, and transparent information.</td>
</tr>
<tr>
<td>12. Data protection and cyber security</td>
<td>Protecting the data of our clients and employees by implementing strict data privacy rules, by proactively helping clients in handling fraud issues (e.g., credit and debit card fraud detection, warning and awareness campaigns) and by ensuring our ICT-systems are resilient to outside attacks.</td>
</tr>
<tr>
<td>13. Diverse and inclusive business culture</td>
<td>Safeguarding an inclusive internal business culture with strong shared values, beliefs and behaviour, in which diversity is valued.</td>
</tr>
<tr>
<td>14. Employee development and well-being</td>
<td>Creating a safe, healthy, and motivating working environment in which investment in the well-being and personal and professional development of our employees (including training) is essential to attract, develop and retain a future-proof workforce.</td>
</tr>
<tr>
<td>15. Ethical business conduct and responsible behaviour</td>
<td>Promoting and safeguarding ethical and responsible behaviour in all our operations and under all circumstances and ensuring transparency towards all our stakeholders.</td>
</tr>
</tbody>
</table>
Assessing our impact

For each of the high-priority topics, we identified the actual and potential impacts caused by us on the economy, the environment and society. In the assessment, we considered both the direct impact of our own operations and the indirect impact through our products and services.

<table>
<thead>
<tr>
<th>High-priority topics</th>
<th>Impact on economy environment and people</th>
<th>Actual/potential</th>
<th>Negative/positive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable and responsible service and product offering</td>
<td>We increase our positive impact, by financing, insuring, and offering advisory services that contribute to a low carbon economy and social goods and services. Through our activities we may have (in)direct negative impact. To limit this negative impact, we have strict policies and a due diligence process in place. As such, we ban controversial activities in our products, services and in every business line in our value chain.</td>
<td>Actual Positive</td>
<td>Negative</td>
</tr>
<tr>
<td>Partner in the transformation to a more sustainable future</td>
<td>We believe that collaboration with our stakeholders has a significant impact on ESG challenges. Even though some of our stakeholders may not agree with our perspectives and approach, we maintain our dialogue with them in order to raise their awareness.</td>
<td>Potential Negative and positive</td>
<td>Potential Negative</td>
</tr>
<tr>
<td>Sustainable and responsible asset management and investing</td>
<td>KBC Asset Management invests the capital entrusted for the asset management activities by clients in financial instruments and uses active proxy voting on sustainability-related items.</td>
<td>Actual Positive</td>
<td>Potential Negative</td>
</tr>
<tr>
<td>Ethical business conduct and responsible behaviour</td>
<td>If we do not operate responsibly, we will lose the trust of our stakeholders and our operating licence.</td>
<td>Potential Negative</td>
<td>Potential Positive</td>
</tr>
<tr>
<td>Long-term resilience of our business model</td>
<td>KBC can only do business sustainably if we strictly manage our risks and have the necessary financial resilience.</td>
<td>Actual Positive</td>
<td>Potential Negative</td>
</tr>
<tr>
<td>Data protection and cyber security</td>
<td>Our stakeholders would lose trust if we cannot ensure the protection of our clients’ data and our ICT systems. Digitalisation gives us the opportunity to collect data to understand our clients’ needs swiftly and respond in the most efficient way.</td>
<td>Potential Negative</td>
<td>Actual Positive</td>
</tr>
<tr>
<td>Employee development and well-being</td>
<td>Investing in the right skills within a culture of continuous learning helps us to create and offer our clients the best products and solutions. If we cannot attract, develop and retain talented employees we will be unable to remain the reference in the European financial sector.</td>
<td>Actual Positive</td>
<td>Potential Negative</td>
</tr>
</tbody>
</table>
## Our stakeholder interactions

We are devoted to supporting our stakeholders by maintaining an interactive dialogue with them. We listen to their expectations and continuously endeavour to improve our operations in line with their needs to the extent possible. The table below shows our stakeholder groups, their expectations raised during our talks and our engagement activities based on their demands. The (s) symbol indicates that the members of our Executive Committee and Board of Directors were involved.

<table>
<thead>
<tr>
<th>Stakeholder groups</th>
<th>Their expectations</th>
<th>Our response by way of engagement activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Clients</strong></td>
<td></td>
<td><strong>Annual client satisfaction ranking: Client net promoter score (NPS)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complaints management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular customer panels and customer consultations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Local engagement by branch network and relationship managers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaboration with clients in their transition to becoming a low-carbon business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Webinars on ESG-related topics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information on engagement activities can be found in the 'Sustainable Finance' section of this report</td>
</tr>
<tr>
<td><strong>Employees</strong></td>
<td></td>
<td><strong>Employee surveys (e.g., Shape Your Future survey)</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular consultations with the occupational health and safety committees, health, safety and security advisers and employee representatives</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Annual meeting of the European Works Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular evaluation of all staff</td>
</tr>
<tr>
<td></td>
<td></td>
<td>STIPPLE, a digital learning and talent platform for our employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information on engagement activities can be found in the 'Our people' section of this report</td>
</tr>
<tr>
<td><strong>Investors and core shareholders</strong></td>
<td></td>
<td><strong>Investor days</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular roadshows for investors and analysts and dedicated virtual ESG meetings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Annual general meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Review by credit rating agencies</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sustainability assessments such as S&amp;P Global Corporate Sustainability Assessment, CDP, Sustainalytics, FTSE4Good, BankWijzer Belgium, Bloomberg GIE and ISS ESG</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ad hoc ESG questionnaires of investors</td>
</tr>
<tr>
<td><strong>Suppliers</strong></td>
<td></td>
<td><strong>CSR questionnaire as an integral part of our supplier assessments</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supporting suppliers willing to make the adjustments needed to comply with the Code of Conduct for Suppliers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Webinars on ESG-related topics</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vendor meetings on all levels of the hierarchy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proofs of Concept during which we mutually learn about potential value creation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transparent, simultaneous communications and approaches in competitive sourcing cases</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More information on engagement activities can be found in the 'Strategy and value creation' section of this report</td>
</tr>
<tr>
<td><strong>Public authorities</strong></td>
<td></td>
<td><strong>Membership of banking and insurance federations</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Membership of other national and international representative bodies to establish and maintain relationships with political actors and to achieve closer follow-up of regulatory initiatives that impact the financial sector (e.g., public consultations)</td>
</tr>
<tr>
<td><strong>NGOs and the broader community</strong></td>
<td></td>
<td><strong>Active participation in networking events</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Regular (one-on-one) meetings with NGOs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Membership of sustainability network organisations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Membership of local works councils</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Research papers and media analysis</td>
</tr>
<tr>
<td><strong>Stakeholder groups</strong></td>
<td><strong>Their expectations</strong></td>
<td><strong>Our response by way of engagement activities</strong></td>
</tr>
</tbody>
</table>
### General disclosures

<table>
<thead>
<tr>
<th>GRI 2. General disclosures 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>2-1 Organizational details</td>
<td>AR 2022, section ‘KBC Group Passport’</td>
<td>SR 2022, section ‘About this report’</td>
<td></td>
</tr>
<tr>
<td>2-2 Entities included in the organization’s sustainability reporting</td>
<td>AR 2022, section ‘Notes on the financial assets and liabilities on the balance sheet’</td>
<td>SR 2022, section ‘About this report’</td>
<td>See our corporate website for a complete list of companies belonging to the group</td>
</tr>
<tr>
<td>2-3 Reporting period, frequency, and contact point</td>
<td>SR 2022, section ‘About this report’</td>
<td></td>
<td>The reporting period of the sustainability data (1 October 2021 - 30 September 2022) differs from the reporting period for our financial reporting (1 January 2022 - 31 December 2022). The sustainability data is collected through a separate group-wide process of which the reporting period is not aligned with that of financial data.</td>
</tr>
<tr>
<td>2-4 Restatements of information</td>
<td>There is one substantial restatement of information in the 2022 report compared to the 2021 Sustainability Report. In 2022, we restated the 2015 baseline of our direct GHG emissions in accordance with the GHG protocol guidance on the recalculation of base-year emissions. We refer to SR 2022, section ‘Sustainable finance: Our direct environmental footprint’ for more information on the reasons for restatement and the impact of this restatement.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-5 External assurance</td>
<td>AR 2022, section ‘Corporate governance’</td>
<td>SR 2022, section ‘About this report’ and ‘Assurance statements’</td>
<td>See Corporate Governance Charter of KBC Group</td>
</tr>
<tr>
<td>2-6 Activities, value chain and other business relationships</td>
<td>AR 2022, sections ‘KBC Group passport’ and ‘Our business model’</td>
<td>SR 2022, sections ‘2022 in a nutshell’ and ‘Strategy and value creation’</td>
<td></td>
</tr>
<tr>
<td>2-7 Employees</td>
<td>AR 2022, section ‘Business model’</td>
<td>SR 2022, sections ‘Our people’ and ‘Sustainability facts and figures’</td>
<td></td>
</tr>
<tr>
<td>2-8 Workers who are not employees</td>
<td>SR 2022, section ‘Sustainability facts and figures’</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-9 Governance structure and composition</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>See Corporate Governance Charter of KBC Group</td>
<td></td>
</tr>
<tr>
<td>2-10 Nomination and selection of the highest governance body</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>See Corporate Governance Charter of KBC Group</td>
<td></td>
</tr>
<tr>
<td>2-11 Chair of the highest governance body</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>See Corporate Governance Charter of KBC Group</td>
<td></td>
</tr>
</tbody>
</table>
| 2-12 | Role of the highest governance body in overseeing the management of impacts | AR 2022, section 'Corporate governance statement'  
SR 2022, sections 'Strategy and value creation: Sustainability strategy' and 'Appendices: Value creation: our material topics 2022'  
See Corporate Governance Charter of KBC Group |
| 2-13 | Delegation of responsibilities for managing impacts | AR 2022, section 'Corporate governance statement'  
SR 2022, sections 'Strategy and value creation: Sustainability strategy' and 'Appendices: Value creation: our material topics 2022'  
See Corporate Governance Charter of KBC Group |
| 2-14 | Role of the highest governance body in sustainability reporting | AR 2022, section 'Corporate governance statement'  
SR 2022, sections 'Strategy and value creation: Sustainability strategy' and 'Appendices: Value creation: our material topics 2022'  
See Corporate Governance Charter of KBC Group |
| 2-15 | Conflicts of interest | AR 2022, section 'Corporate governance statement'  
See Corporate Governance Charter of KBC Group |
| 2-16 | Communication of critical concerns | AR 2022, section 'Corporate governance statement'  
See Corporate Governance Charter of KBC Group |
| 2-17 | Collective knowledge of the highest governance body | AR 2022, section 'Corporate governance statement'  
See Corporate Governance Charter of KBC Group |
| 2-18 | Evaluation of the performance of the highest governance body | AR 2022, section 'Corporate governance statement'  
See Corporate Governance Charter of KBC Group |
| 2-19 | Remuneration policies | AR 2022, section 'Corporate governance statement'  
SR 2022, section 'Strategy and value creation: Sustainability strategy'  
See Compensation Report Key Identified Staff  
See Remuneration policy |
| 2-20 | Process to determine remuneration | AR 2022, section 'Corporate governance'  
See Information on General meeting  
See Corporate Governance Charter of KBC Group |
| 2-21 | Annual total compensation ratio | AR 2022, section 'Corporate governance statement' |
| 2-22 | Statement on sustainable development strategy | AR 2022, section 'Statement by the Chairman of the Board of Directors and the Chief Executive Officer'  
SR 2022, section 'In a nutshell: Leadership statement' |
| 2-23 | Policy commitments | AR 2022, section 'Our strategy'  
SR 2022, sections 'Our responsibility: Responsible behaviour' and 'Sustainable finance: Our sustainability policies'  
See our corporate website for a list of our sustainability policies |
| 2-24 | Embedding policy commitments | AR 2022, sections 'Our strategy' and 'How do we manage our risks?'  
SR 2022, sections 'Our responsibility: Responsible behaviour' and 'Sustainable finance: Our sustainability policies' |
| 2-25 | Processes to remediate negative impacts | AR 2022, section 'Our strategy'  
SR 2022, sections 'Sustainable finance: Our sustainability policies' |
| 2-26 | Mechanisms for seeking advice and raising concerns | AR 2022, sections 'Our strategy' and 'Corporate governance statement'  
SR 2022, section 'Sustainable finance: Our sustainability policies' |
| 2-27 | Compliance with laws and regulations | AR 2022, section 'Notes on the other balance sheet items' |
| 2-28 | Membership associations | SR 2022, section 'Sustainability facts and figures' |
Material topics

<table>
<thead>
<tr>
<th>GRI 3: Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-1</td>
<td>Process to determine material topics</td>
<td>AR 2022, section ‘Company annual accounts and additional information’; SR 2022, sections ‘Strategy and value creation: The world in which we operate’ and ‘Appendices: our material and value creation topics 2022’</td>
<td></td>
</tr>
<tr>
<td>3-2</td>
<td>List of material topics</td>
<td>AR 2022, section ‘Company annual accounts and additional information’; SR 2022, sections ‘Strategy and value creation: The world in which we operate’ and ‘Appendices: our material and value creation topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

