

KBC Group

Sustainability Report

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.

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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 2005¹. 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.

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¹ Separate sustainability reports were not published for 2014 and 2015. All non-financial information (as specified in the GRI Content Index for 2014 and 2015) is available on our corporate website and in our annual report.



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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.

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Leadership statement

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



Koenraad Debackere en Johan Thijs

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

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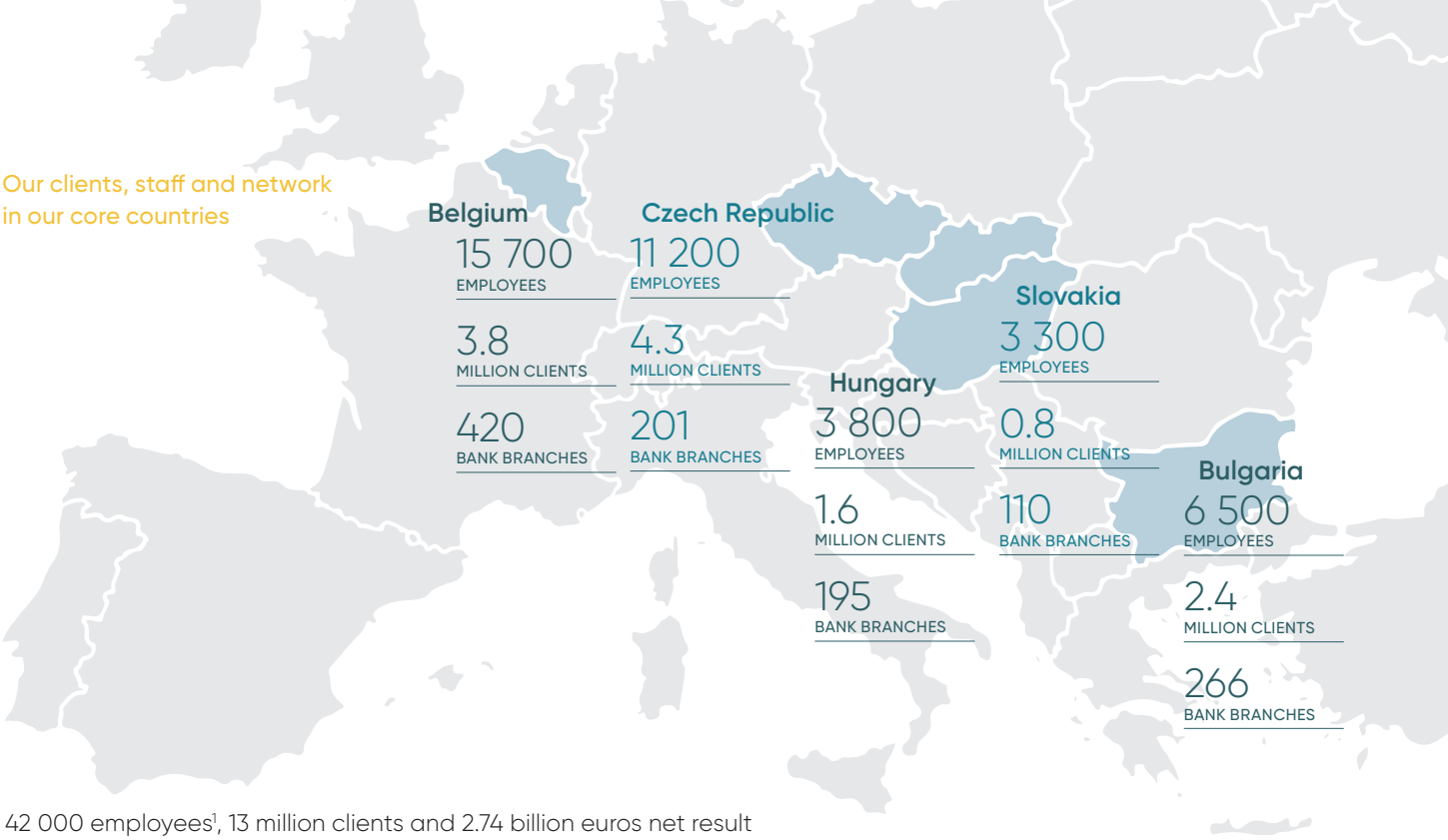
Our area of operation

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 clients, staff and network in our core countries



Our corporate strategy

Our corporate strategy is founded on the following principles:



client centricity

We put our clients' interests at the heart of everything we do.



bank-insurance +

We look to offer our clients a unique bank-insurance experience. The '+' refers to our aim to offer non-financial solutions alongside traditional banking and insurance solutions.



sustainable profitable growth

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



role in society

We meet our responsibility towards society and local economies.



pearl +

We build upon the PEARL+ values and focus on the joint development of solutions, initiatives and ideas within the group.

We implement our strategy within a strict risk, capital and liquidity management framework.

¹ Total number of employees at year-end, including employees outside our five core countries Belgium, Czech Republic, Hungary, Slovakia and Bulgaria (Ireland and rest of the world).

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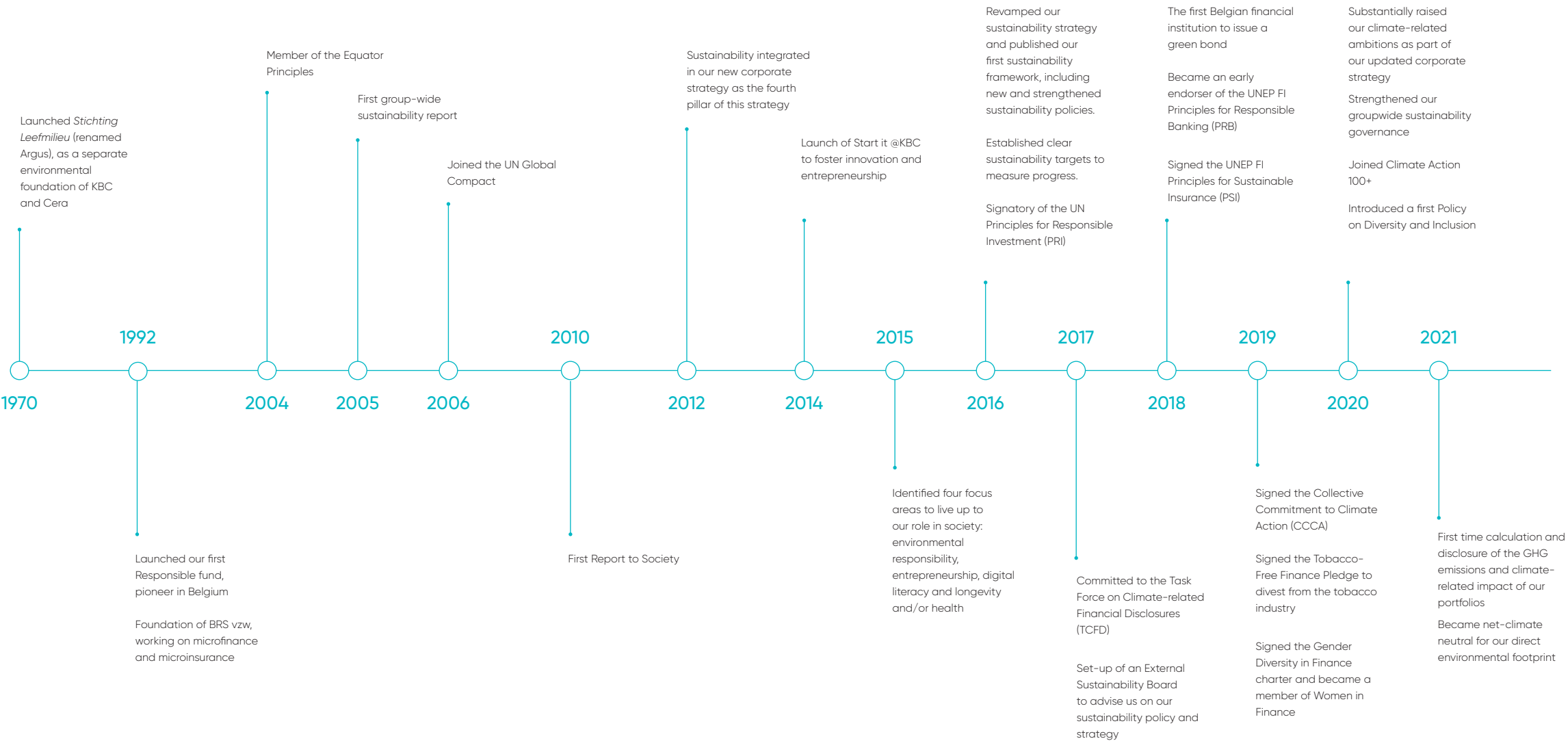
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READ MORE



- [Our corporate strategy](#)
KBC Group Annual Report 'Our strategy'
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KBC Group Annual Report 'Our business model: What makes us who we are'

Our sustainability journey



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

Commitment to climate action	Sustainable business	Social responsibility
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.	7.4 billion euros Financing contributing to social objectives	Social bond Issued a 750-million-euro social bond for investments in healthcare.
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.	14.3 billion euros Financing contributing to environmental objectives	34% Female entrepreneurship among our start-up community in Belgium
Partner in the transition More than 3 000 customer engagement dialogues since the start to support our clients' transition.	600 000 tonnes CO₂e Avoided GHG emissions through renewable energy project finance	10 million euros Outstanding loans to microfinance institutions and investments in microfinance funds
-70% Reduction of our direct environmental footprint compared to 2015	32.3 billion euros Responsible Investing funds 37% of total assets under distribution (direct client money)	Diversity in senior management 24% women in senior management roles

Our ESG ratings¹

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.

 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)
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¹End-of-year data

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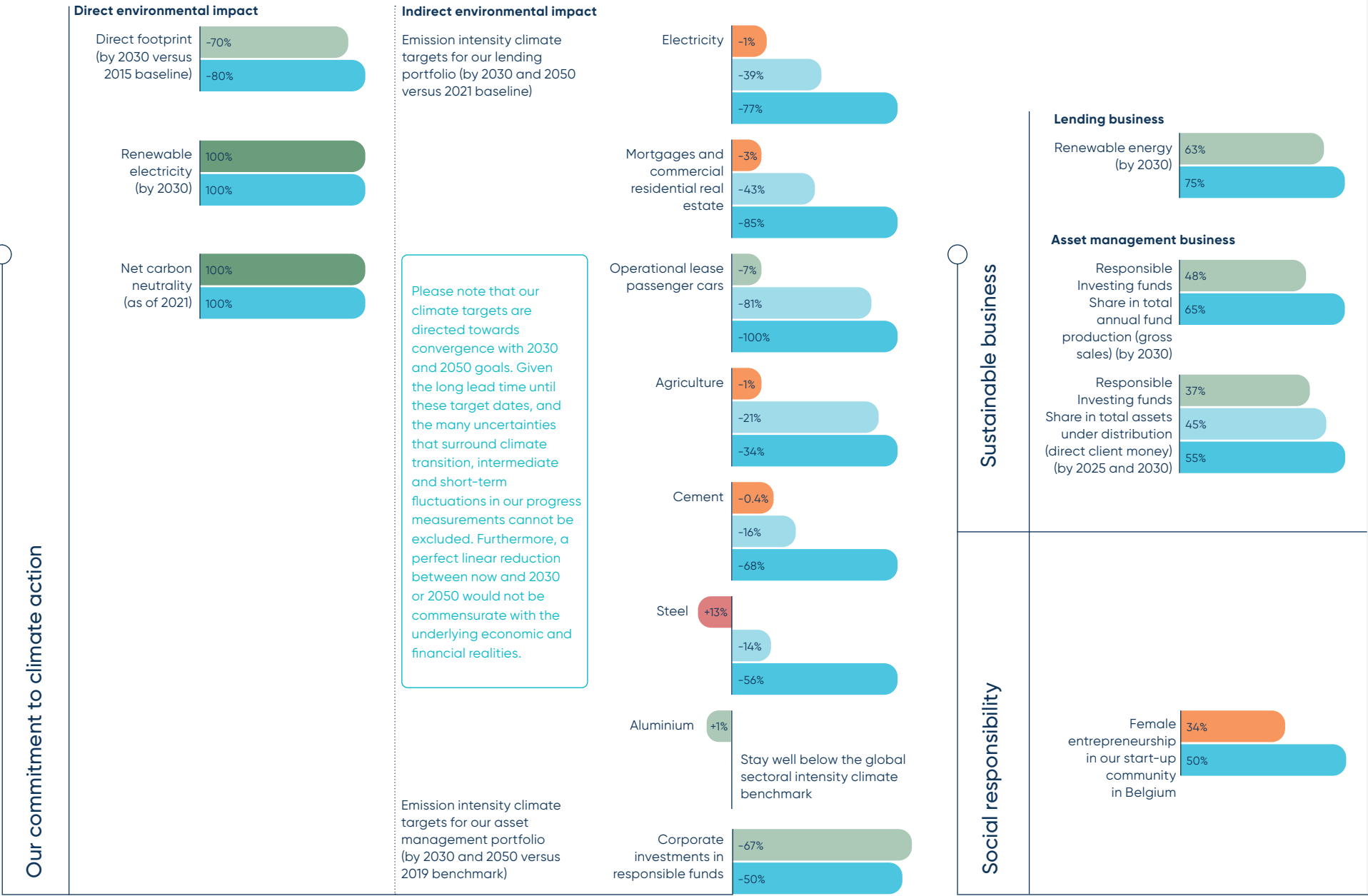
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Sustainability targets: our progress in brief

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.