Long-term resilience of our business model

<table>
<thead>
<tr>
<th>GRI 3: Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-3</td>
<td>Management of material topics</td>
<td>AR 2022, sections ‘Our financial report’, ‘Our business model’, ‘Our strategy’, ‘How do we manage our risks?’ and ‘How do we manage our capital’; SR 2022, section ‘Strategy and value creation: The world in which we operate’ and ‘Appendices: our material and value creation topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

GRI 3 | Economic performance 2016

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct economic value generated and distributed</td>
<td>AR 2022, ‘KBC Group passport’ and section ‘Our business model’; SR 2022, section ‘Sustainability facts and figures’</td>
<td></td>
</tr>
</tbody>
</table>

GRI 3 | Financial implications and other risks and opportunities related to climate change

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assistance received from government</td>
<td>KBC did not receive financial assistance from any government during 2022</td>
<td></td>
</tr>
</tbody>
</table>

SASB Commercial Banks Disclosure Topic Systemic Risk Management

<table>
<thead>
<tr>
<th>Accounting metric</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>FN-CB-SSoI G-SIB score, by category</td>
<td>KBC Group is not considered as a Global Systemically Important Bank (G-SIB) as per definition, methodology, and most recently updated list of the Financial Stability Board (FSB)</td>
</tr>
</tbody>
</table>
Ethical business conduct and responsible behaviour

<table>
<thead>
<tr>
<th>GRI 3: Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-3 Management of material topics</td>
<td>AR 2022, sections ‘Our business model’, ‘Our strategy’, ‘Corporate governance statement’</td>
<td>SR 2022, sections ‘Strategy and value creation: The world in which we operate’, ‘Our responsibility’ and ‘Appendices: Value creation: our material topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 205: Anti-corruption 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>205-1 Operations assessed for risks related to corruption</td>
<td>AR 2022, sections ‘Our strategy’, ‘How do we manage our risks?’ and ‘Corporate governance statement’</td>
<td>SR 2022, section ‘Our responsibility: Business ethics’</td>
<td></td>
</tr>
<tr>
<td>205-2 Communication and training about anti-corruption policies and procedures</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>SR 2022, section ‘Sustainability facts and figures’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 207: Tax 2019</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>207-1 Approach to tax</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>SASB Group Tax strategy</td>
<td></td>
</tr>
<tr>
<td>207-2 Tax governance, central and risk management</td>
<td>AR 2022, section ‘Corporate governance statement’</td>
<td>SASB Group Tax strategy</td>
<td></td>
</tr>
<tr>
<td>207-4 Country-by-country reporting</td>
<td>AR 2022, section ‘Notes to the income statement’</td>
<td>SASB Group Tax strategy</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SASB Commercial Banks</th>
<th>Disclosure topic: Business Ethics</th>
<th>Accounting metric</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>FN–CB–510a.1</td>
<td>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</td>
<td>AR 2022, sections ‘Notes to the income statement’ and ‘Notes on other balance sheet items’</td>
<td>Net provisions for taxes and pending legal disputes were 157 m euros in 2022.</td>
</tr>
</tbody>
</table>

|FN–CB–510a.2|Description of whistleblower policies and procedures | AR 2022, section ‘Corporate Governance statement’ | SASB Group policy for the protection of whistleblowers |
### Sustainable and responsible service and product offering

<table>
<thead>
<tr>
<th>GRI 3: Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-1</td>
<td>Management of material topics</td>
<td>AR 2022, sections ‘Our business model’, ‘Our strategy’ and ‘How do we manage our risks’; SR 2022, sections ‘Strategy and value creation: The world in which we operate’, ‘Sustainable finance’ and ‘Appendices: Value creation; our material topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 203: Indirect Economic Impacts 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>203-2</td>
<td>Significant indirect economic impacts</td>
<td>AR 2022, sections ‘Our business model’ and ‘Our strategy’; SR 2022, sections ‘2022 in a nutshell: Sustainability highlights 2022’, ‘Strategy and value creation; value creation’ and ‘Sustainable finance’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 42: Human Rights Assessment 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>42-1</td>
<td>Operations that have been subject to human rights reviews or impact assessments</td>
<td>AR 2022, section ‘Our strategy’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SASB Commercial Banks Disclosure topic: Incorporation of Environmental, Social, and governance Factors in Credit Analysis</th>
<th>Accounting metric</th>
<th>Location</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FN-CB-410a.1</td>
<td>Commercial and industrial credit exposure, by industry</td>
<td>AR 2022, sections ‘Our strategy’ and ‘How do we manage our risks?’</td>
<td></td>
</tr>
<tr>
<td>FN-CB-410a.2</td>
<td>Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.</td>
<td>AR 2022, sections ‘Our strategy’ and ‘How do we manage our risks?’</td>
<td></td>
</tr>
</tbody>
</table>

### Sustainable and responsible asset management and investing

<table>
<thead>
<tr>
<th>GRI 3: Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-1</td>
<td>Management of material topics</td>
<td>AR 2022, sections ‘Our business model’ and ‘Our strategy’; SR 2022, sections ‘Strategy and value creation: The world in which we operate’, ‘Sustainable finance: Responsible investing on behalf of our clients’ and ‘Appendices: Value creation; our material topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 203: Indirect Economic Impacts 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>203-2</td>
<td>Significant indirect economic impacts</td>
<td>AR 2022, sections ‘Our business model’ and ‘Our strategy’; SR 2022, sections ‘2022 in a nutshell: Sustainability highlights 2022’, ‘Strategy and value creation; value creation’ and ‘Sustainable finance’</td>
<td></td>
</tr>
<tr>
<td><strong>GRI 412: Human Rights Assessment 2016</strong></td>
<td>Disclosure</td>
<td>Location</td>
<td>Omission</td>
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<tr>
<td>-------------------------------------------</td>
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</tr>
<tr>
<td>412-1 Operations that have been subject to human rights reviews or impact assessments</td>
<td>AR 2022, section ‘Our strategy’; SR 2022, section ‘Our responsibility: Human Rights’</td>
<td>See KBC Group Human Rights Policy; See UN Global Compact</td>
<td></td>
</tr>
</tbody>
</table>

**Partner in the transformation to a more sustainable future**

<table>
<thead>
<tr>
<th><strong>GRI 3: Material topics 2021</strong></th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-1 Management of material topics</td>
<td>AR 2022, sections ‘Our strategy’ and ‘Our business units’; SR 2022, sections ‘Strategy and value creation: The world in which we operate’, ‘Sustainable finance’ and ‘Appendices: Value creation: our material topics 2022’</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>GRI 203: Indirect Economic Impacts 2010</strong></th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>203-2 Significant indirect economic impacts</td>
<td>As a financial institution, KBC is an important driving force for the real economy and as such we have an important direct and indirect impact on society. We are committed to the UN Sustainable Development Goals and we look for partnerships to steer our economy to a low carbon future while offering our clients a range of products and services that have a positive impact on the economy, the environment and society. AR 2022, sections ‘Our business model’ and ‘Our strategy’; SR 2022, sections ‘Strategy and value creation: value creation’ and ‘Sustainable finance’</td>
<td></td>
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</tbody>
</table>

**Data protection and cyber security**

<table>
<thead>
<tr>
<th><strong>GRI 3: Material topics 2021</strong></th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>GRI 418: Customer Privacy 2016</strong></th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data</td>
<td>In 2022, KBC Group received 23 privacy-related complaints in which the local Data Protection Authority was involved.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **SASB Commercial Banks Disclosure Topic: Data security** | Accounting metric | Location | |
|----------------------------------------------------------|-------------------|---------||
### Employee development and well-being

<table>
<thead>
<tr>
<th>GRI 3 Material topics 2021</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-1 Management of material topics</td>
<td>AR 2022, section ‘Our business model’</td>
<td>SR 2022, sections ‘Strategy and value creation: The world in which we operate’, ‘Our people’ and ‘Appendices: Value creation: Our material topics 2022’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 401: Employment 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>401-1 New employee hires and employee turnover</td>
<td>AR 2022, section ‘Our business model’</td>
<td>SR 2022, section ‘Sustainability facts and figures’</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 403: Occupational health and safety 2018</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>403-1 Occupational health and safety management system</td>
<td>AR 2022, section ‘Our business model’</td>
<td>SR 2022, section ‘Our people: Health and well-being’</td>
<td></td>
</tr>
<tr>
<td>403-9 Work-related injuries</td>
<td>SR 2022, section ‘Sustainability facts and figures’</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GRI 404: Training and education 2016</th>
<th>Disclosure</th>
<th>Location</th>
<th>Omission</th>
</tr>
</thead>
<tbody>
<tr>
<td>404-1 Average hours of training per year per employee</td>
<td>AR 2022, section ‘Our business model’</td>
<td>SR 2022, sections ‘Our people: Talent management’ and ‘Sustainability facts and figures’</td>
<td></td>
</tr>
<tr>
<td>404-2 Programmes for upgrading employee skills and transition assistance programmes</td>
<td>AR 2022, section ‘Our business model’</td>
<td>SR 2022, sections ‘Our people: Talent management’ and ‘Sustainability facts and figures’</td>
<td></td>
</tr>
</tbody>
</table>

### SASB Activity metrics

<table>
<thead>
<tr>
<th>SASB Commercial Banks Activity metrics</th>
<th>Activity metric</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>FN-CB-000.B (1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate</td>
<td>AR 2022, section ‘How do we manage our risks?’</td>
<td></td>
</tr>
</tbody>
</table>
Climate target setting
Progress measurement of our lending climate targets

In September 2022, KBC published a separate Technical Appendix in its Climate Report. The sections below give a similar technical overview of the measurement, scope and data used for our climate target progress measurements.

Measurement and scope

The GHG intensities reflected in the Target setting in our lending business section of this report come from the measurement methodologies referenced in Table 1 in the table, the applicable PCAF (Partnership for Carbon Accounting Financials) data quality scores (ranging from 1 – highest – to 5 – lowest) are listed. These serve as indicators of the quality of the non-financial information that was used as input for the GHG emission intensity calculation. The PCAF quality score cards referenced in Table 9.1 can be consulted in the PCAF Global Standard. For more information on PACTA (Paris Agreement Capital Transition Assessment) as a measurement method, kindly refer to the dedicated PACTA methodology.

Climate target setting
Progress measurement of our lending climate targets

In September 2022, KBC published a separate Technical Appendix in its Climate Report. The sections below give a similar technical overview of the measurement, scope and data used for our climate target progress measurements.

Measurement and scope

The GHG intensities reflected in the Target setting in our lending business section of this report come from the measurement methodologies referenced in Table 1 in the table, the applicable PCAF (Partnership for Carbon Accounting Financials) data quality scores (ranging from 1 – highest – to 5 – lowest) are listed. These serve as indicators of the quality of the non-financial information that was used as input for the GHG emission intensity calculation. The PCAF quality score cards referenced in Table 9.1 can be consulted in the PCAF Global Standard. For more information on PACTA (Paris Agreement Capital Transition Assessment) as a measurement method, kindly refer to the dedicated PACTA methodology.
We use actual financing (i.e., outstanding loan exposure) as widely as possible for our target and progress calculations in order to reflect the actual climate impact of associated financing. The only exception to this general rule relates to cement, steel and aluminium producers. These portfolios are much smaller than the other sectors and are limited to a handful of counterparties. To avoid large fluctuations in our target monitoring, we therefore based the targets and progress measurements for these sectors on granted loan exposure.

Methodological limitations and data constraints

We conducted our progress measurement with as much integrity as possible. Nevertheless, there are notable shortcomings inherent to this new type of work. Below, we outline the main limitations in our approach:

We rely on emission data, the quality of which is outlined in Table 8.1 of this appendix. A lower quality or availability of emission calculation logically results in a lower quality of the calculation of the portfolio emission intensity. We are pursuing our efforts to further improve the emission data quality. For the emission intensity progress calculation, we act as closely as possible in line with the available market standards or data sources such as PCAF and PACTA, as referenced in Table 8.1. Nevertheless, certain contexts (including non-financial data sources such as PCAF and PACTA, as referenced in Table 8.1).

Possible in line with the available market standards or data quality evolve and may affect emission intensity performances. Going forward, we will continuously strive to further improve the quality scores of emission calculations. In some cases, we will consider the re-establishment of a more accurate baseline. Specifically, we will do so when emission calculations are based on new data and/or methodological choices, and this leads to major up- or downward changes compared to our initial base year. In this progress reporting, this was the case for the energy and aluminium sectors.

The emission attribution approaches may diverge between KBC entities depending on local data availability. In the Technical Appendix of our Climate Report, we highlighted that we could not uniformly apply the attribution of emission intensities across all KBC entities operating in distinctly different country settings for real estate and transport. For transport, we uniformly approach to attribute emission intensities with this progress report. For real estate, Table 8.2 outlines the attribution approaches of the different KBC entities.

Changes in portfolio emission intensities cannot always be entirely attributed to improvements in KBC’s portfolio performance. For example, methodological choices and data quality evolve and may affect emission intensity performances. Going forward, we will continuously strive to further improve the quality scores of emission calculations. In some cases, we will consider the re-establishment of a more accurate baseline. Specifically, we will do so when emission calculations are based on new data and/or methodological choices, and this leads to major up- or downward changes compared to our initial base year. In this progress reporting, this was the case for the energy and aluminium sectors.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Subsector</th>
<th>Belgium</th>
<th>Czech Republic</th>
<th>Hungary</th>
<th>Slovak Republic</th>
<th>Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate</td>
<td>Montages and commercial residential real estate</td>
<td>Physical emission intensities are based on PCAF emission factors [kg CO₂/m²], weighted by the EPC label distribution (outstanding amount). Financed emissions are derived from the physical emission intensities and estimated m² financed.</td>
<td>Physical emission intensities are derived from financed emissions and estimated or actual m² financed. Financed emissions are based on PCAF emission factors, estimated or actual EPC label distribution m², or unit and an attribution factor (in most countries overall outstanding amount versus value at origination).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Commercial non-residential real estate</td>
<td>Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type, and estimated financed m².</td>
<td>Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated financed m².</td>
<td>Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated financed m².</td>
<td>Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and actual financed m² (based on outstanding versus value at origination).</td>
<td></td>
</tr>
</tbody>
</table>

Table 8.2 Emission attribution approaches in KBC entities for the real estate sector
In 2022, we again calculated our Scope 3 financed greenhouse gas (GHG) emissions for our entire lending portfolio. We did so using the methodology developed by the Partnership for Carbon Accounting Financials (PCAF).

The lending scope is mostly integrated in the CCCA climate target calculations.

The calculations for the sectors and products within the CCCA target scope are based on asset- and subsector specific data.

Mining, motorcycles, bicycles and medium and heavy commercial trucks were not included in the CCCA climate target calculations. The results of these sectors are, however, incorporated in the calculations of the financed emissions of the entire KBC Group lending portfolio.

The calculations for the remainder of our portfolio are performed on a macro level. These thus only give a high-level indication about the emission weightiness of the different sectors and products in our loans portfolio. The real-world emissions of counterparty borrowers through our financing may differ.

The results of the calculations for the total lending portfolio of KBC Group can be found in the ‘Sustainability facts and figures’ section of this report. More details about the calculations and the assumptions made can be found in the ‘Target setting’ part of this appendix, the technical appendix of our Climate Report and the PCAF appendix of the 2021 Sustainability Report.

First preliminary pilot on the GHG emission calculations for insurance

PCAF published its standard for insurance in November 2022. The standard outlines how to calculate insurance-associated GHG emissions for commercial lines and personal lines (only private-use vehicles are currently in scope).

We did a first preliminary pilot calculation for the Belgian vehicle portfolio to get acquainted with the methodology. The portfolio consists of cars, light commercial vehicles and motorcycles.

In terms of methodology, we used a combination of own- and proxy emission data. We multiplied these with the average amount of kilometres driven per year in Belgium. This made it possible to calculate the emissions per asset.

We investigated the attribution factor for translating total emissions of the vehicles into emissions that could be attributed to KBC as an insurer of the vehicle. In line with the methodology, the attribution factor of insurance-associated emissions is determined through the ratio of the insurance premium versus the total costs associated with vehicle ownership. However, PCAF has, as yet, no clear and definitive view on the level of this attribution factor and has yet to establish a standardised factor to apply going forward. This lack of a standardised approach means that it is too early to share actual results of the preliminary pilot calculation. We will, however, review the outcome of this calculation internally and subsequently determine a further course of action.
Paris Agreement Capital Transition Assessment (PACTA)

KBC has been using PACTA since 2019 to understand and assess its indirect impact on the climate. With the publication of our 2022 Climate Report, we took a further step in climate target setting. As a method, PACTA is a good fit with our overall target setting approach, helping us to calculate and set climate targets for our cement and steel lending portfolios. For the energy sector, the PACTA results will continue to help us understand certain portfolio evolutions. This appendix gives a concise overview of the results of our 2022 PACTA assessment. Please refer to the dedicated PACTA website for a comprehensive overview of the sector scope and application approach of PACTA.

Portfolio overview

With this year’s analysis, KBC Group’s granted exposure calculated in the scope of PACTA amounted to 3.2% (€2.76 billion) of the total industrial loan book compared to 3.8% reported last year. The results of the exercise confirm that KBC Group’s industrial loan portfolio is exposed to a limited degree to companies that contribute the most to global CO2 emissions. In particular, KBC’s industrial loan portfolio is strongly exposed to the manufacturing (42% of total industrial loan book) and the energy sectors (22% of total industrial loan book) with respective loan book sizes of €1.48 billion and €1.24 billion. For the fossil fuels, power, cement, and steel sectors, any relevant PACTA results are included or considered in the sector parts of the ‘Target setting in our lending business’ section of this report. Also, where relevant, PACTA results are used in our White Paper analysis. For the car manufacturing and aviation sectors, no climate targets are currently set by KBC. The sections below give a brief overview of the key take-aways of this report.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Granted exposure (in m euros)</th>
<th>In % of KBC total industrial loan portfolio</th>
<th>Granted exposure (in m euros) matched to physical assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>2,899</td>
<td>2.2%</td>
<td>1,488</td>
</tr>
<tr>
<td>Steel</td>
<td>767</td>
<td>0.6%</td>
<td>767</td>
</tr>
<tr>
<td>Fossil fuels</td>
<td>162</td>
<td>0.1%</td>
<td>162</td>
</tr>
<tr>
<td>Heavy duty vehicles</td>
<td>144</td>
<td>0.1%</td>
<td>138</td>
</tr>
<tr>
<td>Cement</td>
<td>126</td>
<td>0.1%</td>
<td>125</td>
</tr>
<tr>
<td>Light duty vehicles</td>
<td>65</td>
<td>0.05%</td>
<td>65</td>
</tr>
<tr>
<td>Aviation</td>
<td>62</td>
<td>0.05%</td>
<td>16</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,224</td>
<td>3.2%</td>
<td>2,761</td>
</tr>
</tbody>
</table>

1. Identified exposure to the subject subsector based on PACTA’s specific methodological scope and may hence differ from sector exposures as mentioned in other parts of this report.
2. Identified exposure for which relevant PACTA physical asset level specific information was available.

Table 8.3: Overview of the sector activities within the scope of PACTA – reported figures per 30 June 2022

<table>
<thead>
<tr>
<th>Scenario description</th>
<th>Sector coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.5°C unified – JRC-GECO-2021-Auto-HDV-Fossil-Fuels-Power-start-yr-2021 and JRC-GECO-2021-CO2-Intensity-for-Steel-Aviation-start-yr-2021</td>
<td>Fossil fuels, Power, Automotive, HDV, Steel, Aviation</td>
</tr>
<tr>
<td>ISF NZ 2020-2025-CO2-Intensity-for-Steel-Cement-Aviation-start-yr-2021</td>
<td>Steel, Cement, Aviation</td>
</tr>
</tbody>
</table>

For the fossil fuels, power, cement, and steel sectors, any relevant PACTA results are included or considered in the sector parts of the ‘Target setting in our lending business’ section of this report. Also, where relevant, PACTA results are used in our White Paper analysis. For the car manufacturing and aviation sectors, no climate targets are currently set by KBC. The sections below give a brief overview of the key take-aways of the PACTA analysis.
Eight corporates in KBC Group’s loan portfolio could be in line with the PACTA model, the current production capacity, technology mix analysis (Graph 8.1) outlines the portfolio’s relative financial exposure to automotive technologies. It shows a clear relative drop of ICE vehicles in the KBC portfolio when comparing current and projected shares. This drop, as well as a relative increase in the share of electric vehicles, is in line with all of the scenarios’ targets for technology mixes.

Heavy duty vehicle manufacturers

Within the restricted scope of PACTA, we can infer that KBC’s corresponding current and projected technology distribution mix of its industrial loan portfolio towards heavy duty vehicle manufacturers is aligned with the ‘1.5°C unified’ scenario pathway.

- KBC Group’s total granted exposure to the Heavy Duty Vehicles (HDV) manufacturers segment – i.e. the PACTA scope within the HDV sector – is 144 million euros. This sector is new within PACTA’s scope. When comparing this figure to KBC Group’s overall industrial loan book, it is safe to conclude that KBC is only minimally (0.1%) exposed to this important climate-relevant activity.

- Four corporates in KBC Group’s loan portfolio could be matched to PACTA’s physical asset-level database. KBC Group’s total exposure to these corporates represents 100% (65 million euros) of KBC Group’s automotive manufacturers sector exposure within the scope of PACTA.

- In line with the PACTA model, the current production capacity, as well as new production capacity up to 2026, of light-duty/passenger cars expressed in annual volume by technology (ICE (Internal Combustion Engine), hybrid, fuel cell or electric vehicles) is used for the assets mapped to physical production in the automotive sector.

- The technology mix analysis (Graph 8.1) outlines the portfolio’s relative financial exposure to automotive technologies. It shows a clear relative drop of ICE vehicles in the portfolio when comparing current and projected shares. This drop, as well as a relative increase in the share of electric vehicles, is in line with the 1.5°C unified scenario’s projected shares. This drop, as well as a relative increase in the share of electric vehicles, is in line with all of the scenarios’ targets for technology mixes.

- In line with the PACTA model, the current production capacity, as well as new production capacity up to 2026, of heavy-duty vehicles expressed in annual volume by technology (ICE, hybrid, fuel cell or electric vehicles) is used for the assets mapped to physical production in the HDV sector.

- The technology mix analysis (Graph 8.2) outlines the portfolio’s relative financial exposure to automotive technologies. This figure reports a clear relative drop of ICE vehicles in the KBC portfolio when comparing current and projected shares. This drop, as well as a relative increase in the share of electric vehicles, is in line with all of the scenarios’ targets for technology mixes.
Aviation

- KBC Group’s total granted exposure towards the aviation operator segment is 62 million euros, which is slightly higher than the 57 million euros total granted exposure of last year. When comparing this figure to KBC Group’s overall industrial loan book, it can be concluded that KBC is only minimally (0.05%) exposed to this important climate-relevant activity.

- Four corporates in KBC Group’s loan portfolio towards the aviation operator segment could be matched to PACTA’s physical asset-level database. KBC Group’s total exposure towards them represents 26% (16 million euros) of KBC Group’s aviation exposure within the scope of PACTA, therefore the results may not be representative for the whole aviation sector exposure of KBC Group.

- In line with the PACTA model, the emission intensity per passenger kilometre up to 2026 is used for the assets mapped to physical production in the Aviation sector.

- Since companies in the aviation operator segment are currently limited by similar drivetrain motor technologies, the “Industry projected CO2 intensity pathway” and the “KBC portfolio projected CO2 intensity pathway” are considered to hardly change over the next few years, hence both pathways are almost horizontal on Graph 8.3. As the KBC portfolio’s current CO2 intensity is somewhat below that of the industry (as opposed to last year’s results), the pathway that the companies in KBC’s loan portfolio need to follow is less steep in any of the three used climate risk scenarios than the industry average. However, as mentioned above, the matching success rate in this sector is relatively low (26%). Therefore the presented results may not be representative for the whole aviation sector exposure of KBC Group.

1 I.e. the PACTA scope within the aviation sector, since aircraft parts suppliers, aircraft manufacturers and aircraft owners are out of scope of PACTA.

2 This emission intensity is calculated by combining information on passenger kilometre per year with applicable emission factors of the aviation operators.
**Trucost data and methodology**

KBC uses the Trucost methodology to assess the carbon intensity of its most significant investment portfolios. This section first further elaborates on this methodology and how it was applied to KBC’s investments. The chapter goes on to separately address the results for the investment products offered by KBC Asset Management, the own investments of KBC Insurance and investments by PenseoFonds KBC. Please note that the findings we present here need to be interpreted with caution and nuance as we are still building on our experience with the methodology and datasets.

**Trucost methodology further explained**

In this section, we further discuss how we applied the Trucost methodology to our main investment portfolios. The methodology for corporates and sovereigns is slightly different. We therefore discuss these separately. In the following section, we further elaborate on the main results from the Trucost assessment.

**Corporate portfolio**

The carbon intensity of our corporate portfolios is measured in terms of tonnes of CO₂e per million US dollars of revenue.

To map emission data on the companies in our portfolio, we followed a four-step approach:

- Analyse financial and sector data,
- Map each company’s revenues to a business activity and its associated environmental impact,
- Incorporate usable environmental data from publicly disclosed data sources,
- Company engagement and data verification.

We used the available Trucost data to map carbon emissions to the companies in our portfolios. The Trucost database covers the emission data of a wide range of companies and over 450 business activities. For equity investments, we linked directly to the relevant issuer data. For corporate bond investments, in some cases no direct link was available. In these cases, the data of the ultimate parent company were used. We used the most recent data available. However, we noticed a considerable time lag in linking end Q3 2022 positions to emission data. A large majority of inputs were based on issuers’ 2020 emission data. The timing of the update depends on the updating process of our data provider, which in turn depends on the level of disclosures of the companies. In some cases, the outcome of the exercise may have thus been influenced by temporary pandemic measures.