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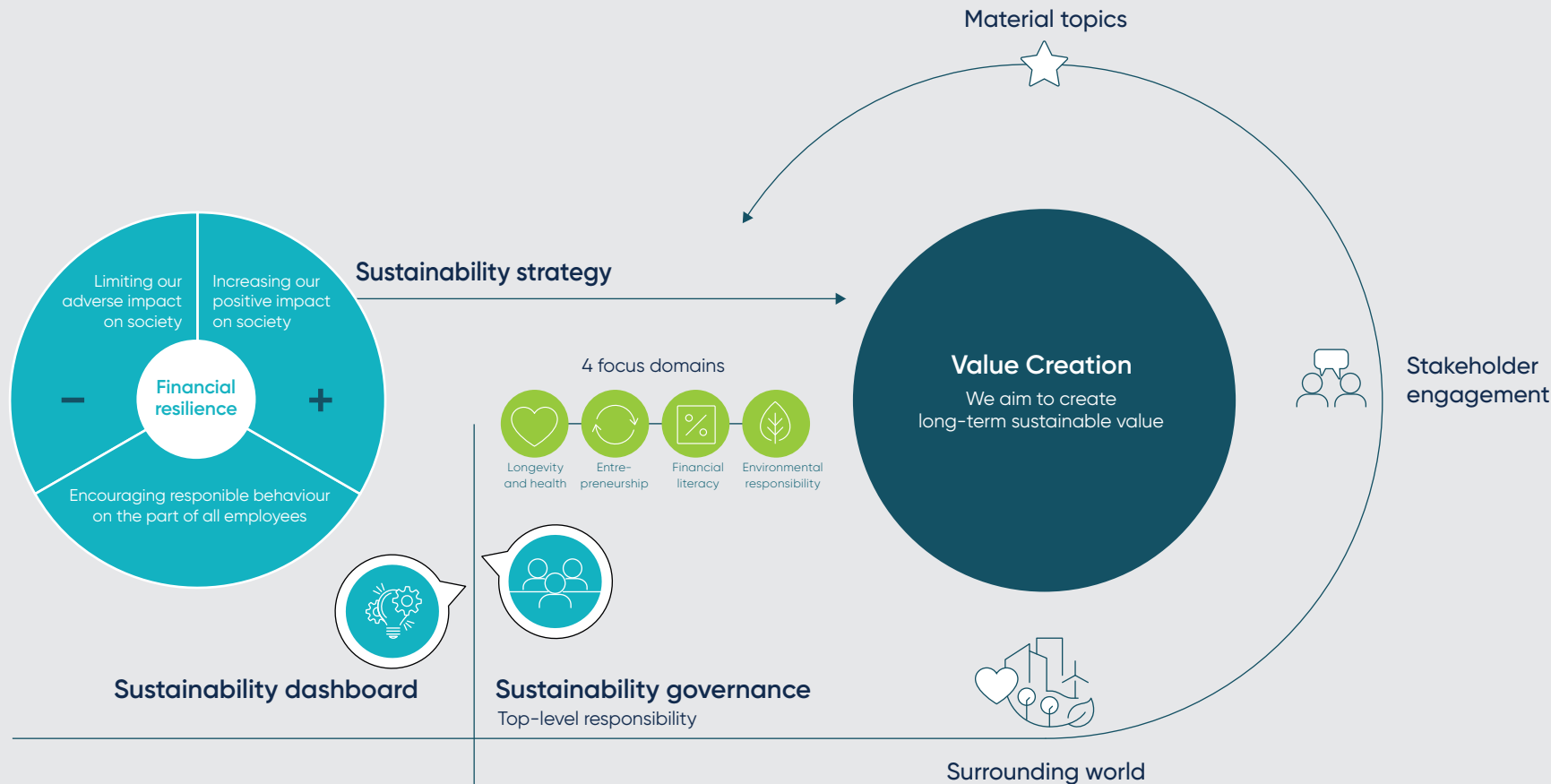
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STRATEGY AND VALUE CREATION in a nutshell

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.



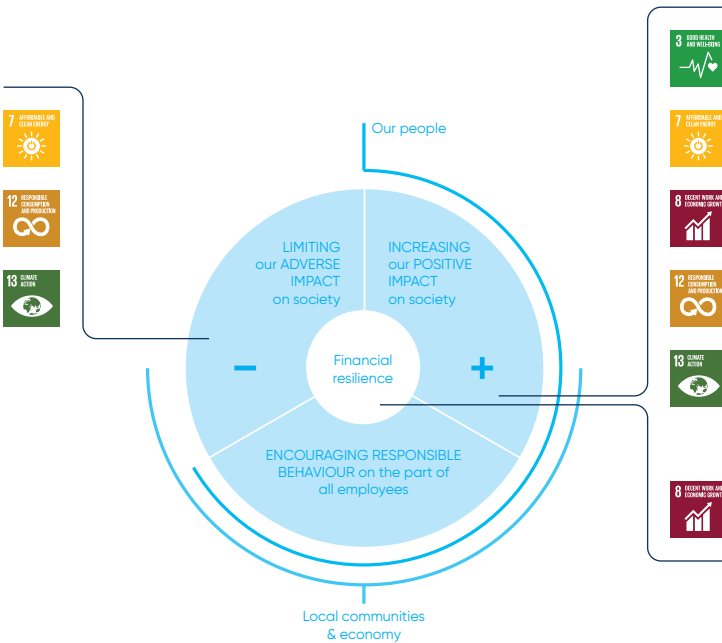
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Sustainability strategy

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.

Figure 2.1: The cornerstones of our sustainability strategy



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 Goals¹ (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.

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’](#).

¹ 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.

-  **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.

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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.



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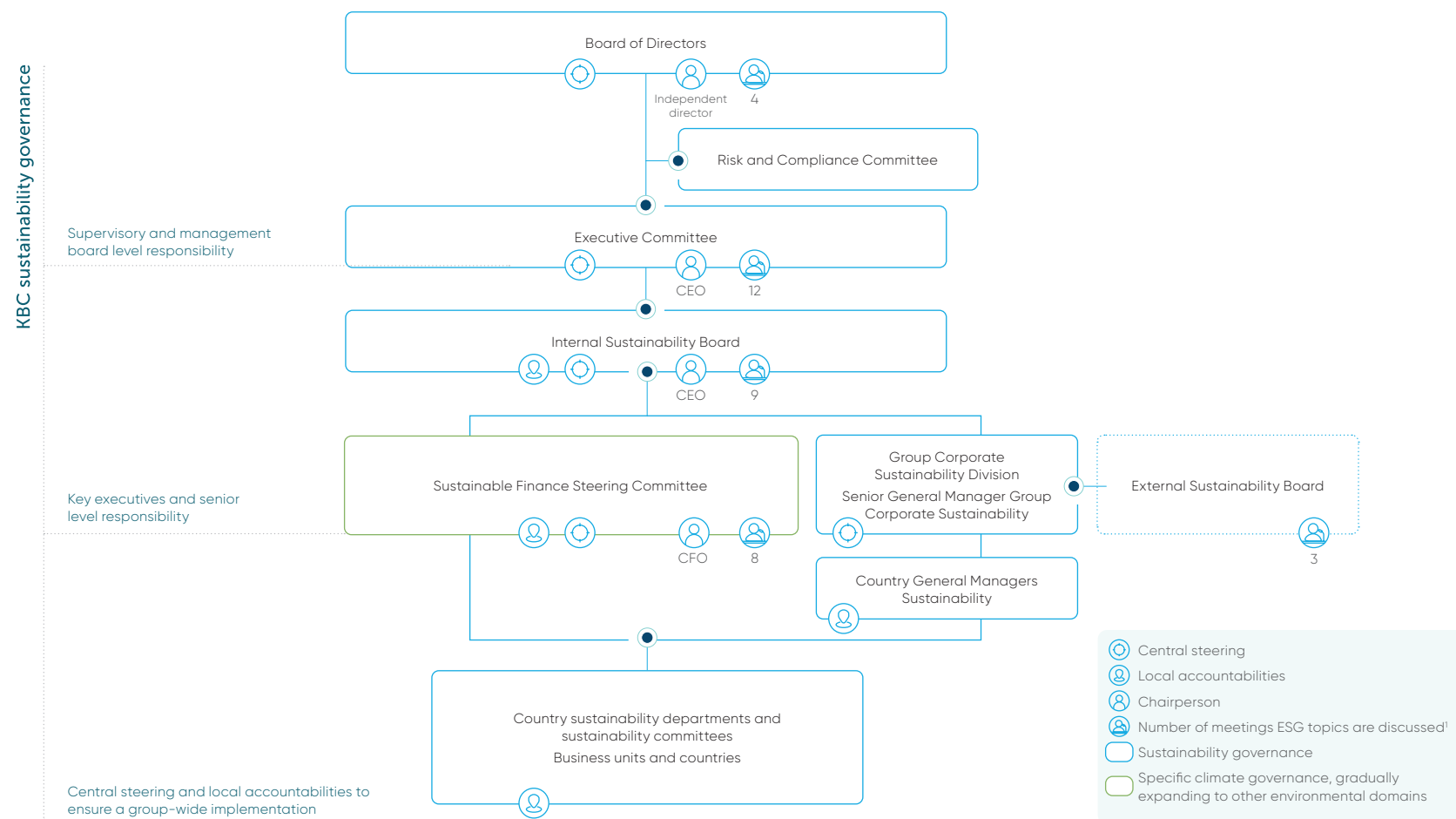
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This section on governance forms
a part of our TCFD report.
The remainder of our TCFD report
can be found in the chapter
on ['Our commitment to the
environment and climate action'](#).

Sustainability governance

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



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.

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“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.”

Johan Thijs – CEO KBC Group

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, 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, Pensioenfondsen 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

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- [Follow-up on the progress on sustainability 'KBC Sustainability Dashboard'](#)

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.

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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.

Figure 2.3: KBC Sustainability Dashboard

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

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.