The calculations take into account scope 1 (direct emissions) and scope 2 emissions (e.g. purchased electricity). These data points are the most reliable at this point in time.

The Sustainable Finance Disclosure Regulation (SFDR), will require scope 3 emissions to also be included from 2024 onwards. Scope 3 emissions are a broad set of indirect emissions related to companies. These cover both upstream activities related to the supply chain and downstream activities, such as the use of sold products. Including scope 3 emissions in the carbon intensity of a company provides the most accurate and complete assessment. However, for the time being, we have decided to leave scope 3 emissions out of our calculations. This is principally due to limited data availability and the fact that the companies in our portfolios themselves are not required to report on their scope 3 emissions at this point in time. We will continue to monitor the development of Scope 3 disclosures.

The results are expressed as weighted average carbon intensity scores. The weight is determined according to our investment exposures. We have chosen to use carbon intensity, as this is a normalized number which should be less dependent on economic cycles. In addition, carbon intensity is the metric recommended by the TCFD (Task Force on Climate-related Financial Disclosure).

Finally, we created a reconstruction of the evolution in the carbon intensity of our portfolios and their benchmarks. To do so, we made assumptions about which data were available at the specific time of our calculations as not all companies provide such data within a fixed timeframe.

**Methodology for Sovereigns**

The weighted carbon intensity of our sovereign portfolios are measured in terms of tonnes of CO₂e per million US dollars of Gross Domestic Product (GDP) based on data from the International Monetary Fund (IMF).

The Trucost database covers almost 100% of our total sovereign bond portfolio. This is because our investment solutions typically do not invest in sovereign-related bonds of countries where the data is incomplete.

The financial instruments within the scope of this assessment are bonds from sovereigns, sub-sovereigns and supranationals. For the calculations, we used data from Trucost and GDP data from the International Monetary Fund (IMF). For sub-sovereigns, we used data from the parent countries. For supranationals, we assigned carbon intensities as a weighted average of member states based on voting power, paid-in capital or percentage of population.

There are multiple ways in which a sovereign could be defined. For our purposes, we chose to approach a government as a regulator of all economic activities in its territory. As such, when calculating the carbon intensity of a sovereign, it is necessary to include all emissions generated within the territorial boundaries with its own emissions making up its direct emissions, while indirect emissions would include those of its imports from other nations.

Based on the above, we calculated the emission intensity of sovereign portfolios based on:

- Terrestrial emissions: these consider all economic activities within a country, including land use, land use change, and forestry, as reported by PRIMAP. The PRIMAP dataset combines several published datasets to create a comprehensive set of GHG emission pathways.
- Emissions related to imports: meaning direct and indirect imports from other nations. These are also based on the PRIMAP dataset.
The results are expressed as weighted average carbon intensity scores. The weight is determined according to our investment exposures. We have chosen to use carbon intensity, as this is a normalised number which should be less dependent on economic cycles. In addition, carbon intensity is the metric recommended by the TCFD.

Results of the Trucost assessment of the investment products of KBC Asset Management

Investment products offered by KBC Asset Management

KBC AM has mapped and reported on the GHG emissions and carbon intensity of investment portfolios since 2020. The scope of this exercise included all open investment products managed by KBC Asset Management. This included investment products for retail and institutional clients. Structured products were not in scope. The scope covered more than 90% of invested assets at KBC AM.

The scope of this exercise also only took into account direct investments in equities, corporate bonds and government-linked bonds within the investment products. This also covered over 90% of the investments for the products in scope. This means that indirect investments via Third Party Funds, cash, and exposures via derivatives were not included in the calculations.

The Trucost methodology was then used to calculate a weighted average carbon intensity for its investment products. The calculation was based on a large set of portfolios. The results therefore need to be interpreted with caution. Nevertheless, the results suggest the following:

- The carbon intensity of our corporate and equity bond portfolio has decreased since 2019.
- Our funds and mandates have lower carbon intensity measures than broad benchmarks such as MSCI ACW and Iboxx EUR corporates. This comparison is however imperfect, as not all funds can be compared to a broad benchmark.
- However, we would like to stress that, since 2020, all of KBC AM’s active investment products exclude companies involved in the extraction of thermal coal and in the generation of electricity based on thermal coal (25% threshold end of 2020 and 0% threshold since the second half of 2021).
- In general, KBC’s Responsible Investing (RI) funds have lower weighted average carbon intensity scores than KBC’s conventional funds. This is due to stricter portfolio targets related to the carbon intensity of our RI funds and a stricter exclusion of fossil fuels. For further reading on our RI methodology, we refer to the “Responsible Investing on behalf of our clients” part of this report.

Sovereigns

We measure the weighted average carbon intensity related to the domestic production and imports of our total sovereigns, sub-sovereigns and supranationals bond portfolio based on CO2e per million US dollars of Gross Domestic Product (GDP). The exercise covered almost 100% of our total sovereign bond portfolio.

The results of the calculations are shown in Table 8.6.

Table 8.5: Weighted average carbon intensity of all equity and corporate bond investments1

<table>
<thead>
<tr>
<th>Weighted average carbon intensity</th>
<th>Q3 20222</th>
<th>Q3 2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>All KBC Funds</td>
<td>89</td>
<td>95</td>
<td>115</td>
<td>157</td>
</tr>
<tr>
<td>KBC Responsible Investing Funds</td>
<td>73</td>
<td>95</td>
<td>121</td>
<td>117</td>
</tr>
<tr>
<td>MSCI ACW (benchmark)2</td>
<td>188</td>
<td>161</td>
<td>164</td>
<td>103</td>
</tr>
<tr>
<td>Iboxx EUR corporates (benchmark)</td>
<td>157</td>
<td>162</td>
<td>166</td>
<td>180</td>
</tr>
</tbody>
</table>

2 Please note that calculated figures for indices do not necessarily coincide with disclosures of index providers, as there is dependency on the data provider used.
3 The majority of emission data used in this table is based on 2020 figures and could thus still be impacted by pandemic measures

The calculations are based on a large set of portfolios. The results therefore need to be interpreted with caution. Nevertheless, the results suggest the following:

- The carbon intensity of our corporate and equity bond portfolio has decreased since 2019.
- Our funds and mandates have lower carbon intensity measures than broad benchmarks such as MSCI ACW and Iboxx EUR corporates. This comparison is however imperfect, as not all funds can be compared to a broad benchmark.
- However, we would like to stress that, since 2020, all of KBC AM’s active investment products exclude companies involved in the extraction of thermal coal and in the generation of electricity based on thermal coal (25% threshold end of 2020 and 0% threshold since the second half of 2021).
- In general, KBC’s Responsible Investing (RI) funds have lower weighted average carbon intensity scores than KBC’s conventional funds. This is due to stricter portfolio targets related to the carbon intensity of our RI funds and a stricter exclusion of fossil fuels. For further reading on our RI methodology, we refer to the “Responsible Investing on behalf of our clients” part of this report.

Sovereigns

We measure the weighted average carbon intensity related to the domestic production and imports of our total sovereigns, sub-sovereigns and supranationals bond portfolio based on CO2e per million US dollars of Gross Domestic Product (GDP). The exercise covered almost 100% of our total sovereign bond portfolio.

The results of the calculations are shown in Table 8.6.

Table 8.6: Weighted average carbon intensity of total sovereign bond portfolio

<table>
<thead>
<tr>
<th>Weighted average carbon intensity sovereigns (CO2e per million US dollar of GDP)1</th>
<th>Q3 2022</th>
<th>Q3 2021</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>KBC of funds</td>
<td>140</td>
<td>111</td>
<td>104</td>
<td>104</td>
</tr>
<tr>
<td>KBC Responsible Investing Funds</td>
<td>144</td>
<td>116</td>
<td>106</td>
<td>104</td>
</tr>
<tr>
<td>JPM EMU Govies (benchmark)2</td>
<td>128</td>
<td>147</td>
<td>135</td>
<td>127</td>
</tr>
<tr>
<td>World benchmark Govies (benchmark)</td>
<td>153</td>
<td>125</td>
<td>127</td>
<td>153</td>
</tr>
</tbody>
</table>

2 The world benchmark for government bonds is composed of 2/3 JPM Government Bond Index Global and 1/3 JPM Government Bond Index Emerging Markets.

Again, the calculations are based on a large set of portfolios. We therefore draw the following conclusions with caution:

- The carbon intensities of sovereigns appear to be more stable over time than for companies. This is the case both for our portfolios and the EMU (Economic and Monetary Union) benchmark.
- The lower weighted average carbon intensity of the JPM EMU benchmark in 2022 is partly the result of a decrease in the carbon footprint of European sovereigns with a high benchmark weight. The biggest improvers include Germany, Spain and France.
- The carbon intensities of our aggregated portfolios are higher than the EMU benchmark. This is due to our high exposure to emerging market sovereigns and to developed markets sovereigns with higher carbon intensity scores such as Belgium, the Netherlands and the US.
The carbon intensities of our Responsible Investing funds are lower compared to all funds. This reflects the carbon target at portfolio level, our exclusion policies and the fact that these funds are more geared to lower carbon intensity eurozone sovereigns.

The strong improvement of the world benchmark is mainly due to a technical reason. Russia, having a high carbon intensity score, is no longer included in the benchmark.

KBC AM aims to reduce the emissions of its investment portfolios in several ways. First, KBC AM encourages companies to reduce their emissions by engagement, i.e. by interacting with investee companies to discuss specific concerns.

Second, strict exclusion criteria related to fossil fuels apply to all its funds. Responsible Investing funds have divested from fossil fuels since 2019. Conventional and responsible funds divested from thermal coal in 2020. More details on our exclusion policies and their scope can be found here and here.

In 2020, KBC AM joined the investor initiative Climate Action 100+. KBC AM will use the assessment of companies on the Climate Action 100+. KBC AM will use the assessment of companies on the Net-Zero Company benchmark of the Climate Action 100+. KBC AM will use the assessment of companies on the Climate Action 100+.

In conclusion, in 2022 we saw an improvement in carbon intensity figures both for all funds and RI funds. We note that the funds that have an explicit carbon reduction target are already lower than their commitment at year-end 2022. Note however that potential changes in asset allocation, such as regional and sectoral views, may lead to changes in the aggregated reduction achieved at any point in the future. Substantial changes in this allocation may also occur due to a significant change in the product mix offered to our clients and may lead to a restatement of the target by 2030.

KBC AM aims to reduce the emissions of its investment portfolios and bond portfolio is held by KBC Insurance NV, i.e. 88% of the total investments of KBC Insurance Group. We therefore calculated the weighted average carbon intensity of the listed equity, government and corporate bond portfolios KBC Insurance NV. For all three asset classes, the assessment calculates the weighted carbon intensity of the portfolio in million US dollars of revenues. Furthermore, the results are compared with relevant benchmarks. We are very proud that the carbon intensity of the equity and corporate bond portfolios have been outperforming the relevant benchmarks and are on a solid reduction trajectory since 2019.

Equities

The public equity portfolio of KBC Insurance NV represented a market value of 1.3 billion euros. The carbon intensity of this portfolio stood at around 39% of the MSCI World AC benchmark. Moreover, it has declined significantly by ~63% since 2019. The decrease in 2022 can be explained by the lower exposure to some carbon intensive equities in the materials sector.

Graph 8.4 shows the weighted average carbon intensity of KBC Insurance NV’s equity portfolio compared to the benchmark MSCI World AC.

In conclusion, the reduction of KBC Insurance NV’s equity portfolio was comparable with the MSCI World AC benchmark. However, its carbon intensity has fallen much faster, i.e. by 63% versus an 8% reduction in the benchmark.

At the end of 2019, the carbon intensity of KBC Insurance NV’s equity portfolio was comparable with the MSCI World AC benchmark. This decrease follows the implementation path of the update of the KBC investment policy. It is worth noting that the exclusion policy related to fossil fuels, including thermal coal related activities, had a major positive impact on carbon intensity levels.
Corporate Bonds

The corporate bond portfolio of KBC insurance NV represented a market value of 4.2 billion euros in September 2022. The evolution of the carbon intensity of the portfolio, and the comparison to its benchmark, are depicted in graph 8.5. The graph shows that, in 2022, the carbon intensity represented 30% of the Iboxx EUR Corporates benchmark. Moreover, it had declined by -59% since 2019.

Graph 8.5: Weighted average carbon intensity of KBC Insurance NV’s corporate bond portfolio compared to the benchmark (Iboxx EUR Corporates).

Government Bonds

The government bond portfolio of KBC Insurance NV represented a market value of 8.5 billion euros in September 2022. The evolution of the carbon intensity of the portfolio, and the comparison to its benchmark are depicted in graph 8.6. Whilst its carbon intensity has declined by -13% since 2019, the graph still shows that, in 2022, the carbon intensity of this portfolio stood at 146% of the JPM EMU government bond benchmark.

Graph 8.6: Weighted average carbon intensity of KBC Insurance NV’s government bond portfolio compared to the benchmark (JPM EMU government bonds).

There are two main reasons for these outcomes. First, the portfolio has an overweight position on financials with a low carbon intensity compared to the benchmark. Belgium has a high carbon intensity score, which explains the high carbon intensity compared to the benchmark. Second, the overweight position on financials includes zero tolerance towards certain non-sustainable companies (e.g. blacklisted companies, human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling), a focus on responsible investing funds and the long-term goal of a climate-neutral investment portfolio.

The results can be explained by the composition of this portfolio. As a Belgian insurance company, KBC Insurance is traditionally overweighted in Belgian government bonds, including Flanders, Brussels and Wallonia. Together, these make up 38% of the entire portfolio. Unlisted asset classes are left out of scope because of lacking reliable data and methodologies.

Finally, we calculated the carbon intensity of the investment portfolios of Pensioenfonds KBC, which manages the supplementary pensions of our Belgium-based staff. The calculations take into account the listed equities and bonds invested by Pensioenfonds KBC with KBC AM. More specifically, this takes into account the listed equities, government and corporate bond fund portfolios.

The evolution of the carbon intensity of the equity portfolio of Pensioenfonds KBC, and the comparison to its benchmark (MSCI World AC) are depicted in graph 8.7. End of September 2022, the carbon intensity of the equity portfolio stood at around 48% of the MSCI World AC benchmark. Moreover, it has declined on average by -12% annually since 2019.

Investments of Pensioenfonds KBC

Since 2017, we have started to embed explicitly ESG policies in the Statement of Investment Principles of Pensioenfonds KBC. The most important elements of the ESG investment policy include zero tolerance towards certain non-sustainable companies (e.g. blacklisted companies, human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling), a focus on responsible investing funds and the long-term goal of a climate-neutral investment portfolio.

Equities

The evolution of the carbon intensity of the equity portfolio of Pensioenfonds KBC, and the comparison to its benchmark (MSCI World AC) are depicted in graph 8.7. End of September 2022, the carbon intensity of the equity portfolio stood at around 48% of the MSCI World AC benchmark. Moreover, it has declined on average by -12% annually since 2019.
Corporate Bonds

The evolution of the carbon intensity of the corporate bond portfolio of Pensioenfonds KBC, and the comparison to its benchmark (Iboxx EUR Corporates) are depicted in graph 8.8. The 2022 carbon intensity of the corporate bond portfolio stood at 44% of the Iboxx EUR Corporates benchmark. Moreover, it has declined on average by -3.7% annually since 2019.

Graph 8.8: Carbon intensity of Pensioenfonds KBC’s corporate fixed income portfolio compared to the benchmark (Iboxx EUR Corporates).

Since 2019, the equity portfolio has improved on carbon intensity due to the new RI investing methodology. For further reading on this methodology, we refer to the "Responsible Investing on behalf of our clients" section. Finally, the MSCI World AC benchmark increased significantly in 2022. This increase was due to an increased weight of energy companies with relatively high carbon intensity, which are predominantly excluded from the listed equity portfolio of pensioenfonds KBC.

The carbon intensity of the corporate bond portfolio of Pensioenfonds KBC is low compared to its benchmark. However, the carbon intensity of the portfolio increased in 2022 compared to 2021. This was due to a shift of the Liability-Driven Investment (LDI) bond portfolio to a portfolio that contains more non-financial corporates. These non-financial corporates generally have a higher carbon intensity in comparison to financial corporates.

Government Bonds

The evolution of the carbon intensity of the government bond portfolio of Pensioenfonds KBC, and the comparison to its benchmark (JPM EMU government bonds) are depicted in graph 8.9. In 2022, the carbon intensity of the government bond portfolio stood at 124% of the JPM EMU government bond benchmark. Moreover, it has declined on average by -8.7% annually since 2019.

Graph 8.9: Carbon intensity of Pensioenfonds KBC’s sovereign bond portfolio compared to the benchmark (JPM EMU government bonds).

The relatively high carbon intensity can be explained by the bond themes in the portfolio, namely Emerging Market Bonds and High Interest Bonds. Moreover, the LDI portfolio includes several higher emitting government bonds, such as Poland, Slovenia, Belgium, Netherlands and Austria.
Principles for Responsible Banking (PRB)

KBC was the first endorser in the Belgian Market of the Principles for Responsible Banking (PRBs), to which we became a signatory in September 2019. The Principles clearly reflect the key elements of our vision on sustainability and reinforce our commitment to the Paris Agreement and the United Nations Sustainable Development Goals (SDGs). We have adopted the UNEP FI (United Nations Environment Programme Finance Initiative) PRB Reporting and Self-Assessment Template to communicate on our progress with the implementation of the Principles.

Our 2022 PRB Reporting and Self-Assessment Template has been independently verified by PwC (limited assurance) on the accuracy of the data and the traceability of the process. In the template, these items are marked in blue and expressly earmarked with the adjoining symbol.

<table>
<thead>
<tr>
<th>Principle: Alignment</th>
</tr>
</thead>
<tbody>
<tr>
<td>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.</td>
</tr>
</tbody>
</table>

**Business model**

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 across the main geographies in which your bank operates or provides products and services. Please also quantify the information by disclosing e.g. the distribution of your bank’s portfolio (%) in terms of geographies, segments (i.e. by balance sheet and/or off-balance sheet) or by disclosing the number of customers and clients served.

**Response**

KBC is an integrated bank-insurance group (banking, insurance and asset management), active in its core markets of Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia. We are also present to a limited extent in several other countries to support corporate clients from our core markets. We offer a wide range of loan, deposit, insurance, asset management and other financial products in virtually all our countries, where our focus is on private individuals, small and medium-sized enterprises (SMEs) and high-net-worth clients. Services for corporate clients additionally include cash management, payments, trade finance, leasing, money market activities, capital market products, stockbroking, and corporate finance. 63.1% of our total loan portfolio is allocated to our clients in the Belgium Business Unit, 18.3% in the Czech Republic Business Unit and 18.5% in our other core countries. Our corporate lending portfolio (corporates and SME) is 57.5% and private lending portfolio (42.5% of our total loan portfolio) of which 39% mortgages and 3.5% consumer finance. KBC serves 12.3 million of clients in our core markets: 35% in the Czech Republic, 31% in Belgium and 14% in Bulgaria, 13% in Hungary and 7% Slovakia.

**Strategy alignment**

Does your corporate strategy identify and reflect sustainability as a strategic priority for your bank?

- Yes
- No

Please describe how your bank has aligned and/or is planning to align its strategy to be consistent with the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.

Does your bank also reference any of the following frameworks or sustainability regulatory reporting requirements in its strategic priorities or policies to implement these?

- In Guiding Principles on Business and Human Rights
- In International Labour Organization fundamental conventions
- In Global Compact
- In Declaration on the Rights of Indigenous Peoples
- Any applicable regulatory reporting requirements on environmental risk assessments, e.g., on climate risk – please specify which ones: Taxonomy eligibility and alignment, EBA pillar 3
- Any applicable regulatory reporting requirements on social risk assessments, e.g., on modern slavery – please specify which ones: Section 5a of the UK Modern Slavery Act 2015
- None of the above
Response
Our corporate sustainability strategy
Sustainability is an integral part of our overall corporate strategy and is embedded in our day-to-day business activities and the products and services we provide. We aim to avoid or limit the negative impact of our products and services and maximise our positive impact while acting and behaving in a responsible way. Doing business sustainably means that we must have the necessary financial resilience and pursue strict risk management. Our corporate sustainability strategy was informed by, but not restricted to, our materiality assessment and the impact assessment of our portfolios. We engaged with our stakeholders to understand what was important to them.
KBC has aligned its strategy, lending, insurance, and investment practices to the SDGs. While the 17 SDGs are all interconnected and relevant and even though we work to achieve all of them, KBC has chosen five goals on which we focus in greater depth. On these five topics we believe we can have the highest contribution with maximum impact (SDG 3, SDG 7, SDG 8, SDG 12, and SDG 13).

Our climate action strategy
KBC set up a KBC Sustainable Finance Programme in 2019, specifically focusing on integrating KBC’s climate approach across our group. This climate approach is driven by several international and sectoral commitments, e.g. Paris Agreement, EU Green Deal, EU Taxonomy, national and regional frameworks, TCFD and CCCA.

Links and references
- KBC Group Quarterly Report 3Q2022, section “Credit risk”
- KBC Group Sustainability Report 2022, section “Strategy and value creation”
- Our first Climate Report
- KBC Modern Slavery Act Statement 2022
- UN Global Compact – Communication on Progress

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 environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impact.

Impact Analysis
Show that your bank has performed an impact analysis of its portfolio/s to identify its most significant impact areas and determine priority areas for target-setting. The impact analysis shall be updated regularly and fulfill the following requirements/elements (a-d):

(a) Scope: What is the scope of your bank’s impact analysis? Please describe which parts of the bank’s core business areas, products/services across the main geographies that the bank operates in (as described under 1.1) have been considered in the impact analysis. Please also describe which areas have not yet been included, and why.

Response
In 2022, we performed our first impact analysis to understand the positive and negative impacts of our corporate banking portfolio in Business Unit Belgium and used the second version of the Portfolio Impact Analysis Tool developed by UNEP FI. This portfolio represents a material part of our total loan portfolio (25.1%). In 2021, we expanded our impact analysis to our retail portfolio in Business Unit Belgium, which is approximately 21.6% of our total loan portfolio. We used the updated UNEP FI’s Impact Analysis Tools, which transitioned to a more modular format.

The Consumer Banking Identification Module enabled us to understand the environmental, social, and economic impacts (positive and negative) associated with our retail portfolio in Belgium. The associations were overlayed with the impact needs and priorities in Belgium so that we could identify our retail portfolio’s most significant impact areas/topics.

The remaining portion of our portfolios and geographies are not assessed yet at this point in time due to the lack of data for a detailed analysis. We seek to understand the impact of our other portfolios in all our core countries using the updated Impact Analysis Modules and will transparently communicate on our findings in our PRB disclosures in the coming years.

(b) Portfolio composition: Has your bank considered the composition of its portfolio (in %) in the analysis? Please provide proportional composition of your portfolio globally and per geographical scope.

Response
In 2021, we performed our first impact analysis to understand the positive and negative impacts of our corporate banking portfolio in Business Unit Belgium and used the second version of the Portfolio Impact Analysis Tool developed by UNEP FI. This portfolio represents a material part of our total loan portfolio (25.1%).

Links and references
- KBC Group Quarterly Report 3Q2022, section “Credit risk”
- KBC Group Sustainability Report 2022, section “Strategy and value creation”
- Our first Climate Report
- KBC Modern Slavery Act Statement 2022
- UN Global Compact – Communication on Progress
Composition of our loan portfolio per geographical scope

<table>
<thead>
<tr>
<th></th>
<th>Belgium</th>
<th>Czech Republic</th>
<th>Bulgaria</th>
<th>Hungary</th>
<th>Slovakia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail banking</td>
<td>34%</td>
<td>58%</td>
<td>39%</td>
<td>35%</td>
<td>56%</td>
</tr>
<tr>
<td>SME banking</td>
<td>26%</td>
<td>34%</td>
<td>20%</td>
<td>1%</td>
<td>10%</td>
</tr>
<tr>
<td>Corporate banking</td>
<td>40%</td>
<td>28%</td>
<td>41%</td>
<td>64%</td>
<td>34%</td>
</tr>
</tbody>
</table>

Corporate banking portfolio KBC Group

We determined the impact of climate change on our lending portfolio and adopted a sector approach based on a number of factors such as TCFD. The industrial loan portfolio is a subset of KBC’s total loan portfolio and includes only loan exposure to industrial sectors (excluding finance and insurance, authorities and private persons). The main climate-sensitive industrial sectors and technologies we finance are available in the table below.

<table>
<thead>
<tr>
<th>% outstanding groups portfolio (31/12/2021)</th>
<th>% outstanding groups portfolio (30/09/2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>2.2%</td>
</tr>
<tr>
<td>Real estate</td>
<td>6.1%</td>
</tr>
<tr>
<td>Building and construction</td>
<td>4.2%</td>
</tr>
<tr>
<td>Automotive</td>
<td>2.4%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>2.7%</td>
</tr>
<tr>
<td>Food and beverage producers</td>
<td>2.2%</td>
</tr>
<tr>
<td>Metals</td>
<td>1.4%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Retail banking portfolio in Belgium

(Double counting clients as some clients use more than one service/product)

<table>
<thead>
<tr>
<th>Products/services</th>
<th>Total % of portfolio based on amounts (30/09/2022)</th>
<th>Total % of portfolio based on number of customers (30/09/2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Accounts</td>
<td>19.3%</td>
<td>39.5%</td>
</tr>
<tr>
<td>Savings</td>
<td>43.2%</td>
<td>37.3%</td>
</tr>
<tr>
<td>Credit</td>
<td>37.5%*</td>
<td>23.2%</td>
</tr>
</tbody>
</table>
* of which approximately 88% are mortgages

Distribution of our retail products/services across our clients, based on age

(Double counting clients as some clients use more than one service/product)

<table>
<thead>
<tr>
<th>Segments/products and services</th>
<th>Current accounts</th>
<th>Savings</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-18 yr</td>
<td>2.09%</td>
<td>3.95%</td>
<td>0.36%</td>
</tr>
<tr>
<td>19-29 yr</td>
<td>5.38%</td>
<td>4.64%</td>
<td>3.18%</td>
</tr>
<tr>
<td>30-55 yr</td>
<td>12.45%</td>
<td>11.72%</td>
<td>9.12%</td>
</tr>
<tr>
<td>55-xx yr</td>
<td>12.25%</td>
<td>13.98%</td>
<td>6.84%</td>
</tr>
<tr>
<td>Unspecified (including multiple person client relationships)</td>
<td>7.36%</td>
<td>2.97%</td>
<td>3.72%</td>
</tr>
</tbody>
</table>
c) Context: What are the main challenges and priorities related to sustainable development in the main countries/regions in which your bank and/or your clients operate? Please describe how these have been considered, including what stakeholders you have engaged to help inform this element of the impact analysis.