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- [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. The last one took place in 2022. [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	Strategic focus	Focus domains	KPIs
Sustainable and responsible service and product offering	Increase our positive impact Limit our adverse impact	Environmental responsibility Longevity and health	Sustainability targets: Sustainable business Social responsibility KBC Sustainability Dashboard: Sustainable business opportunity track
Partner in the transformation to a more sustainable future		Environmental responsibility Entrepreneurship	Sustainability targets: Emission intensity climate targets for our lending portfolio Sustainable business KBC Sustainability Dashboard: Sustainable business opportunity track
Sustainable and responsible asset management and investing		Environmental responsibility Longevity and health	Sustainability targets: Emission intensity climate targets for our asset management portfolio Sustainable business
Ethical business conduct and responsible behaviour	Responsible behaviour	Financial literacy	KBC Sustainability Dashboard: Responsible behaviour Follow-up on concerns from our stakeholders
Long-term resilience of our business model	Financial resilience and strict risk management	Environmental responsibility Entrepreneurship	Our financial KPI's in our Annual Report
Data protection and cyber security		Financial literacy	KBC Group Information Security Strategy targets and metrics
Employee development and well-being	Our people	Longevity and health	Employee engagement

READ MORE



- [Full results of the materiality assessment and impact analysis](#)
'Appendices: Value creation: our material topics 2022'
- [Mapping our high-priority topics to GRI Topic Standards](#)
Appendices: GRI content index and SASB disclosure'
- [Our corporate strategy](#)
KBC Group Annual Report 'Our strategy'
- [Our sustainability strategy](#)
'The cornerstones of our sustainability strategy'

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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.

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](#).

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.

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- **Our value creation model**
KBC Group Annual Report 'How do we create sustainable value'
- **Stakeholder interactions**
'Appendices: Value creation: our material topics 2022'



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OUR PEOPLE in a nutshell

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.

**WE
ARE
TEAM
BLUE**



Our people as the driving force of our organisation – **TEAM BLUE**

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42 000

EMPLOYEES GROUP-WIDE

PEARL+

STRONG BUSINESS CULTURE

WE
ARE
TEAM
BLUE

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 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 result-driven.

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ENGAGING OUR EMPLOYEES

Team Blue spirit

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.

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- Our PEARL+ business culture and values
KBC Group Annual Report 'Our business
model: What makes us who we are'

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.

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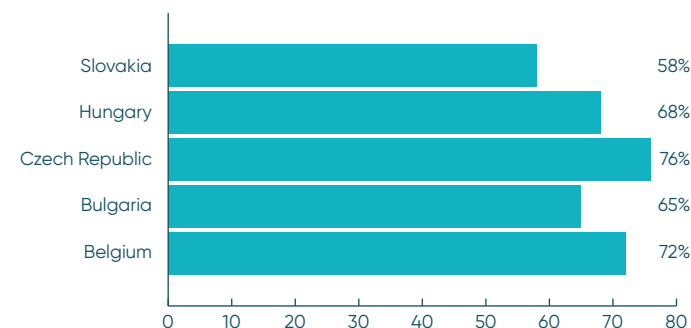
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Listening to our people

EMPLOYEE ENGAGEMENT SCORE (2ND HALF YEAR 2022)



77%

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS

74%

EMPLOYEES COVERED BY EMPLOYEE REPRESENTATION STRUCTURES

TOP EMPLOYER

KBC was singled out for praise for the 3rd time as one of the Top Employers in Belgium. This stands in recognition of KBC's excellent terms and conditions of employment, the way we nurture and develop talent throughout every level of the organisation and our unrelenting pursuit of optimised employment practices.



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.

We closely monitor the results and act where necessary, including initiatives to support managers in their role as coaches. Managers that have a minimum of seven survey respondents can access anonymised results and take specific action, where required.

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.

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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.

IN THE SPOTLIGHT

ORGANISATIONAL CHANGES

In 2021, we decided to phase out our services in Ireland and sell our performing loan assets and liabilities. We also acquired Raiffeisenbank in Bulgaria, which has since been renamed as KBC Bank Bulgaria. In the course of 2022, we also streamlined our branch network in Belgium.

In Ireland, we have been focusing on the welfare of our employees during this organisational change. Employees engaged with their employee council on the reorganisation. As a result, we were able to offer a favourable severance package, especially as compared to the industry norm in Ireland. We communicate transparently to our employees about the impact on their specific situation.

In Bulgaria, we particularly focused on the integration and alignment of the human resources framework. At the time of acquisition, Raiffeissen Bank Bulgaria had around 2 500 employees.

In Belgium, KBC reorganised its branch network. At the same time, we are continuing to strongly focus on user-friendly digital solutions. The organisational changes did not result in redundancies. Employees whose jobs were affected, were offered alternative career opportunities. More so, at the same time we have continued to recruit a lot of new employees in Belgium. We implemented the changes with respect for our employees and in an open and constructive dialogue, including with the social partners.

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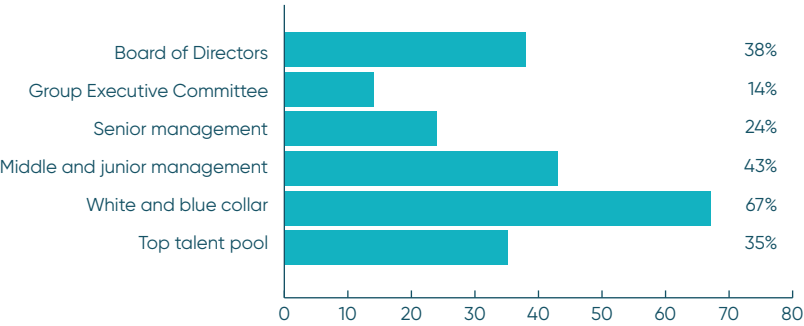
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Diversity and inclusion

WOMEN AT KBC, % PER EMPLOYEE CATEGORY



BLOOMBERG GENDER-EQUALITY INDEX

For the second time in a row, KBC has been included in the Bloomberg Gender-Equality Index. This is in recognition for our efforts in favour of gender equality and an inclusive workplace within the organisation.

“We monitor the composition of the Group Executive Committee closely on several aspects such as background, home country representation, age and gender. This is in support of our aim to achieve a more balanced gender composition in the coming years.”

Koenraad Debackere – Chairman of the Board of Directors KBC Group

“At KBC, corporate culture is at the core of our identity and is strongly linked to the value of ‘respect’. In fact, treating each other in a respectful and responsible manner is a core value that we apply both in relation to our clients and our colleagues. We encourage a culture where we can all freely be ourselves, share our opinions and where there is an open mentality. We have a clear ambition to increase gender diversity in leadership at all levels within KBC, which is why we are proud to join the UN Women’s Empowerment Principles.”

Johan Thijs – CEO KBC Group

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.

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We also focus on end-of-career schemes. In 2014, KBC in Belgium launched a programme called ‘Minerva’ which encourages ageing employees to remain active at their time of life and provides innovative career pathways in pre-retirement phase. We offer employees with fewer than eight years of service left until retirement the opportunity to share their experience outside KBC, without losing their employee status. In total, 135 employees have already been given the opportunity to share their expertise and experience in non-profit organisations. This successful programme is being smart-copied in our other core countries as well. In the Czech Republic, for example, our employees enrolled in the 55-plus Programme get to pursue their career to the benefit of non-profit organisations and public benefit institutions.

“I switched to a challenging and interesting job that suits me well. I started as business relations manager at the Brussels Philharmonic orchestra. In doing so, I create a link between the business world and the Brussels Philharmonic, contacting parties interested in tax shelter investments and trying to breathe new life into the instrument foundation. This foundation enables people to invest in bowed string instruments from the 17th, 18th and 19th centuries. It’s got a swing to it, wouldn’t you say?”

Helga Van den Bossche – Participant in the KBC Minerva Programme as Business Relation Manager and Development at Brussels Philharmonic vzw

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 paying 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.

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.

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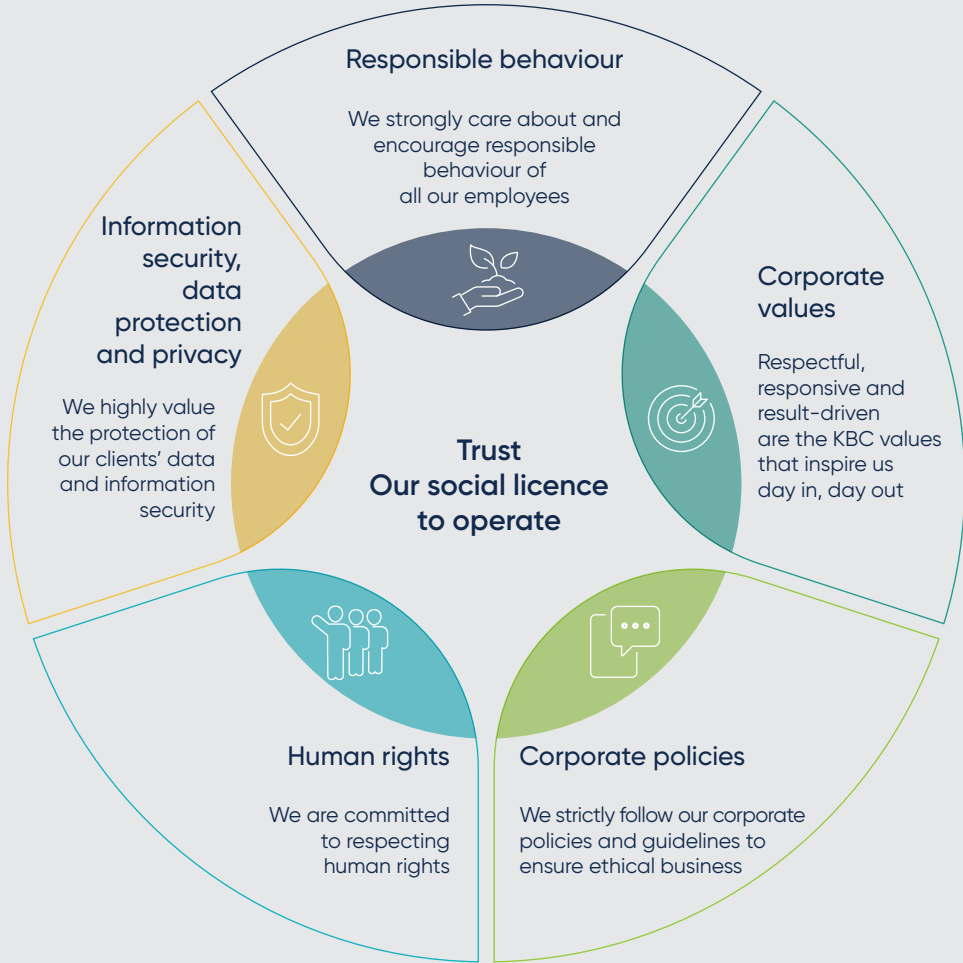
OUR RESPONSIBILITY in a nutshell

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 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.



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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.

IN THE SPOTLIGHT

BUSINESS SOLUTIONS IN OUR FOCUS AREAS: FINANCIAL LITERACY

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.

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[KBC Code of Conduct for KBC Group Employees](#)

[KBC Group Anti-Money Laundering Policy](#)

[KBC Group Ethics and Fraud Policy](#)

[KBC Group Anti-Corruption and Bribery Policy](#)

[US Patriot Act Certification](#)

[KBC Group Tax Strategy](#)

[KBC Group policy for the Protection of Whistleblowers](#)

[KBC Group Corporate Public Affairs Policy](#)

[KBC Dealing Code](#)

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](mailto:reporting@kbc.be)). 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 infringements of 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.

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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.

READ MORE

- KBC's tax strategy and country-by-country reporting of KBC Group

KBC Group Annual Report: 'Financial Statements'

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2016

SINCE 2016, KBC GROUP HAS BEEN COMMITTED TO THE UN GLOBAL COMPACT CORPORATE RESPONSIBILITY INITIATIVE AND ITS PRINCIPLES IN THE AREA OF HUMAN RIGHTS, LABOUR, THE ENVIRONMENT AND ANTI-CORRUPTION.