This step aims to put your bank’s portfolio impacts into the context of society’s needs.

Response

In 2021, we performed our first impact analysis using the second version of the Portfolio Impact Analysis Tool developed by UNEP FI, and found that the most relevant country-specific needs and challenges for Belgium were (1) biodiversity and ecosystems, (2) housing, (3) climate, and (4) waste.

In 2022, we remapped the needs for Belgium as a new edition of the Impact Radar which was published in 2022. The Context module of the UNEP FI Impact Analysis Tools was revised. The priority impact areas for Belgium (based on information from the statistical datasets) are (1) Availability, accessibility, affordability, quality of resources & services; (2) Climate stability; (3) Circularity. To get a clearer view on the constitutive elements of these impact areas we have further broken them down and defined as the main impact topics of Belgium: (1) Water, (2) Food, (3) Housing, (4) Healthcare & sanitation, (5) Resource intensity, (6) Waste, (7) Climate stability and (8) Circularity.

To ensure context and relevance, the outcome of the country specific needs was enriched with the findings of our stakeholder engagement exercises (e.g. materiality assessment).

The outcome of the impact assessments was presented to the highest decision taking bodies on sustainability at KBC. We refer to Principle 5: Governance & Culture for more information on our Governance processes.

Based on these first 3 elements of an impact analysis, what positive and negative impact areas has your bank identified? Which (at least two) significant impact areas did you prioritize to pursue your target setting strategy (see 2.2)? Please disclose.

Response

The environmental, social, and economic impacts (positive and negative) associated with our corporate banking and retail portfolio in Belgium were overlayed with the impact needs and priorities in Belgium so that we could identify our corporate banking and retail portfolio’s most significant impact areas/topics. We also took in consideration the feedback we received from the UNEP FI secretariat as part of the Individual feedback and support process. Besides that, the increased interest of investors in social related topics (e.g. diversity & inclusion) was taken into consideration when selecting the most significant impact areas.

The most significant impact topics of our retail banking portfolio in Belgium identified in 2022 are:

(1) Housing
(2) Education
(3) Mobility

The most significant impact areas of our corporate banking portfolio in Belgium identified in 2021 are:

(1) Climate change
(2) Inclusive & healthy economies

For these (min. two prioritized impact areas) Performance measurement: Has your bank identified which sectors & industries as well as types of customers financed or invested in are causing the strongest actual positive or negative impacts? Please describe how you assessed the performance of these, using appropriate indicators related to significant impact areas that apply to your bank’s context.

In determining priority areas for target-setting among its areas of most significant impact, you should consider the bank’s current performance levels, i.e. qualitative and/or quantitative indicators and/or proxies of the social, economic and environmental impacts resulting from the bank’s activities and provision of products and services. If you have identified climate and/or financial health & inclusion as your most significant impact areas, please also refer to the applicable indicators in the Annex.

The outcome of this step will then also provide the baseline (incl. indicators) you can use for setting targets in two areas of most significant impact.
Corporate banking portfolio

(1) Climate change
We have strengthened our climate commitment by signing the Collective Commitment to Climate Action. The CCCA requires its signatories to set decarbonisation targets for the sectors that cover the significant majority of their lending portfolio and associated greenhouse gas emissions where data and methodologies allow. This includes sector-level targets for all or, a substantial majority of, the carbon-intensive sectors: agriculture, aluminium, cement, coal, real estate, iron and steel, oil and gas, power generation and transport. KBC has included all of these sectors (or relevant subsectors or product lines) in its first round of climate targets.

(2) Inclusive and healthy economies
KBC Belgium intends to play a critical role to stimulate inclusive and healthy economies and defined entrepreneurship as a focus domain where we can create added value. KBC also responds to the current societal need for equal opportunities for leadership and the effective and full participation of women at all levels of the economy and public life. According to Eurostat, the statistical office of the European Union, 33.7% of all self-employed entrepreneurs in Belgium in 2021 were women, which is lower compared to our neighbouring countries France and the Netherlands. Start it @KBC – our acceleration programme for start-ups – has been investing heavily in boosting female entrepreneurship for a number of years now and will continue to do so. As the largest accelerator in the country, they believe that the new generation of entrepreneurs absolutely needs to be more diverse with a variation of backgrounds, experiences, and motivations.

Retail banking portfolio
In 2023, we will further work on the performance measurement of our retail banking portfolio and familiarise with the recently launched Consumer Banking Assessment Module.

Self-assessment summary

Which of the following components of impact analysis has your bank completed, in order to identify the areas in which your bank has its most significant (potential) positive and negative impacts?

Scope: Yes
Portfolio composition: Yes
Context: Yes
Performance measurement: Yes

Corporate banking portfolio (in Belgium): Climate change, Inclusive and healthy economies
Retail banking portfolio (in Belgium): Performance measurement still needs to take place.

How recent is the data used for and disclosed in the impact analysis?
- Up to 6 months prior to publication
- Up to 12 months prior to publication (impact analysis of our retail banking portfolio in Belgium)
- Up to 18 months prior to publication (impact analysis of our corporate banking portfolio in Belgium)
- Longer than 18 months prior to publication

Open text field to describe potential challenges, aspects not covered by the above etc. (optional)

Target Setting
Show that your bank has set and published a minimum of two targets which address at least two different areas of most significant impact that you identified in your impact analysis. The targets have to be Specific, Measurable (qualitative or quantitative), Achievable, Relevant and Time-bound (SMART). Please disclose the following elements of target setting (a-d), for each target separately:

- Alignment: which international, regional or national policy frameworks to align your bank’s portfolio with have you identified as relevant? Show that the selected indicators and targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks.

Links and references
- KBC Group Sustainability Report 2022, section: “Sustainable Finance”

APPENDICES
- Value creation: our material topics 2022
- GRI content index and SASB disclosure
- Methodologies explained
- Principles for Responsible Banking
- Principles for Sustainable Insurance

ASSURANCE STATEMENTS

GLOSSARY
Climate change mitigation

Target: our first Climate Report in which we express a number of sector-and product-specific Paris-aligned climate targets for our loan portfolio. Our climate targets are the result of consulting both normative climate scenarios (forming the scientific basis of our targets) as well as our own exploratory forecasts. These exploratory forecasts form our interpretation of how evolutions of the social and economic fabric of our core countries could impact our loan portfolios. Such forecasts have incorporated various factors such as government policies as well as specific sector and technological evolutions. KBC has a positive impact on SDG 7 ‘Affordable and clean energy’ and monitors its share of renewable energy production. At the same time we limit our negative impact by restricting the financing and insurance of non-renewable energy solutions (e.g. thermal coal, oil and gas).

KBC is a signatory of the CCCA and in line with our commitments we have set climate targets on the most material carbon-intensive industrial sectors and product lines in our lending business. We also have strict environmental policies in place to limit our impact on climate. As such we actively contribute to SDG 8 ‘climate action’. Also, as our climate targets are intended to mitigate and support widespread transformation in the real economy, KBC supports SDG 9 ‘Industry, innovation and infrastructure’ and SDG 12 ‘Responsible consumption and production’.

Inclusive and healthy economies

Target: Ambition of a start-up community in Belgium with an equal number of female and male entrepreneurs. The current status: 34% of the selected start-ups had a woman as a co-founder.

KBC has an impact on SDG 8 ‘Decent work and economic growth’ and in order to actively work on this goal, we stimulate female entrepreneurship through our accelerator for start-ups in Belgium. Start it @KBC partners with several stakeholders (e.g. VLAIO – Agency for Innovation and Enterprise) to stimulate female entrepreneurship.

Response

We refer to our first Climate Report in which we outline the baseline of the targets we have set for the most material carbon-intensive industrial sectors and product lines in our lending business.

Links and references

- Our first Climate Report
- KBC Group Sustainability Report 2022, section ‘Strategy and value creation’
- KBC Group Sustainability Report 2022, section ‘Sustainable Finance’

Links and references

- Our first Climate Report
Response
Climate change mitigation:
We refer to our first Climate Report in which we communicate on sector- and/or product-specific climate targets for our lending portfolio. These climate targets are an overall expression of our climate strategy, which is built on a.o. strategic assessments (through so-called White Papers) for the most carbon-intensive sectors and product-lines in our loan portfolio, customer engagement tracks and product development. The sectors and product-lines identified as the most material from a carbon perspective are as follows: Energy, Real Estate (incl. mortgage loans), Building & Construction, Automotive (incl. vehicle financing), Agriculture, Metals and Chemicals. Our climate strategy is implemented group-wide through clear local accountabilities. For a number of White Papers, KBC has set sub-sector-specific climate targets in September. These sub-sectoral climate targets are outlined in detail in our first Climate Report.

da) Action plan: which actions including milestones have you defined to meet the set targets? Please describe.
Please also show that your bank has analysed and acknowledged significant (potential) indirect impacts of the set targets within the impact area or on other impact areas and that it has set out relevant actions to avoid, mitigate or compensate potential negative impacts.

Response
Climate change mitigation:
Our yearly progress measurements against our set climate targets will ultimately trigger feedback loops to the business. Our upcoming 2022 Sustainability Report will include our first progress reporting of these targets. As part of that progress reporting, we will also outline some of the actions that we set against the tracked progress. The period between our climate target establishment and our first progress/tracking measurement is too short to make already fundamental conclusions as an input for new actions on top of our existing policies (climate targets were set in September 2022 based on a 31 December 2021 baseline, and we report our progress based on end-September 2022 data). Going forward, and in observance of and depending on the progress that we make, policy revisions, (sustainable) product development/offering and client engagement will be important instruments to meet our 2030 and 2050 climate targets. We acknowledge that climate action may have an adverse impact on other SDGs. With our existing KBC Sustainability Framework, our aim is to limit this potential adverse impact. Below we outline some of the most important policies in place with an indication which of the SDGs are targeted.

1) KBC Group’s Environmental policy which contains a.o. our policy to assess financed project based on the Equator Principles (limiting impact on SDGs such as SDG6 ‘Clean water and sanitation’, SDG4 ‘Life below water’, SDG15 ‘Life on land’ and SDG16 ‘Peace, justice and strong institutions’).

2) KBC Group’s Mining policy which contains a.o. for non-EU counterparties/mines – the requirement to operate only in countries that are compliant with the EITI standards or the ICOM Sustainable Development Framework (limiting impact on SDGs such as SDG6 ‘Clean water and sanitation’, SDG8 ‘Decent work and economic growth’, SDG9 ‘Industry, innovation and infrastructure’, SDG12 ‘Responsible consumption and production’, and SDG13 ‘Climate action’).

3) KBC Group’s Biodiversity policy which contains a number of rules and restrictions aimed at reducing our indirect adverse impact on biodiversity (limiting impact on SDGs such as SDG14 ‘Life below water’, SDG15 ‘Life on land’ and SDG16 ‘Peace, justice and strong institutions’).

4) KBC Group’s Human Right policy which outlines our rules to ensure that we respect Human Rights in relation to our core stakeholders – clients, suppliers and employees (limiting adverse impact on all 17 SDGs, as human rights are related to mostly all SDGs).

Inclusive & healthy economies:
The Women in Tech programme of Start it @KBC aims to provide structural support for female tech founders of innovative companies. Free webinars give these women a platform to inspire each other and exchange experiences. And as part of the intensive Thrive project, Start it @KBC together with VLAIO offered in 2022 to female entrepreneurs four months of coaching on developing their network and stepping up their leadership skills. This number will increase to 15 in 2023.

Links and references
- Our first Climate Report
- KBC Group Sustainability Report 2022, section ‘Sustainable Finance’
Self-assessment summary

Which of the following components of target setting in line with the PRB requirements has your bank completed or is currently in a process of assessing for your...

<table>
<thead>
<tr>
<th>Alignment</th>
<th>Yes</th>
<th>In progress</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>Yes</td>
<td>In progress</td>
<td>No</td>
</tr>
<tr>
<td>SMART targets</td>
<td>Yes</td>
<td>In progress</td>
<td>No</td>
</tr>
<tr>
<td>Action plan</td>
<td>Yes</td>
<td>In progress</td>
<td>No</td>
</tr>
</tbody>
</table>

Target implementation and monitoring

For each target separately:

Show that your bank has implemented the actions it had previously defined to meet the set target.

Report on your bank’s progress since the last report towards achieving each of the set targets and the impact your progress resulted in, using the indicators and KPIs to monitor progress you have defined under 2.2.

Or, in case of changes to implementation plans (relevant for 2nd and subsequent reports only) describe the potential changes (changes to priority impact areas, changes to indicators, acceleration/review of targets, introduction of new milestones or revisions of action plans) and explain why those changes have become necessary.

Response

Climate change mitigation

In September 2022 we set and communicated climate targets for our lending portfolio. As part of that exercise, we have set our baseline alignment metrics for the sectors and product lines for which we have set our climate targets. Our targets are indeed SMART targets as will be clear from our first Climate Report. As indicated above, Sustainability Report 2022 includes our first progress measurement for each of the sectors and product lines for which we have set climate targets, as well as any relevant actions (the latter being however restricted by the short lead time between our climate target establishment and our first progress reporting).

Inclusive & healthy economies

In October 2022, 148 female founders and co-founders applied for the Start it @KBC pitch days. 80 female entrepreneurs pitched, of which 41 actually got their ticket out of the 121 selected entrepreneurs. Female representation hence slightly dropped from 46% in 2021 to 34%. Start it @KBC continues monitoring the gender composition of start-ups and will also address the barriers to business start-ups for females with programmes such as the Thrive Project.
**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 shared prosperity for current and future generations.

**Client engagement**

Does your bank have a policy or engagement process with clients and customers in place to encourage sustainable practices?

Yes  | In progress  | No

Does your bank have a policy for sectors in which you have identified the highest (potential) negative impacts?

Yes  | In progress  | No

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. It should include information on relevant policies, actions planned/implemented to support clients’ transition, selected indicators on client engagement and, where possible, the impacts achieved. This should be based on and in line with the impact analysis, target-setting and action plans put in place by the bank (see P2).

**Response**

Customer engagement plays an important role in our Sustainable Finance Program and in fulfilling our CCCA commitment. We have an active customer engagement strategy in place since 2020. The scope has gradually extended from Belgium to all our core countries and from corporates also to SMEs. We train our relationship managers to increase their awareness about ESG issues and increase their knowledge on climate-related risks and opportunities. Through this training, we hand them tools to be able to support clients in their sustainability transitions, on upcoming regulations and subsidies. At the end of 2022, more than 3,000 conversations spread across the various countries had been conducted since the start. To keep up the pace, we have set targets in all our core countries (e.g. the number of customer awareness meetings). We refer to the section on ‘Customer engagement’ for more information on our customer engagement track.

**Business opportunities**

Describe what strategic business opportunities in relation to the increase of positive and the reduction of negative impacts your bank has identified and/or how you have worked on these in the reporting period. Provide information on existing products and services, information on sustainable products developed in terms of value (USD or local currency) and/or as a % of your portfolio, and which SDGs or impact areas you are striving to make a positive impact on (e.g. green mortgages – climate, social bonds – financial inclusion, etc.).

**Response**

We continue to focus on opportunities while all our local entities are working on sustainability-linked solutions. Going forward, it is our intention to align the criteria of our sustainable-linked products as widely as possible with the substantial contribution criteria of the EU Taxonomy, in the first instance for climate mitigation. A couple of examples of our products, solutions and transactions that contribute to a sustainable economy can be found in the ‘Sustainable Finance’ section of this report. They contribute highly to the SDG 7 (Affordable and clean energy), SDG 12 (Responsible consumption and production) and to SDG 13 (Climate Action).

**Links and references**

- KBC Group Sustainability Report 2022, section ‘Sustainable Finance’
- KBC Group Sustainability Report 2022, appendices ‘Sustainability facts and figures’

| Total amount of Green Bonds issued | 1.75 bn euros |
| Total amount of renewable energy project finance (granted amount) | 1.73 bn euros |
| Total amount of mortgages for energy efficient housing (granted amount) | 11.7 bn euros |
| Total amount of low carbon vehicles financing (outstanding amount) | 39 m euros |
**Principle 4: Stakeholders**

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society’s goals.

**Stakeholder identification and consultation**

Does your bank have a process to identify and regularly consult, engage, collaborate and partner with stakeholders (or stakeholder groups) you have identified as relevant in relation to the impact analysis and target setting process?

- Yes
- No

Please describe which stakeholders (or groups/types of stakeholders) you have identified, consulted, engaged, collaborated or partnered with for the purpose of implementing the Principles and improving your bank’s impacts. This should include a high-level overview of how your bank has identified relevant stakeholders, what issues were addressed/results achieved and how they fed into the action planning process.

**Response**

We identified and mapped our stakeholder groups via thorough analysis and in cooperation with internal and external experts. More information on the different stakeholder groups and how we engage with them can be found in section ‘Strategy and value creation’ of this report.

Besides engaging with stakeholders to understand their views on the challenges we face, we also share our insights on relevant topics with them. One example is our regular engagement with experts from the academic world (External Sustainability Board). KBC also looks for partnerships to steer the economy to a low carbon future. One example is the partnership with Encon. KBC joined forces with Encon to advise companies on their transition to becoming more sustainable. Encon evaluates the sustainability of the business model in order to identify the most interesting opportunities for transitioning to a more sustainable business models. KBC can then provide appropriate finance models to implement sustainable business models in practice.

**Principle 5: Governance & Culture**

We will implement our commitment to these Principles through effective governance and a culture of responsible banking.

**Governance Structure for Implementation of the Principles**

Does your bank have a governance system in place that incorporates the PRB?

- Yes
- No

Please 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 the effective implementation of the Principles. This includes information about which committee has responsibility over the sustainability strategy as well as targets approval and monitoring (including information about the highest level of governance the PRB is subjected to), details about the chair of the committee and the process and frequency for the board having oversight of PRB implementation (including remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected), as well as remuneration practices linked to sustainability targets.

**Response**

KBC has set up a hybrid organisational structure and governance, with strong central steering and clear local accountabilities in each of our core countries to ensure the group-wide implementation of and progress on the centrally decided sustainability and climate policy. Our Internal Sustainability Board is the highest decision taking body on sustainability related matters such as the implementation of the Principles and is chaired by the CEO and comprises senior managers from all business units and core countries, the CFO and the Senior General Manager Sustainability. The Executive Committee refines the decisions taken by the Internal Sustainability Board and the Board of Directors is regularly briefed on the sustainability strategy and evaluates the implementation of this strategy using the Sustainability Dashboard. In 2023, we strengthened our sustainability governance by installing a local general manager sustainability in each core country with functional reporting to the Senior General Manager Sustainability at KBC Group. Our climate-related governance, set up as part of the KBC Sustainable Finance Programme and focusing on the integration of KBC’s climate approach across the group – is anchored in our overall sustainability governance.

The variable remuneration of the Executive Committee members is linked to, for example, ‘climate target setting’. This parameter has been embedded in a set of sustainability-linked KPIs (e.g. groupwide emission target setting of our most material carbon-intensive industrial sectors in our business and product lines). Sustainability is also integrated into senior management members’ variable remuneration. At least 10% of the variable remuneration paid to senior management members depends on the achievement of individual targets agreed in advance as part of the group’s sustainability strategy, including our climate policy.
Promoting a culture of responsible banking:
Describe the initiatives and measures of your bank to foster a culture of responsible banking among its employees (e.g. capacity building, e-learning, sustainability training for client-facing roles, inclusion in remuneration structures and performance management and leadership communication, amongst others).

Response
We expect all our employees to behave responsibly which means that this theme is high on our agenda. Our ethical values are reflected in our Code of Conduct for KBC Group Employees. We have also set out the underlying principles of responsible behaviour and these are presented in the ‘Compass for Responsible behaviour’. We pay particular attention to training (including testing) and awareness and developed an e-learning course to clarify the importance of responsible behaviour and to provide a framework to help our employees take difficult decisions when faced with dilemmas. This course is mandatory for all staff. We also raise awareness on unconscious bias and, in the spirit of setting good example on leading, our senior managers and colleagues in leadership positions are required to follow the mandatory e-learning on unconscious bias. This course is also available to all our employees.

Policies and due diligence processes
Does your bank have policies in place that address environmental and social risks within your portfolio? Please describe.
Please describe what due diligence processes your bank has installed to identify and manage environmental and social risks associated with your portfolio. This can include aspects such as identification of significant/salient risks, environmental and social risks mitigation and definition of action plans, monitoring and reporting on risks and any existing grievance mechanism, as well as the governance structures you have in place to oversee these risks.

Response
The sustainability framework we apply helps us to identify and mitigate potential adverse impacts and manage actual impacts on the environment, climate and human rights. The framework stipulates controversial activities and other areas of concern where KBC will not engage in or will only engage in under stringent criteria. We review our sustainability framework on a regular basis and the related due diligence process applies groupwide. The compliance with our sustainability framework and policies is monitored in several ways and in case of infringements of our policies, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. In 2020, we established our first environmental and social heatmap and continued the gradual integration of climate-related risks in our existing risk management processes. For more information on our due diligence process and remedial actions and mitigation, we refer to ‘Our responsibility’ section of this report where we also elaborate on our grievance mechanisms.

Self-assessment summary
Does the CEO or other C-suite officers have regular oversight over the implementation of the Principles through the bank’s governance system?

Yes
No

Does the governance system entail structures to oversee PRB implementation (e.g. incl. impact analysis and target setting, actions to achieve these targets and processes of remedial action in the event targets/milestones are not achieved or unexpected neg. impacts are detected?)

Yes
No

Does your bank have measures in place to promote a culture of sustainability among employees (as described in 5.2)?

Yes
In progress
No

Links and references
- Code of Conduct for KBC Group Employees
- KBC Group Sustainability Report 2022, section ‘Corporate Governance’
- KBC Group CSR Report 2022, section ‘Corporate Governance’
- KBC Group Compensation Report for Key Identified Staff

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- KBC Group CSR Report 2022, section ‘Corporate Governance’
- KBC Group Compensation Report for Key Identified Staff
### Principle 6: Transparency & Accountability

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society’s goals.

#### Assurance

Has this publicly disclosed information on your PRB commitments been assured by an independent assurer?

- Yes
- Partially
- No

If applicable, please include the link or description of the assurance statement.

#### Response

The information provided on the Principles which are subject to the independent limited assurance work performed by PwC are marked in blue and expressly earmarked with the adjoining symbol.

- 2.1 Impact Analysis
- 2.2 Target Setting
- 2.3 Target Implementation and Monitoring
- 5.1 Governance Structure for Implementation of the Principles

The assurance report is available in the ‘Assurance’ section at the end of this report.

#### Reporting on other frameworks

Does your bank disclose sustainability information in any of the listed below standards and frameworks?

- GRI
- SASB
- CDP
- IFRS Sustainability Disclosure Standards (to be published)
- TCFD
- Other: NFRD (EU non-financial reporting directive)

#### Response

Our Sustainability Report is prepared according to Global Reporting Initiative (GRI) Standards 2021 and Sustainability Accounting Standards Board (SASB) criteria since 2019. We also anchored the Task Force on Climate-Related Financial Disclosures (TCFD) recommendation on our first Climate Reporting in our sustainability report and participated in the Carbon Disclosure Project (CDP) reporting while continuously striving for a better performance. As a large-listed company, KBC also reports according to the EU’s non-financial reporting directive.

#### Outlook

What are the next steps your bank will undertake in next 12 month-reporting period (particularly on impact analysis, target setting and governance structure for implementing the PRB)? Please describe briefly.

#### Response

We will continue looking to expand our impact analysis beyond our Belgian corporate and retail portfolio to cover other business lines (investment banking) and geographies (Czech Republic, Slovakia, Bulgaria and Hungary) by using the updated Impact Analysis Modules (including the Assessment modules which were published in 2021). We try to understand the impact of these portfolios in all our core countries while engaging with our stakeholders, following up on sustainability reporting requirements (e.g. Corporate Sustainability Reporting Directive, Corporate Sustainability & Due Diligence Directive). We will publish our findings in our PRB disclosures in the coming years.

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**Links and references**

- KBC Group Sustainability Report 2022, section ‘Assurance’
- CDP reporting 2022

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**Links and references**

- KBC Group Sustainability Report 2022, section ‘About this report’
- Corporate Sustainability Reporting Directive, Corporate Sustainability & Due Diligence Directive
In 2018, KBC Insurance became a signatory to the Principles for Sustainable Insurance (PSI). PSI is the global framework for insurance companies to embed environmental, social and governance risks and opportunities in their core business strategies and operations. The table below shows a high-level overview of KBC Insurance activities demonstrating its commitment to the PSI, as one of the signatories.