[KBC Group UN Global Compact Communication on Progress](#)

WE SUPPORT



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 SPOTLIGHT

STAKEHOLDER ENGAGEMENT ACTIVITY

Open dialogue with NGOs on our human rights policy

Background: in 2022, for the second year in a row the ‘Don’t Buy into Occupation’ (DBIO) coalition published a report exposing the financial relationship between the European financial institutions and the business enterprises involved in the illegal Israeli settlement enterprise in the Occupied Palestinian Territory.

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.

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- [KBC’s approach to human rights](#)
KBC Group Annual Report ‘Our role in society: Focus on human rights’

100%
EMPLOYEES WHO HAVE COMPLETED A TRAINING IN CYBERSECURITY

“As a forward-looking bank and insurer, KBC is dedicated to its clients and fully embraces digital innovation to optimise and diversify its services. On this journey, risk and security management have become an even more important priority for all entities in the group. In today’s world, organised hacker groups constantly test the defences of our companies, looking for weaknesses they can exploit to steal data or compromise internal systems. KBC is determined to stay ahead in this race, combining the strength of a multitude of proactive security controls with a detection and response capability strong enough to stop all attacks long before they have the potential to cause any harm.”

Christine Van Rijseghem, Chief Risk Officer at KBC and Erik Luts, Chief Innovation Officer at KBC

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.

IN THE SPOTLIGHT
BUSINESS SOLUTIONS IN OUR FOCUS AREAS: FINANCIAL LITERACY

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.

READ MORE 
• More information on KBC’s information risk management
KBC Group Information Security Strategy
KBC Group Annual Report ‘Non-financial risks: Information risk management’

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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.

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Privacy and data protection

Compliance with the General Data Protection Regulation (GDPR) and respecting the privacy of all stakeholders is an integral part of our profession as a bank-insurer. To maintain our stakeholders' trust, we process personal data in a lawful and transparent manner.

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.

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READ MORE



- [More information on privacy and data protection at KBC](#)
KBC Group Annual Report 'Corporate governance statement'

SUSTAINABLE FINANCE

A man with a beard and short hair, wearing a dark blue suit, white shirt, and a green tie with white polka dots, is looking down at a white smartphone. He is standing on a train platform, holding onto a grey vertical pole with his right hand. A brown leather strap of a bag is visible over his right shoulder. The background is a blurred train platform with tracks and other people.

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SUSTAINABLE FINANCE in a nutshell

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'.



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Our approach to sustainable finance

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.

Table 6.1: Sustainable finance (KBC Group, millions of euros, end-of-year data)¹

	2022	2021	2020
Financing contributing to environmental objectives (granted amount)			
Renewable energy and biofuel sector	2 255 ²	2 115	1 840
Mortgages for energy-efficient housing	11 711 ³	9 517 ³	8 817 ³
Financing for low carbon vehicles (outstanding amount)	319 ⁴	120 ⁴	-
Total	14 285	11 752	10 657
Financing contributing to social objectives (granted amount)			
Healthcare and senior living sectors	6 202	6 059	6 085
Education sector	1 154	1 093	1 031
BRS Microfinance Coop: loans to microfinance institutions and investments in microfinance funds (cooperative share capital)	10 (22)	10 (22)	12 (22)
Total	7 366	7 162	7 128
Responsible investing (RI) on behalf of our clients			
RI funds under distribution ⁵	32 300	31 700	16 780

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 for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50g CO₂/km and in alignment with substantial contribution criteria of the EU taxonomy, such as bicycles, motorbikes, 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. All RI funds are either Article 8 or Article 9 funds under the SFDR.

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 specifically 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.

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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 Insurance (PSI). 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 expansion of sustainability reporting through the [Corporate Sustainability Reporting Directive \(CSRD\)](#) will be decisive for our larger corporate as well as financial institution clients.
- The disclosure requirements and accompanying measures under the [Sustainable Finance Reporting Directive \(SFRD\)](#) and [Markets in Financial Instruments Directive \(MiFID\)](#) will also gradually give more guidance on the transparency requirements for investment products.
- Most of these legislative initiatives are underpinned by the [EU taxonomy](#). This taxonomy defines clear requirements for economic activities to be labelled as 'sustainable' or 'green'. It does so for a selection of economic activities and in relation to six 'environmental objectives'. Furthermore, we note that additional legislation and a related taxonomy is also under development for the social domain for example.

- 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.



IN THE SPOTLIGHT

SUSTAINABILITY AWARDS AND RECOGNITIONS

Sustainable Finance Awards 2022 (Global Finance)

ČSOB in the Czech Republic was recognised as:

- Outstanding Leader in ESG-Related Loans in Central and Eastern Europe for 2022
- Financial Leader in Sustaining Communities in Central and Eastern Europe for 2022
- Outstanding Leader in Sustainability Transparency in Central and Eastern Europe for 2022
- The Best Bank for Sustainable Finance in the Czech Republic for 2022

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.

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Our sustainability policies

Major milestones in KBC Group’s energy and biodiversity policies since 2016

2016

EXCLUSION OF NEW DIRECT FINANCING OF COAL-RELATED ACTIVITIES FIRST RESTRICTIONS ON ACTIVITIES WITH A POTENTIALLY NEGATIVE IMPACT ON BIODIVERSITY

2020

FURTHER EXCLUSIONS AND RESTRICTIONS FOR CLIENTS WITH COAL-BASED ENERGY GENERATION CAPACITY INTRODUCTION OF A COMPREHENSIVE BIODIVERSITY POLICY

2021

NO MORE FINANCING OF EXPLORATION OF NEW OIL AND GAS FIELDS

2022

FURTHER REFINEMENT OF OUR COAL POLICY IN ORDER TO SUPPORT THE ENERGY TRANSITION

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’

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.

IN THE SPOTLIGHT

STAKEHOLDER ENGAGEMENT ACTIVITY

Energy policy update

In 2022, we further updated our energy policy to reflect our primary goal to enable and support the energy transition. We discussed the intended update upfront with an independent, international, non-governmental organisation (NGO) that is recognised for its work in this field. The NGO has a clear view on the relevant steps to be taken in this transition. This dialogue took place in two of our core countries. The NGO appreciated our pro-active reach-out and was supportive of the proposed policy adjustments. Our policy update enables us to support the transition to renewables for both existing and new clients, while maintaining very strict conditions and a coal exit strategy.

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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



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 thermal coal only

⁵ KBC's suppliers are required to comply with the principles outlined in our Sustainability Code of Conduct for Suppliers. We assess all 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.

- In scope
- Partly in scope
- Not applicable for this type of activity
- Not yet in scope

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'



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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 base 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 advices. 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.
- Further operational improvements to impose zero tolerance across all our business lines for the companies on the KBC Blacklist.

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.

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Responsible Investing on behalf of our clients

Major milestones in KBC Asset Management's RI funds

1992
FIRST RESPONSIBLE FUND

2018
FIRST RESPONSIBLE PENSION SAVING FUND ON THE BELGIAN MARKET

2019
ALL RESPONSIBLE INVESTING FUNDS FOSSIL FREE

2021
ALL BELGIAN PENSION SAVING FUNDS CONVERTED INTO RESPONSIBLE INVESTING FUNDS

2022
FIRST CLIMATE-RELATED TARGET ON THE CARBON INTENSITY OF THE CORPORATE INVESTEEES IN RESPONSIBLE FUNDS

32.3
BILLION EUROS VOLUME INVESTED IN RI FUNDS AT YEAR-END 2022

37%
OF TOTAL ASSETS UNDER DISTRIBUTION (DIRECT CLIENT MONEY)

48%
OF ANNUAL FUND PRODUCTION (GROSS SALES)

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-thematic 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

Indicator	2019 bench- mark	Base- line 2021	2022 ¹	2025 target	2030 target
RI funds in % of total AUD (direct client money)	-	33%	37%	45%	55%
RI funds in % of total annual fund production (gross sales)	-	55%	48% ²	-	65%
Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds (t CO ₂ e/million USD revenue)	196	-	66 (-67%)	-	98 (-50% versus 2019 bench-mark) ³

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.

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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.

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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 standards 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 quality label. As part of this commitment, KBC Group commits to ensuring that all its Responsible Investing funds commercialised in Belgium have obtained or are in the process of obtaining 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 relies on publicly available data and ESG assessments by external parties to assess the sustainability performances of its investees. We also actively engage with these parties to raise awareness of sustainability and to stimulate actions if ESG issues arise.

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 reference¹ values, by 2030.

The metric used is the number of tonnes of CO₂e 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).

¹ 'Reference values' are calculated based on the portfolio's benchmark or its reference portfolio based on neutral investment views. The aggregated reduction target combines the specific targets under the assumption of a neutral asset allocation. Changes in asset allocation may lead to changes in the actual aggregated reduction achieved. Substantial changes in this allocation, for example, due to a significant change in the product mix offered to our clients, may need a restatement of the aggregated reduction target based on a 50% reduction versus an updated reference at the end of 2019.

READ MORE

- Detailed results and more details on the methodology
'Metrics and targets'
'Trucost appendix'



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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 *Pensioenfond*s 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.² 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

*Pensioenfond*s 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, *Pensioenfond*s 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, *Pensioenfond*s 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.
- *Pensioenfond*s 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 plan³, around 41% of the portfolio has an Article 8 or 9 qualification. For the defined contribution⁴ 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 *Pensioenfond*s 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.

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² The policy applied to future investments for KBC's own account, our group insurance companies and other group entities. For existing investments, a grandfathering period was granted. This period ran until the end of 2022 for equities and the maturity date for bonds. However, bonds that do not meet these new criteria generally have a short maturity profile (typically less than five years).

³ In a defined benefit pension plan, employers fund and guarantee a specific retirement benefit amount for each participant.

⁴ In a defined contribution (DC) pension plan, employers and/or employees fund individual accounts set up for participants. Benefits are based on the amounts credited to these accounts plus any net investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings. Please note that in Belgium, employers are required by law to guarantee a 1.75% minimum annual return on employer-funded DC pension plans.

READ MORE



- [Detailed results and more details on the methodology](#)
'Metrics and targets'
'Trucost appendix'

Our commitment concerning our social impact

6.2
BILLION EUROS FINANCING TO THE HEALTHCARE
AND SENIOR LIVING SECTOR

1.2
BILLION EUROS FINANCING TO THE EDUCATION SECTOR

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.

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- [Read more on our community involvement](#)
KBC Group Community Involvement Policy
'Sustainability facts and figures: community involvement'

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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.

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BUSINESS SOLUTIONS IN OUR FOCUS AREAS: HEALTH AND LONGEVITY

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

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.

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Accessibility and affordability of products and services

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.**

IN THE SPOTLIGHT

FINANCING WITH SOCIAL IMPACT

Making our services accessible to 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.

For clients who are in financial distress

The Covid-19 processes and procedures put in place in 2021 to proactively detect clients facing potential problems in Belgium, continued in 2022. In 2022, similar procedures were introduced for clients who may be severely impacted by the war in Ukraine and the energy crisis. In addition, a new data model is currently being developed to support our Belgian colleagues in proactively detecting clients with imminent financial problems so that appropriate support can be provided in good time.

ČSOB'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 on 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.

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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 ICMA’s (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.

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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 our 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.

TARGET

FEMALE ENTREPRENEURSHIP AT START IT @KBC IN BELGIUM

Indicator	Target	2022	2021	2020
Female entrepreneurs selected ¹ (in % of total entrepreneurs at the pitch in October)	50%	34%	46%	53%

¹Number of start-ups with minimum one female co-founder.

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.

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DAYS COACHING AND TRAINING VIA BRS VZW AND MICROFACT

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 1.4 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](#).

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- [More information on the operations of BRS BRS website](#)

IN THE SPOTLIGHT

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

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 us 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 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).

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.