<table>
<thead>
<tr>
<th>Principle 1: We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KBC’s response</strong></td>
</tr>
<tr>
<td>At KBC Group, sustainability is an integral part of the overall corporate strategy and embedded in the strategic cornerstones of our business. Accordingly, at KBC, we:</td>
</tr>
<tr>
<td>- put our clients first, offering them a unique bank-insurance experience</td>
</tr>
<tr>
<td>- focus on our long-term development</td>
</tr>
<tr>
<td>- pursue sustainable and profitable growth</td>
</tr>
<tr>
<td>- take our responsibility for society and local economies seriously</td>
</tr>
<tr>
<td><strong>References and more information</strong></td>
</tr>
<tr>
<td>KBC Group Sustainability Report 2022:</td>
</tr>
<tr>
<td>- &quot;Strategy and value creation&quot;</td>
</tr>
<tr>
<td>- &quot;Our responsibility&quot;</td>
</tr>
<tr>
<td>- &quot;Sustainable finance: Our sustainability policies&quot;</td>
</tr>
<tr>
<td>- &quot;Sustainable finance: Our commitment concerning our social impact&quot;</td>
</tr>
</tbody>
</table>

**High-level summary of KBC’s response**

- **Principle 1:** We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.

KBC Insurance has embedded sustainability issues into its decision-making process, focusing on client needs and long-term development. The company prioritizes sustainable growth and takes responsibility for societal impacts.

**Principle 2:** We will work together with our clients and business partners to raise awareness of environmental, social and governance issues in our insurance business.

KBC Insurance launched several initiatives to raise awareness among its clients, stakeholders, and employees about sustainability in 2022. Firstly, the company initiated an exercise on data capture, more specifically determining the required data points and exploring the market of data suppliers. This allows the company to gain a better insight of the market and the needs of the various sectors. In the next stage, during product development, it assessed the sustainability risks and opportunities. For example, in its car insurance policy, it rewarded those clients who drove less than certain distances. They also have access to a sustainable repair network in case of damage.

KBC Insurance has also adjusted insurance policies for electric passenger cars. For those cars older than 36 months, the cover was extended from 12 to 24 months. This year, the company also extended its products and processes in response to the electrification and car sharing trends. It extended the purchase price of coverage for the full and partial casco in case of vehicles that travel certain distances. They also have access to a sustainable repair network in case of damage.

Since car sharing has significant benefits in terms of emissions, KBC Insurance decided to extend insurance coverage for private car owners who share their vehicles via an online platform with a "sharing clause." By doing so, car owners are incentivized to share their vehicles while being protected against specific risks.

KBC Insurance plans to provide more information to its clients on the environmental advantages of electric vehicles, car sharing and relevant products and engaging and upskilling its employees in the area of ESG topics. In doing so, the company will continue to provide internal training courses to make employees and our insurance agents aware of upgraded KBC Insurance policies and KBC’s role in the area of sustainability. As KBC’s insurance agents play an important role in customer engagement, in 2022, the company provided trainings for its agents by way of several workshops, online coaching sessions and provided support material.

**References and more information**

KBC Group Sustainability Report 2022:
- "Sustainable finance: Our sustainability policies" |
- "Our people"
 Principle 3: We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

KBC Insurance NV works with the local insurance associations to receive and give feedback in the area of ESG, to collaborate with a view to expanding the role of insurance companies, etc. For instance, we collaborate with Assuralia, the sector association, to come together with other Belgian insurers in order to maximise our reach across society and create significant impact on sustainability issues. This also provides us with a platform to reach out to the policy makers, regulators and government bodies at EU, national and regional level. We also engage in dialogue with the internal and external stakeholders through our materiality assessment and define the most material topics that are relevant to our business in KBC Insurance NV. This facilitates our collaboration with all parties. For further information on how we engage with our stakeholders, our materiality assessment process and how we define the topics that are most material to our business, please see the appendix on our materiality assessment.

KBC Group Sustainability Report 2022:
- [Strategy and value creation: The world in which we operate](#)
- [Appendix: Value creation: our material topics 2022](#)

 Principle 4: We will demonstrate accountability and transparency in publicly disclosing our progress in implementing the principles at regular intervals.

This report is KBC Insurance’s fifth progress report. We will continue to disclose our progress publicly and be fully transparent on our implementation of the PSIs. This report is fully embedded and aligned with the overall Sustainability Report of which it is an integral part.

KBC Group Sustainability Report 2022:
- Value creation: our material topics 2022
- GRI content index and SASB disclosure
- Methodologies explained
- Principles for Responsible Banking
- Principles for Sustainable Insurance

ASSURANCE STATEMENTS
GLOSSARY

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[Sustainable finance](#)
[Sustainability facts and figures](#)
[Appendices](#)
[Appendix: Value creation: our material topics 2022](#)
Assurance statements

INDEPENDENT LIMITED ASSURANCE REPORT ON THE SUBJECT MATTER INFORMATION OF THE SUSTAINABILITY REPORT 2022 OF KBC GROUP NV

To the Board of Directors of KBC Group NV

This report has been prepared in accordance with the terms of our engagement contract dated 27 July 2022 and the addendum dated 6 December 2022 (the “Agreement”), whereby we have been engaged to issue an independent limited assurance report in connection with the Subject Matter Information marked with the symbol \( \circ \) in the following sections of the Sustainability Report as of and for the year ended 31 December 2022 (the “Report”):

- “Loan portfolio assessments – our targets: progress report”, and
- “Principles for Responsible Banking”.

The Directors’ responsibility

The Directors of KBC Group NV (“the Company”) are responsible for the preparation and presentation of the “Subject Matter Information”, being:

- the progress report table 6.3: “Overview of our climate targets and progress”: the “2022 KBC portfolio values” and “2022 vs baseline” figures related to the climate targets marked with the symbol \( \circ \), and
- the appendix “principles for responsible banking”: statements marked in blue and with the symbol \( \circ \).

In accordance with the “Criteria”, being respectively:

- the appendix “Methodologies explained: Climate target setting”; and
- the “Principles for Responsible Banking – Guidance for Banks: reporting” (version February 2022).

This responsibility includes the selection and application of appropriate methods for the preparation of the Subject Matter Information, for ensuring the reliability of the underlying information and for the use of assumptions and estimates for individual sustainability disclosures which are reasonable in the circumstances. Furthermore, the responsibility of the Directors includes the design, implementation and maintenance of systems and processes relevant for the preparation of the Subject Matter Information that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express an independent conclusion about the Subject Matter Information based on the procedures we have performed and the evidence we have obtained.

We conducted our work in accordance with the International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information” (ISAE 3000), issued by the International Auditing and Assurance Standards Board. This standard requires that we comply with ethical requirements and that we plan and perform the engagement to obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the Subject Matter Information has not been prepared, in all material respects, in accordance with the Criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. The selection of such procedures depends on our professional judgement, including the assessment of the risks of material misstatement of the Subject Matter Information in accordance with the Criteria. The scope of our work comprised the following procedures:

- For the 2022 emission intensities related to the climate targets:
  - assessing and testing the design and functioning of the systems and processes used for data-gathering, collation, consolidation and validation, including the methods used for calculating and estimating the Subject Matter Information as of and for the year ended 31 December 2022 presented in the Report;
  - conducting interviews with responsible officers;
  - reviewing, on a limited test basis, relevant internal and external documentation;
  - performing an analytical review of the data and trends in the information submitted for consolidation;
  - considering the disclosure and presentation of the Subject Matter Information.

- For the “principles for responsible banking” statements:
  - Procedures as described in “Principles for Responsible Banking – Guidance for Assurance Providers: Providing Limited Assurance for Reporting” (version 2, updated in October 2022).

The scope of our work is limited to assurance over the Subject Matter Information. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Report. Furthermore, for the “principles for responsible banking, as outlined in the Guidance for Assurance Providers: Providing Limited Assurance for Reporting” (version October 2022), we are only performing assurance of the accuracy of the disclosed content meaning that we only evaluate the Company’s description of processes, activities and their outcomes sufficiently reflects actions taken by the Company, rather than evaluating the applied approach itself.
Our independence and quality control

Our engagement has been carried out in compliance with the legal requirements in respect of auditor independence, particularly in accordance with the rules set down in articles 12, 13, 14, 16, 20, 28 and 29 of the Belgian Act of 7 December 2016 organizing the audit profession and its public oversight of registered auditors, and with other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Related Services Engagements, and accordingly, maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information within your Sustainability Report as of and for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Criteria.

Other ESG related information

The other information comprises all of the ESG related information in the Report other than the Subject Matter Information and our assurance report. The directors are responsible for the other ESG related information. As explained above, our assurance conclusion does not extend to the other ESG related information and, accordingly, we do not express any form of assurance thereon. In connection with our assurance of the Subject Matter Information, our responsibility is to read the other ESG related information and, in doing so, consider whether the other ESG related information is materially inconsistent with the Subject Matter Information or our knowledge obtained during the assurance engagement, or otherwise appears to contain a material misstatement of fact. If we identify an apparent material inconsistency or material misstatement of fact, we are required to perform procedures to conclude whether there is a material misstatement of the Subject Matter Information or a material misstatement of the other information, and to take appropriate actions in the circumstances.

Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject Matter Information within your Sustainability Report as of and for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Criteria.

Other matter - restriction on use and distribution of our report

Our report is intended solely for the use of the Company, to whom it is addressed, in connection with their Report as of and for the year ended 31 December 2022 and should not be used for any other purpose. We do not accept or assume and deny any liability or duty of care to any other party to whom this report may be shown or into whose hands it may come.

Diegem, 15 March 2023

PwC Bedrijfsrevisoren BV/Revisieurs d'Entreprises SRL
represented by

Registered auditor
GREENHOUSE GAS VERIFICATION STATEMENT
61125675_KBC_CO2footprint

KBC GROUP

VINÇOTTE nv
Jan Oteleslagelaan 35
1800 Vilvoorde, België

On behalf of Vinçotte,
20/02/2023

Ramses Sterckx
Project Engineer

Ir. Evert Vermaut
Team Leader

User of the GHG-assertion
Internal and external stakeholders, the general public

Level of assurance
Reasonable assurance

Objectives, scope and criteria
Vinçotte performed on behalf of KBC Group an independent reasonable assurance of the anthropogenic greenhouse gas emissions between 1/10/2021 - 30/09/2022. The system boundaries for the greenhouse gas emissions are aligned with the financial consolidation scope.

The entities within the system boundaries are located in Belgium, Czech Republic, Hungary, Slovakia, Bulgaria and Ireland. The entities that were excluded do not amount to more than 1% of the balance sheet total for KBC Group.

The activities and processes taken into account for the greenhouse gas inventory are offices, data centers, transport, travel, waste generation and water consumption.

The greenhouse gas inventory includes scope 1, scope 2 and scope 3 emissions.

- Scope 1 emissions: direct energy consumption, refrigerant gasses and transport of company owned vehicles;
- Scope 2 emissions: electricity consumption and other indirect energy consumption (such as district heating);
- Scope 3 emissions: commuter travel, business travel, paper consumption, waste production and water consumption.

The greenhouse gasses included were: CO2, N2O and CH4 and refrigerant gasses.

The data and information for the greenhouse gas inventory were mostly based on documented information received from local responsables. Extrapolations were performed for missing data. The extrapolations account for 2.55 % of the total greenhouse gas emissions.

The verification consisted of an independent review of the primary data, the emission factors and the greenhouse gas calculations. The goal was to verify if the data and the results of the greenhouse gas calculations were complete, reliable, transparent accurate and free of material errors or emissions.

The verification was performed using a risk-based approach. Primary data which are managed by a certified ISO14001 or ISO50001 management system were not re-verified. For all other data a verification was performed taking into account materiality.

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VINÇOTTE
Conclusion

Vincotte has verified the greenhouse gas assertion of KBC Group of 43,881.97 ton of CO2-eq. in 2022 to a level of reasonable assurance.

The greenhouse gas inventory was prepared according to the requirements of the WRI/WBCSD Greenhouse Gas protocol.

It is the conclusion of Vincotte that the greenhouse gas emissions of KBC Group for the period 1/10/2021 - 30/09/2022 are fairly stated.
The Markets in Financial Instruments Directive is a European directive on investments. The directive has three objectives: Protecting investors and safeguarding the integrity of financial markets; Promoting fair, transparent, efficient and integrated financial markets; Further harmonising European stock trading and the investment market. As part of the drive towards sustainable investing on the part of politicians, regulators and investors, the EU has proposed changes to the MiFID II suitability rules to ensure that investors’ environmental, social and governance preferences are taken into consideration during the investment advice and portfolio management processes.

Stranded assets are assets which, prior to the end of their intended economic lifespan, are no longer able to generate cash flows or have suffered from premature write-downs due to unanticipated climate-related policies.

The SFDR introduced various disclosure-related requirements for financial market participants and financial advisors at entity, service and product level. It aims to provide more transparency on sustainability within the financial markets in a standardised way, thus preventing greenwashing and ensuring comparability.

The Financial Stability Board established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to better understand the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.

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Read our other reports:

Report to society
2022

www.kbc.com

Feedback

We welcome comments and questions from all our stakeholders. Please send us your feedback via:

csr.feedback@kbc.be