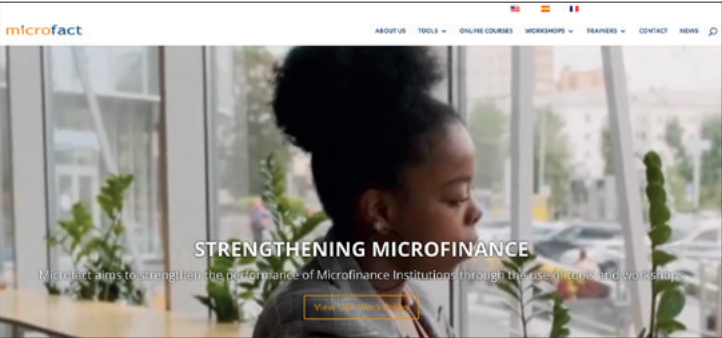
BRS also has an important informative role to play. It creates a social impact by sharing testimonies of people in the Global South in Belgium. It does so by organising information sessions, for example.

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!](#)



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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

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of ‘1.5°C’ or ‘net-zero’ alignment, especially with respect to the feasibility, inclusiveness and impacts of the short-term intermediary (i.e. 2030) net-zero targets. As an integrated bank-insurer, KBC has a responsibility to ensure that its climate action remains in tune with its important role in continuing to support a clean and just transition in its core markets, whilst taking account of aspects such as energy security and government support. Given the above, a well-founded, concrete, and immediately actionable net-zero commitment seems out of reach, for the present. We will therefore continue to put our weight behind our existing CCCA commitment for now.

Read more on our stance on net zero on our [corporate website](#).

The ‘double materiality’ approach guides our Sustainable Finance Programme

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 materiality⁵:** 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.

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.

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](#).

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READ MORE

- [More detail on financial materiality](#)
KBC Group Risk Report

⁵ Financial materiality is used here in the broad sense of affecting the value of a company, not just in the sense of affecting financial measures recognised in the financial statements.

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.

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](#).

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.

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Our direct environmental footprint

2015
WE HAVE MEASURED OUR DIRECT GHG EMISSIONS SINCE 2015

-70%
REDUCTION IN OUR DIRECT GHG EMISSIONS

Net climate neutrality
WE HAVE REACHED NET CLIMATE NEUTRALITY AS OF 2021 BY
OFFSETTING OUR REMAINING GHG EMISSIONS

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 values⁶ 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.

⁶ The standardised NEDC (New European Driving Cycle) was introduced by the European Union in 1992 in order to provide comparable values for fuel consumption. Due to evolutions in technology and driving conditions, it became outdated. The European Union has therefore developed a new test, called the Worldwide Harmonised Light Vehicle Test Procedure (WLTP). As of 1 September 2017, it aims to provide more realistic consumption specifications with its considerably more dynamic testing parameters. While the old NEDC test determined test values based on a theoretical driving profile, the WLTP cycle was developed using real-driving data, gathered from around the world. WLTP therefore better represents everyday driving profiles.

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

Direct environmental footprint					
Indicator	Target	2022	2021	2020	2019
Total CO ₂ e emissions from own operations (direct footprint scope) in tonnes CO ₂ e	-80% for the period 2015-2030	-70% ¹	-71%	-56%	-42%
Renewable electricity consumption in %	100% by 2030	100%	100%	87%	83%
Carbon credits purchased (in % of remaining GHG emissions from own operations)	Net climate neutrality as of 2021	100%	100%	-	-

¹ In 2022, the 2015 base year has been recalculated in accordance with the GHG protocol guidance on the recalculation 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.

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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.



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Afforestation and reforestation: mangrove restoration in Pakistan

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.



IN THE SPOTLIGHT

PLANTING TREES IN BULGARIA, SLOVAKIA AND HUNGARY

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 Tatras'. As part of this collaboration, ČSOB made a commitment to plant 150 000 new trees before the end of 2024.

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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
- Strategy
- 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.

READ MORE: 

- [Overview of our overall sustainability and climate-related governance](#)
‘Sustainability governance’

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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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. [\(Coffee with a splash of sunshine\)](#)

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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;

READ MORE

- [Main findings of all White Paper sectors and business lines](#)
KBC Group 2021 Sustainability report: ‘White Papers appendix’
- [KBC’s climate-related targets and update on White Paper sectors and business lines for which we have set targets](#)
KBC Group Climate Report
- [2022 target progress report](#)
‘Metrics and targets’

- 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.⁷ 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 and approves actions and targets determined in the White Papers. [From 2023, the scope of some of the White Papers will be expanded to include the other environmental themes; biodiversity, water, circularity and pollution](#). This will be carried out for sectors identified as having the highest impacts on and being affected by at least two other environmental objectives, based on internal expert advice. As a result, we are initially focusing on the following sectors: building and construction, agriculture, food producers, metals and chemicals.

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.

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.

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ENGAGING OUR EMPLOYEES

Embed climate transition in the front line

KBC works with small to mid-sized companies that are often in the early stages of their transition journey, but that will be affected by new regulation such as the CSRD. Education and advice will play a key role in kick-starting their climate actions. To that end, KBC's Sustainable Finance Programme was set up to embed climate action among its 40 000+ employees, particularly its front-line relationship managers.

For example, KBC has a training programme to equip every client-facing manager with sustainability expertise. **We developed a climate business game to increase the understanding of the climate-related challenges we face as financial institution.** The game helps employees see the consequences of climate-related client decisions. It takes account of climate-related risks, opportunities and financial impacts. In 2022, the climate business game was rolled out across all our core entities. It was organised a total of 14 times across the Group for a variety of audiences, including corporate audit, commercial banking, business managers, credit and risk experts. And in 2023, 18 (and rising) sessions are already in the pipeline or are currently being organised.

We also incentivise action. Some relationship managers have climate targets set per product and have explicit objectives to discuss climate issues with clients. For instance, referrals to our partnered sustainability advisory agency are a remuneration KPI (Key Performance Indicator) in Belgium. At the end of 2022, more than 200 referrals had already been made.

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.

IN THE SPOTLIGHT

EXPERT ADVICE

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 company, a relevant business partner, an excellent employer and an attractive subject for investing. To do so, ČSOB's specialists underwent international training and subsequent examination, to gain an international certificate from financial analysts, thus earning the official title of CESGA (Certified ESG Analyst). This is in addition to the knowledge and experience gained from practice.

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

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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 that make use of these opportunities. We further elaborate on these 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

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

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 prices. We review our ICP levels annually to ensure that they remain relevant. New scenarios from reliable and established providers – such as the International Energy Agency or the Network for Greening the Financial System – are used to review 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.

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- Details on our strategic approach towards the White Paper sectors 'White Paper approach'

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.

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- [More detail on KBC’s risk and capital management, including linked to ESG-related risks](#)
KBC Group Risk Report
- [More details on KBC’s sustainability framework](#)
‘Our sustainability policies’
- [Overview of KBC business ethics related corporate policies](#)
‘Business ethics’
- [More details on our sustainability and climate-related governance](#)
‘Sustainability governance’

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.

- We implemented a sector-based, environmental and social (E&S) sectoral heat map into our loan origination and review processes. We use this heat map as a tool to identify E&S risks in the Corporate and SME loan book. Additionally, KBC has implemented the ESG Assessment Guide. This is a supporting tool for credit advisors and decision makers assessing environmental and social risks with respect to loan origination. Like the heat map, the Assessment Guide’s scope extends beyond climate and takes other environmental and social risks into account.
- Customer dialogues are an essential part of KBC’s approach to better understanding how business clients are already dealing or plan to deal with sustainability challenges, and to support them in this transition. Please refer to the [‘Customer engagement’](#) section for further information.
- In 2021, we took the first steps in developing an internal carbon price (ICP) scheme. An initial, ICP-use-case pilot for lending (i.e. piloting carbon-cost impact analysis in ESG assessments) has recently been launched. More information is included in the [‘Internal Carbon Price’](#) part of this section.
- KBC Asset Management accounts for ESG risk in its investment policy by applying an exclusion policy and integrating the ESG scores of issuers. For further information please refer to the part on [‘Responsible Investing’](#).
- We also analyse the potential impact of extreme natural events on our non-life, property insurance portfolio. External broker and vendor models are used by KBC Insurance entities to model these events. Physical risks in other regions around the world are also closely monitored, as these can affect the global reinsurance market on which KBC relies.
- We are continuing various initiatives to further increase climate-risk awareness among KBC employees and management (see also the section on [‘Our people’](#) in this report).

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

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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/ORSA⁸ 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.

⁸ 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).

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Metrics and targets

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:

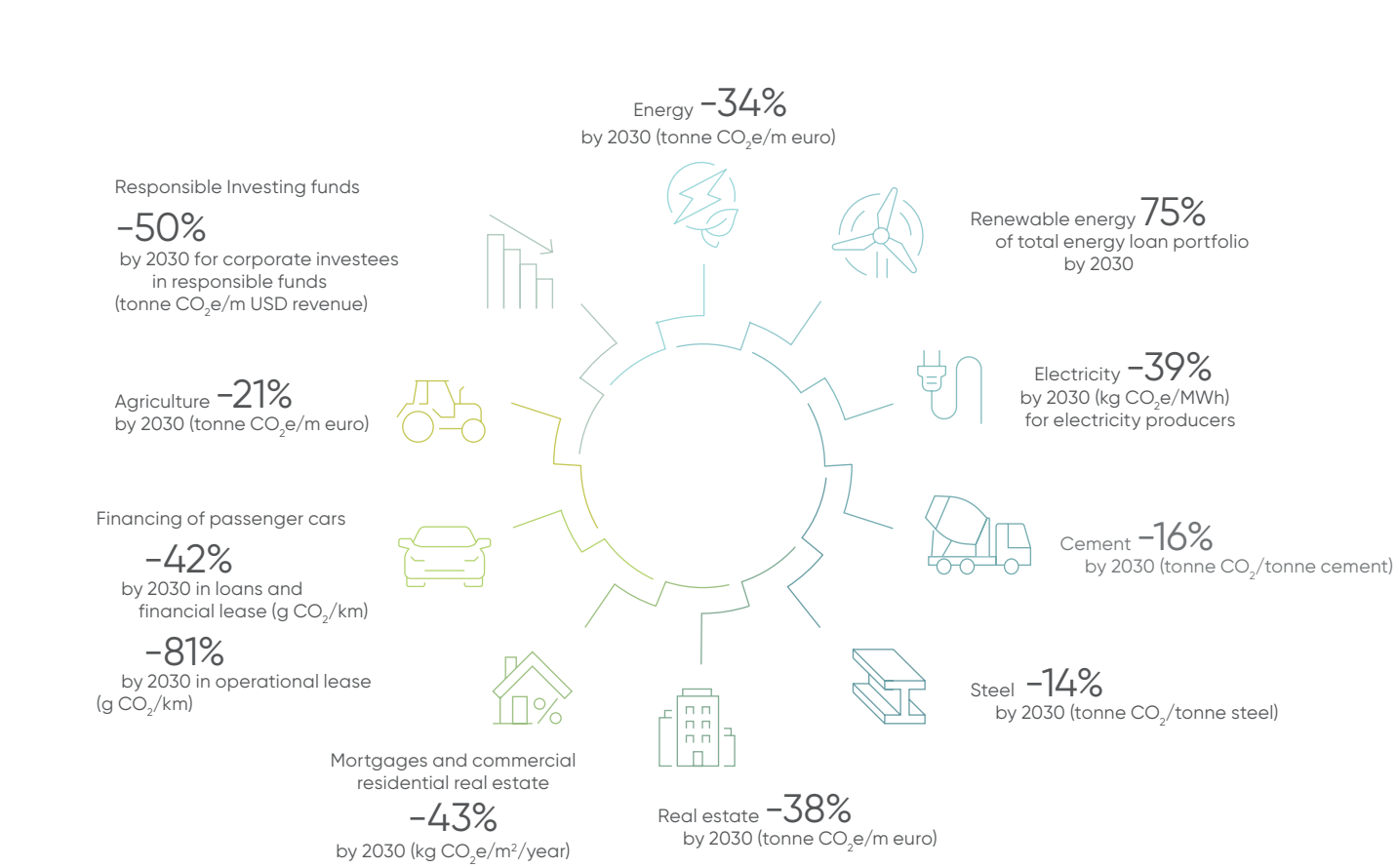
- [PACTA](#) (Paris Alignment Capital Transition Assessment);
- a [UNEP FI](#)-inspired (United Nations Environmental Programme Finance Initiative) physical and transition risk assessment, and;
- [PCAF](#) (Partnership for Carbon Accounting Financials).

For our [investment activities](#), we use the [Trucost data and methodology](#).

- [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'

Figure 6.2: Our 2030 targets for our lending business and our asset management activities¹

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.

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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.

Figure 6.3: International and sectoral commitments and methods driving KBC’s climate approach

INTERNATIONAL LEVEL		Paris Agreement	EU Green Deal	EU Taxonomy	Nationally Determined Contributions KBC Home countries
SECTORAL LEVEL		Task Force on Climate-related Financial Disclosure (TCFD)	Principles for Responsible Banking (PRB) Principles for Sustainable Insurance (PSI) Principles for Responsible Investments (PRI)	Collective Commitment to Climate Action (CCCA)	UNEP FI Guidelines for Climate Target Setting for Banks
KBC’s climate action	Key focus sectors and products	Climate metrics, targets, scenarios and methodologies			
Lending and insurance	Energy	Refer to ‘ Overview of our climate targets and progress ’ (sectors for which we have set targets)			
	Real Estate				
	Transport				
	Agriculture				
	Cement				
	Steel				
	Aluminium				
	Food producers	Refer to Sustainability Report 2021: White Papers appendix			
	Chemicals				
	Building and construction (excl. cement)				
	Metals (excl. steel and aluminium)				
Investments managed on behalf of our clients		Refer to ‘ Responsible Investing: Climate-related impact of our asset management portfolio ’			

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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.⁹

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.

⁹ 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.

READ MORE

- [More information on the EU Taxonomy and the 'Taxonomy eligibility' of KBC Group's financial activities](#)
2022 KBC Group Annual Report



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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 Pillar 3 reporting) due to differences in scope and calculation methods.

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.

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 with forward-looking sector information from the consulted climate scenarios. Secondly, physical emission intensities have a stronger link to counterparty production decisions and are for that reason helpful in engaging with clients on the specific drivers of their emissions. Thirdly, emission intensities help KBC monitor its influence on real emission reductions without merely shifting or lowering the exposure to certain sectors (this in contrast to targets based on absolute emissions which could well be achieved by merely pursuing an exposure strategy).

This last point goes hand in hand with the challenge of taking account of transition finance in carbon-intensive sectors. Emission intensities incentivise 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 categorised as financed emissions.¹⁰

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](#).

For some White Paper (sub-)sectors¹¹ 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.

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](#).

¹¹ Specifically relevant for the automotive, building and construction (excluding cement producers), metals (excluding steel and aluminium producers) and chemicals sectors.

READ MORE



- [More details on target-setting approach](#)
KBC Group Climate Report
- [Detailed portfolio and financed GHG-emissions data](#)
'Sustainability facts and figures'

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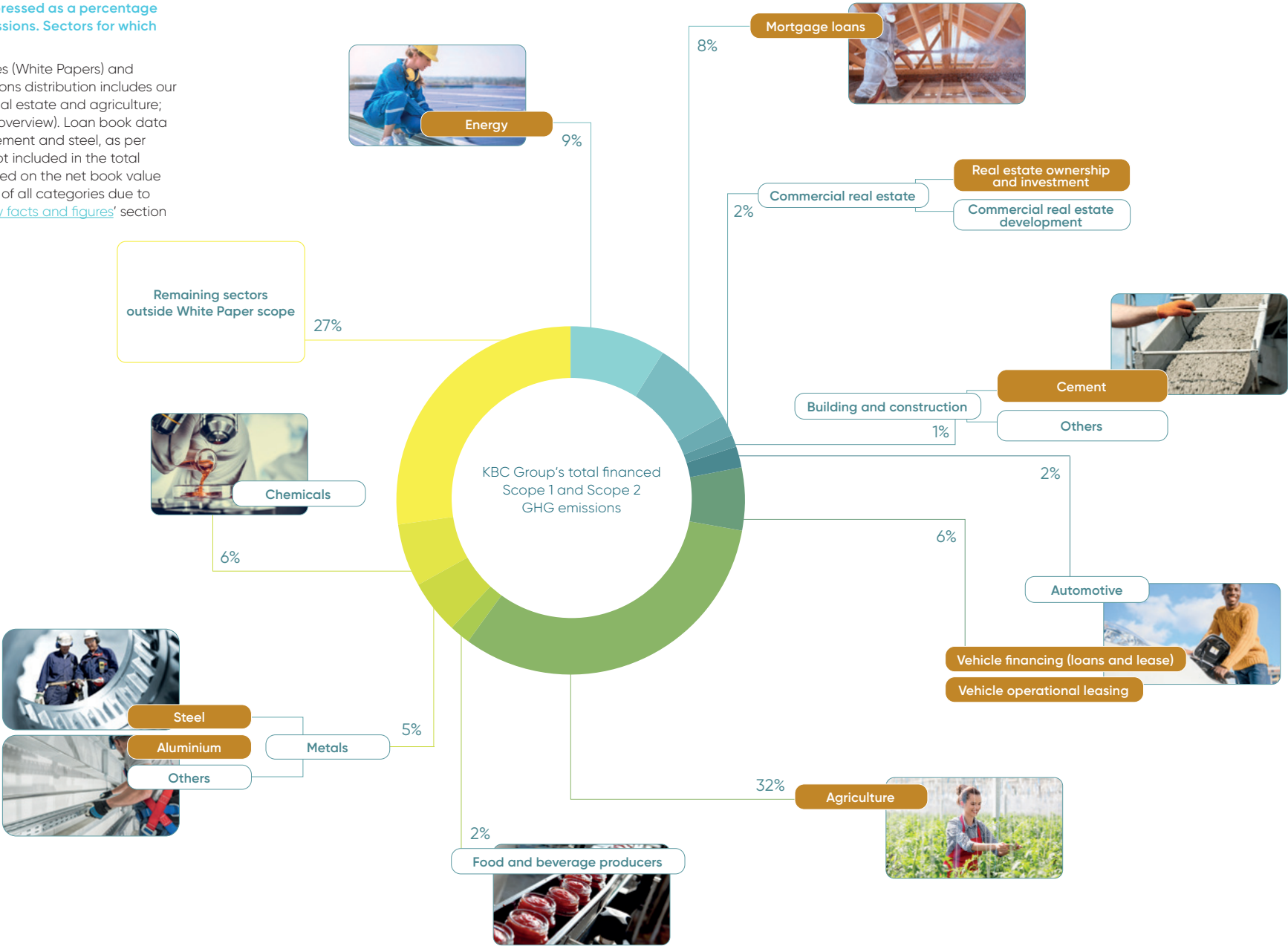
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Figure 6.4: Financed Scope 1 and 2 GHG emissions expressed as a percentage of KBC Group's total financed Scope 1 and 2 GHG emissions. Sectors for which targets are set are highlighted in brown.

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.



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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:

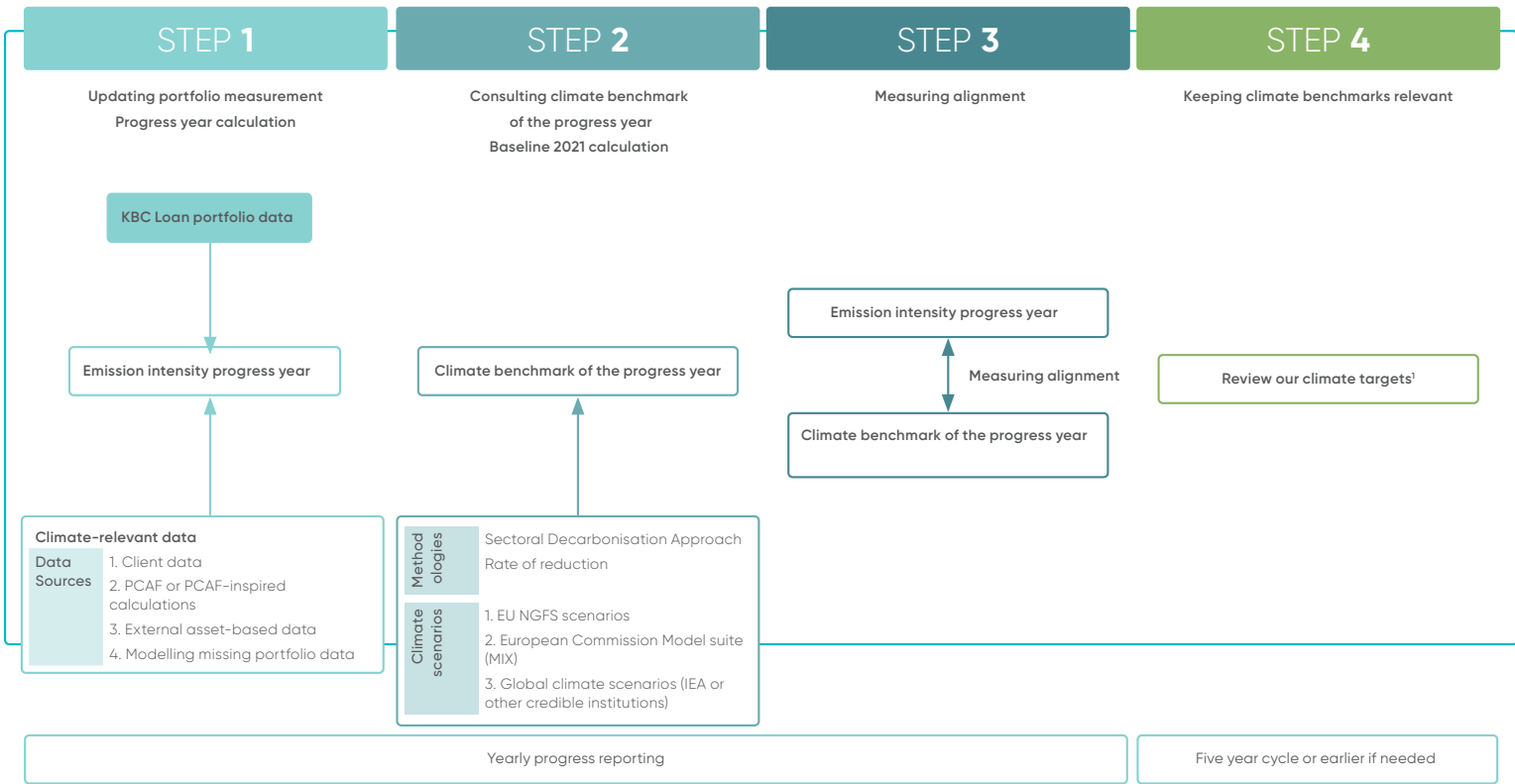
- Calculating the 2022 emission intensities or reduction rates of the sectors and products in scope. We outline our 2022 portfolio emission intensities or reduction rates in [Table 6.3](#) under the 'KBC portfolio value' heading.
- Comparing these 2022 emission intensities and reduction rates against 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



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'

Figure 6.5: Overview of KBC's progress reporting approach



¹The [UNEP FI Guidelines on Climate Target Setting](#) stipulate that targets shall be reviewed every five years.

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.

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Table 6.3: Overview of our climate targets and progress (restated figures highlighted)
Data independently verified by PwC (limited assurance) as part of this progress report are expressly earmarked with the adjoining symbol . Where relevant, PwC verified any subsequent changes to the 2021 baseline data and underlying calculations.

White Paper sectors	(Sub)sector within scope of target setting		Scope ¹	Scenario/ Pathway (if applicable)	Data measurement methodology	Financial exposure in scope in m euros ²	Metric	Baseline 2021 portfolio	2022 KBC portfolio value	2022 KBC pathway value	Progress indicator ³	2022 versus baseline	2030 target	2050 target
														
<u>Energy</u>	Energy ⁴ (whole sector)		1 + 2	Not applicable	PCAF	4 389	t CO ₂ e/m euros outstanding	453	419	434		-8%	-34%	-82%
	Electricity ⁴		1	Below 2°C (NGFS Phase 2)	PCAF	2 448	kg CO ₂ e/MWh	210	208	204		-1%	-39%	-77%
<u>Real Estate</u>	Commercial real estate and mortgages (whole sector excl. pure commercial development)		1 + 2	Not applicable	PCAF inspired ⁵	76 880	t CO ₂ e/m euros outstanding	27	26	26		-4% ⁶	-38%	-72%
	Mortgages and commercial residential real estate		1 + 2	Below 2°C (NGFS Phase 2)	PCAF inspired ⁵	69 294	kg CO ₂ e/m ² /year	50	49	48		-3% ⁶	-43%	-85%
<u>Transport</u>	Vehicle loans and financial lease	Passenger cars	1	Net Zero 2050 (European Commission MIX)	PCAF inspired ⁵	2 969	g CO ₂ /km	139	140	137		+1%	-42%	-100%
		Light commercial vehicles	1		PCAF inspired ⁵	715		208	203	206		-2%	-30%	-84%
	Vehicle operational lease	Passenger cars	1		PCAF inspired ⁵	1 158		133	124	131		-7%	-81%	-100%
		Light commercial vehicles	1		PCAF inspired ⁵	71		196	197	195		+1%	-33%	-90%
<u>Agriculture</u>	Agriculture (whole sector)		1 + 2	Below 2°C (NGFS Phase 2)	PCAF	5 012	t CO ₂ e/m euros outstanding	1 405	1 392	1 372		-1%	-21%	-34%
<u>Building and construction</u>	Cement producers		1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	126	t CO ₂ /t cement	0.69	0.68	0.67		-0.4%	-16%	-68%
<u>Metals</u>	Steel producers		1 + 2	Below 2°C (IEA ETP 2020 SDS)	PACTA	767	t CO ₂ /t steel	1.34	1.51	1.31		+13%	-14%	-56%
	Aluminium producers		1 + 2	Below 2°C (TPI)	Client information	22	t CO ₂ e/t aluminium	0.59	0.59	4.64 ⁷		+1%	Stay well below the global sectoral intensity climate benchmark	

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, electricity and aluminium our 2021 baseline is restated for reasons explained further on in this report. Due to still-limited, non-financial data availability across various sectors, clients and assets, the financed emissions for our baselines and progress measurement may deviate from the stricto-sensu definition of the GHG Protocol and PCAF Global Standard (for all sectors except the cement and steel sectors, as well as the electricity sub-sector), which requires us to measure the share of the emissions from an asset, or the activities of any company financed by KBC. While the loan value was known and leveraged in our calculations, the asset value could not always be retrieved and was therefore not taken into account in such cases. In these instances, we use the term 'PCAF inspired'. Please note that the full financed emissions calculation, as included in the [Sustainability facts and figures](#) section of this report, is fully based on the PCAF Global Standard.

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 June 2022. For the aluminium sector, 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. 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 including its subsidiaries are excluded from our climate targets but are included in KBC Group's consolidation scope) and (ii) scope of sub-sectors.
³ 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.
⁴ For the 2022 emission intensity calculations the data collection year for Scope 1 and 2 emissions and company value (debt + equity) may differ. This may lead to an overestimation or underestimation of the final emission intensity.
⁵ More information available in the [Methodologies explained](#) appendix of this report.
⁶ Changes to the intensity are not solely due to improvement in KBC's portfolio performances but also to methodological choices and data quality improvements.
⁷ This value reflects the global climate benchmark value of the whole sector according to the TPI Below-2°C pathway and not a KBC-specific portfolio convergence value.

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White Paper sectors

Energy

Energy production, oil and gas, transmission and distribution

4.4
BILLION EUROS OUTSTANDING IN SCOPE

Electricity

-39%
TARGET 2030 VERSUS 2021 (kg CO₂e/MWh)

-1%
2022 VERSUS 2021 BASELINE



Energy

-34%
TARGET 2030 VERSUS 2021 (tonne CO₂e/m euros outstanding)

-8%
2022 VERSUS 2021 BASELINE



Portfolio overview

The energy sector is a major contributor to the climate impact of the EU, accounting for 28% of total GHG emissions.¹² 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 euros. 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 \(1.8 Megatonnes CO₂e\).](#)

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.

Table 6.4: Exposure and financed emissions (scope of existing climate targets) per 30 September 2022¹

Sector	Sub-sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO ₂ e
Energy		4 389	1 837 478
	Electricity generation	2 448	1 057 205 ²
	Oil and gas	378	330 410
	Transmission and Distribution	1 514	425 256
	Biofuels	49	24 608

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 financed emissions for the electricity generation sectors only cover Scope 1 emissions.

¹² 2019 data European Environmental Agency (EEA): [EEA greenhouse gases data viewer](#)

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 14 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

Renewable energy		Baseline 2021	2022 progress	2030 target	
Share of renewables in total energy loan portfolio (excluding transmission and distribution)		63%	63%	Minimum 75%	
Electricity	Baseline 2021 (kg CO ₂ e/MWh)	2022 progress (kg CO ₂ e/MWh)	2022 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	210	208 	204	127	49
% change		-1% 		-39%	-77%
Energy whole sector	Baseline 2021 (t CO ₂ e/m euros)	2022 progress (t CO ₂ e/m euros)	2022 KBC pathway value ¹	2030 target	2050 target
Aggregated KBC Group target	453	419 	434	300	82
% change		-8% 		-34%	-82%

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.

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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 8%. 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%.

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CLIMATE-RELATED OPPORTUNITIES: PRODUCTS AND SERVICES

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.

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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.

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Real Estate

Mortgages, residential and non-residential commercial real estate

77
BILLION EUROS OUTSTANDING IN SCOPE

Residential real estate

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

-3%
2022 VERSUS 2021 BASELINE



Real estate

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

-4%
2022 VERSUS 2021 BASELINE



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 emissions¹³ 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 2022¹

Sector	Sub-sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO ₂ e
Real estate			
	Residential real estate – mortgages	66 829	1 618 442
	Residential real estate – commercial	2 465	47 823
	Non-residential real estate – commercial	7 585	348 454

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

Residential real estate	Baseline 2021 (kg CO ₂ e/m ²)	2022 progress (kg CO ₂ e/m ²)	2022 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	50	49 	48	29	7
% change		-3% 		-43%	-85%

Real estate whole sector	Baseline 2021 (t CO ₂ e/m euros)	2022 progress (t CO ₂ e/m euros)	2022 KBC pathway value ¹	2030 target	2050 target
Aggregated KBC Group target	27	26 	26	17	8
% change		-4% 		-38%	-72%

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.

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¹³ 2019 data European Environmental Agency (EEA): [EEA greenhouse gases data viewer](#)

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.

IN THE SPOTLIGHT

CLIMATE-RELATED OPPORTUNITIES: PRODUCTS AND SERVICES

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 Green¹⁴ 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.

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¹⁴ The term ‘green’ is used in accordance with the Hungarian National Bank’s framework.

Transport

Automotive and vehicle financing

4

BILLION EUROS

OUTSTANDING IN SCOPE FOR FINANCIAL LEASE AND LOANS

1.2

BILLION EUROS

NET BOOK VALUE IN SCOPE FOR OPERATIONAL LEASE

Financial lease and loans of passenger cars

-42%

TARGET 2030 VERSUS 2021 (g CO₂/km)

+1%

2022 VERSUS 2021 BASELINE



Operational lease of passenger cars

-81%

TARGET 2030 VERSUS 2021 (g CO₂/km)

-7%

2022 VERSUS 2021 BASELINE



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.¹⁵

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

Product type	Sector	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1) in t CO ₂ e
Loans and financial leasing	Passenger cars	2 969	226 269
	Light commercial vehicles	715	101 210
Operational leasing ¹	Passenger cars	1 158	186 861
	Light commercial vehicles	71	37 124

¹ Exposure reflects the net book value of the leased vehicles

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.

TARGETS

TRANSPORT CLIMATE TARGETS AND PROGRESS

Passenger cars and light commercial vehicles		Base-line 2021 (g CO ₂ /km)	2022 Progress (g CO ₂ /km)	2022 KBC pathway value (EC MIX scenario) (g CO ₂ /km)	2030 target	2050 target
Passenger cars loan and financial leasing	Aggregated KBC Group target	139	140 	137	81	0
	% change		+1% 		-42%	-100%
Light commercial vehicle loan and financial leasing	Aggregated KBC Group target	208	203 	206	145	33
	% change		-2% 		-30%	-84%
Passenger cars operational leasing	Aggregated KBC Group target	133	124 	131	25	0
	% change		-7% 		-81%	-100%
Light commercial vehicle operational leasing	Aggregated KBC Group target	196	197 	195	132	19
	% change		+1% 		-33%	-90%

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¹⁵ Source: Transport and environment report 2021, European Environment Agency

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, 65% 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.

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Agriculture

5
BILLION EUROS OUTSTANDING IN SCOPE

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

-1%
2022 VERSUS 2021 BASELINE



Portfolio overview

The agricultural sector is responsible for an estimated 13% of GHG emissions in the EU.¹⁶ 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).

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

Agriculture	Outstanding loan exposure (in m euros) ¹	Financed emissions (scope 1 + 2) in t CO ₂ e
	5 012	6 980

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. forestry is not within the scope of our climate targets but is included in the overall agriculture sector segmentation of the loan portfolio).

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.

TARGETS

AGRICULTURE CLIMATE TARGETS AND PROGRESS

Agriculture	Baseline 2021 (t CO ₂ e/m euros)	2022 progress (t CO ₂ e/m euros)	2022 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 target	2050 target
Aggregated KBC Group target	1 405	1 392 ✓	1 372	-21%	-34%
% change		-1% ✓			

The financial targets have not been adjusted for inflation.

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¹⁶ 2019 data European Environmental Agency (EEA): [EEA greenhouse gases data viewer](#)

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.

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Cement¹⁷

Sub-sector of the building and construction sector

126

MILLION EUROS GRANTED EXPOSURE IN SCOPE

-16%

TARGET 2030 VERSUS 2021 (tonne CO₂e/t cement)

-0.4%

2022 VERSUS 2021 BASELINE

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 26% of industrial emissions globally.¹⁸

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.¹⁹

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

Sector	Sub-sector	Granted exposure (in m euros) ¹	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO ₂ e
Building and construction				
	Cement ²	126	16	21 290

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).

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.

TARGETS

CEMENT CLIMATE TARGETS AND PROGRESS

Cement	Baseline 2021 (t CO ₂ /t cement)	2022 progress (t CO ₂ /t cement)	2022 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO ₂ /t cement)	2030 target	2050 target
Aggregated KBC Group target ¹	0.69	0.68	0.67	0.58	0.22
% change		-0.4%		-16%	-68%

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

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¹⁷ 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 benchmark.

¹⁸ IEA (2021), Energy Technology Perspectives 2020. All rights reserved.
¹⁹ Calculation based on 30 June 2022 outstanding loan portfolio data.

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.

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Steel²⁰ and aluminium

Sub-sector of the metals sector

Steel

767
MILLION EUROS GRANTED EXPOSURE IN SCOPE

-14%
TARGET 2030 VERSUS 2021 (tonne CO₂e/t steel)



+13%
2022 VERSUS 2021 BASELINE

Aluminium

22
MILLION EUROS GRANTED EXPOSURE IN SCOPE

TARGET TO STAY WELL BELOW THE GLOBAL MARKET CLIMATE BENCHMARK

+1%
2022 VERSUS 2021 BASELINE (tonne CO₂e/t aluminium)



²⁰ 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, 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

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.²¹

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.²²

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 2022.²³

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)

Sector	Sub-sector	Granted exposure (in m euros) ¹	Outstanding loan exposure (in m euros)	Financed emissions (Scope 1 + 2) in t CO ₂ e
Metals				
	Steel ²	767	491	710 195
	Aluminium ²	22	21	9 897

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).

²¹ IEA (2021), Energy Technology Perspectives 2020, All rights reserved.
²² IEA (2021), Aluminium tracking report, <https://www.iea.org/reports/aluminium>. All rights reserved.
²³ Calculation based on 30 June 2022 outstanding loan portfolio data.

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.

TARGETS
STEEL CLIMATE TARGETS AND PROGRESS

Steel	Baseline 2021 (t CO ₂ / t steel)	2022 progress (t CO ₂ /t steel)	2022 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO ₂ /t steel)	2030 target	2050 target
Aggregated KBC Group target ¹	1.34	1.51	1.31	1.15	0.59
% change		+13%		-14%	-56%

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

ALUMINIUM CLIMATE TARGETS AND PROGRESS

Aluminium	Baseline 2021 (t CO ₂ e/t aluminium)	2022 progress (t CO ₂ e/t aluminium)	2030 target	2050 target
Aggregated KBC Group target ¹	0.59 ²	0.59	Stay well below the global sectoral in-tensity climate benchmark	
% change		+1%		

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.

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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.

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Investment portfolio assessment

–50%
TARGET 2030 VERSUS 2019 BENCHMARK (tonne CO₂e/million USD revenue) FOR CORPORATE INVESTEEES 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 [Trucost 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 bonds²⁴

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 client’](#) and the [Trucost appendix](#) of this report.

TARGETS

RESPONSIBLE FUNDS CLIMATE TARGETS AND PROGRESS

Indicator	2019 benchmark	Baseline 2021	2022 ¹	2025 target	2030 target
Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds (tCO ₂ e/million USD revenue)	196	–	66 (–67%)	–	98 (–50% versus 2019 benchmark) ²

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 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.

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).

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- [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 (63% 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. But 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.

Pensioenfond KBC investments

Equities

The carbon intensity of the equities within the portfolio of *Pensioenfond 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 *Pensioenfond 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 seen 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 *Pensioenfond 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.

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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.

A close-up photograph of a woman with long, dark, curly hair, smiling warmly at the camera. She is wearing a black headset with a microphone. In the foreground, the top edge of a computer monitor is visible, partially obscuring the bottom of her face. The background is a blurred office environment with warm lighting and shelves.

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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 our 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 [data and metrics project](#) 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

	Note	Unit	2022	2021	2020
Operating costs	1	m euros	1 237	1 058	1 015

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.

	Note	Unit	2022	2021	2020
Number of suppliers that signed the Code of Conduct for suppliers	1	number	3 042	3 200	2 553

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

Employees

	Note	Unit	2022	2021	2020
Staff expenses	1	m euros	2 561	2 457	2 329

¹ FY data, see note 3.8 of the [2022 KBC Group Annual Report](#).

Shareholders

	Note	Unit	2022	2021	2020
Net result	1	m euros	2 743	2 614	1 440
Gross dividend per share	2	euros	4.0	8.6	2.44

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

	Note	Unit	2022	2021	2020
Interest paid to clients (interest expense)	1	m euros	6 046	1 869	1 797

¹ FY data, see note 3.1 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

	Note	Unit	2022	2021	2020
Total corporate community investment	1, 2	m euros	18.3	13.0	11.9

¹ Based on the [B4SI \(Business for Societal Impact\) 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](#).

	Note	Unit	2022	2021	2020
Annual total monetary contributions to trade associations, industry associations and business associations	1	m euros	5.03	5.00	4.44
Largest contributions:					
Febelfin (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

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Financing contributing to environmental objectives

	Note	Unit	Target	2022	2021	2020
Loan portfolio in renewable energy and biofuel sector (granted amount)		bn euros		2.26	2.11	1.84
Of which renewable energy project finance (granted amount)	1	bn euros		1.73	1.74	1.48
Avoided GHG emissions through renewable energy project finance	2	tonnes CO ₂ e		601 368	447 460	448 351
Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio (excluding transmission and distribution)		%	75 (2030)	63	63	61
Mortgages for energy efficient housing (granted amount)	3	bn euros		11.7	9.5	8.8
Low carbon vehicles financing (outstanding amount)	4	m euros		319	120	
Exposure to coal-related activities: remaining direct coal-related financing (granted amount at year-end)	5	m euros	0 (2021)	14	16	28

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 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 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 EPC labels or on first approximation where no labels were available.

⁴ Includes aligned 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 and meeting the substantial contribution criteria of the EU Taxonomy; including bicycles, motorbikes, 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 14 million euros granted exposure related to a participation in the financing of a coal-fuelled power plant in a non-core market. The 2021 and 2020 reported amounts are restated accordingly. 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.

Social impact finance

	Note	Unit	2022	2021	2020
Loan portfolio in healthcare and senior living sector (granted amount)	1	bn euro	6.20	6.06	6.09
Loan portfolio in education sector (granted amount)	1	bn euro	1.15	1.09	1.03

¹ FY data

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.

Policy domain	Total	Conclusion of advice			Type of advice		
		Positive	Positive with conditions	Negative	Related to lending	Related to insurance	Related to advisory services
Human rights	1	1	0	0	1	0	0
Controversial weapons (including nuclear and white phosphorous weapons)	5	4	1	0	4	1	0
Controversial regimes	8	2	3	3	8	0	0
Biodiversity	18	15	1	2	15	3	0
Soft commodity speculation	0	0	0	0	0	0	0
Arms-related activities with exception of controversial weapons	59	41	6	12	44	15	0
Energy	126	89	27	10	124	2	0
Gambling	14	5	2	7	11	3	0
Tobacco	18	6	1	11	13	5	0
Others	21	14	4	3	16	5	0
Total	270	177	45	48	236	34	0

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KBC green bonds

	Note	Unit	2022	2021	2020
Current year					
Total amount of green bonds issued	1	m euros	0	750	500
Aggregated					
Total amount of green bonds issued	1	m euros	1 750	1 750	1 000
Total annual avoided emissions	1, 2	tonnes CO ₂ e	279 862	298 789	188 139
Total renewable energy produced	1, 2	MWh	1 581 435	1 383 667	775 162
Total energy saved	1, 2	MWh	82 656	76 804	38 827

¹ FY data
² Includes end-of-year data for 2022 and 2021 and data as of 31 March for 2020.

KBC social bond

	Note	Unit	2022	2021	2020
Current year					
Total amount of social bonds issued	1, 2	m euros	750	-	-
Aggregated					
Total amount of social bonds issued	1, 2	m euros	750	-	-

¹ FY data
² We will publish our KBC Social Report in the second quarter of 2023. In it, we will report on social indicators related to the projects allocated to [KBC's inaugural Social Bond](#).

Responsible Investing (RI)

	Note	Unit	Target	2022	2021	2020
Total RI direct client money	1	bn euros		32.3	31.7	16.8
RI funds in % of total assets under distribution (AUD) (direct client money)	1		45% (2025) 55% (2030)	37%	-	-
RI funds in % of total annual fund production (gross sales)	1, 2	%	65% (2030)	48	55	40
Carbon-intensity (Scope 1 + 2) of corporate investees in Responsible funds	1, 3	tCO ₂ e/m USD revenue (%)	98 (-50% versus 2019 bench-mark 196) (2030)	66 (-67%)		

¹ FY data
² The drop in the share of RI funds in the total annual gross sales is the result of the success in 2022 of non-RI funds, playing into 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 end 2019 (i.e. 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 the Responsible funds combined score on carbon intensity is already below its target of a 50% reduction by 2030, versus 2019. However, 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 may lead to a restatement of the target by 2030.

Equator Principles

	Note	Unit	2022	2021	2020
Project finance, number of transactions	1	number	11	9	9
of which Category A transactions*	1	number	0	0	0
of which Category B transactions**	1	number	3	5	7
of which Category C transactions***	1	number	8	4	2
Project-related corporate loans, number of transactions	1	number	13	8	13
of which Category A transactions*	1	number	0	0	0
of which Category B transactions**	1	number	0	0	0
of which Category C transactions***	1	number	13	8	13
Project finance advisory	1	number	0	0	0
Project finance and project-related corporate loans, by sector	1				
Real estate	1, 2	number	13	8	11
Infrastructure	1	number	2	2	3
Power	1	number	8	7	6
Other	1	number	1	0	2
Project finance and project-related corporate loans, by region	1				
Europe, Middle East and Africa	1	number	24	17	22
Project finance and project-related corporate loans, designated country	1				
Yes	1	number	18	17	14
No	1	number	6	0	8
Project finance and project-related corporate loans, independent review	1				
Yes	1	number	6	8	6
No	1	number	18	9	16

* Category A projects are projects with potential significant adverse environmental and social risks and/or severe impacts.
** Category B projects are projects with potential limited adverse environmental and social risks and/or impacts that are less severe.
*** Category C projects are projects with minimal risks and projects in legal compliance in the country of execution.
¹ FY data
² From 2020 onwards our Equator Principles reporting also includes large real estate development and real estate re-development projects, albeit confined to projects with investment costs exceeding 30 million euros.

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Financial inclusion and impact investing

BRS vzw

	Note	Unit	2022	2021	2020
Number of projects in the Global South	1	number	14	10	14
Number of countries	1	number	9	9	11
Financial support for projects	1	euros	145 005	161 904	252 765
Number of days of coaching and training (mainly by KBC staff volunteering for BRS)	1	number	408	236	267
Number of days of training via Microfact, a training platform jointly created by BRS and partner organisation ADA, specialising in performance management for microfinance and microinsurance	1	number	105	142	257
Budget spent on coaching and training	1	euros	101 983	74 044	57 038

¹ FY data

BRS Microfinance Coop

	Note	Unit	2022	2021	2020
Cooperative share capital	1	m euros	22.2	22.3	22.38
Share of capital contributed by KBC		%	33.77	33.62	33.51
Outstanding balance (loans to microfinance institutions and investment in microfinance funds)	1	m euros	9.7	10.2	11.5
Number of microfinance institutions financed	1	number	6	8	10

¹ FY data

UNEP FI Principles for Sustainable Insurance (PSI)

KBC became a signatory to the UNEP FI PSI in 2018. These principles serve as the global framework for insurance companies to better manage ESG risks and opportunities in their core business strategies and operations.

As a PSI signatory, we report on our progress in embedding the principles into all aspects of our operations. This reporting and self-assessment template outlines the activities we have undertaken to demonstrate our commitment to the UNEP FI PSI. The template is included in the ‘[Principles for Sustainable Insurance](#)’ appendix of this report.

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

	Note	Unit	Target	2022	2021	2020
Number of start-ups supported through Start it @KBC in Belgium	1	number		142	130	134
Female entrepreneurs selected (as a % of total entrepreneurs)	1, 2	%	50%	34%	46%	53%

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

	Note	Unit	2022	2021	2020
Employees that have completed training in:					
Anti-money laundering (as a % of target audience)	1	%	97	99	97
General Data Protection Regulation (GDPR) (as a % of target audience)	1	%	96	97	97
Anti-corruption		%	98	96	–
Cyber security		%	100	100	100

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.

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Employees¹

Number of employees

	Note	Unit	2022	2021	2020
Full-time equivalents (FTE)	1, 2	number	39 215	37 244	37 354
Headcount	1, 2	number	41 873	40 088	40 401
Full-time equivalents (FTE) excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	39 081	37 091	37 218
Headcount excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	41 071	39 025	39 255

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.

Non-employee workers

	Note	Unit	2022	2021	2020
Non-employee workers	1, 2		3 342	-	-

¹ Scope: This includes external employees in the category of ‘Capacity Services Belgium’ and the KBC and CBC independent, affiliated insurance agents in Belgium (including their employees).

² The KBC and CBC insurance agencies qualify as independent, affiliated insurance agents. In performing their insurance distribution activities, they act as commercial agents in the name and on behalf of their principal, KBC Insurance NV. The KBC and CBC insurance agencies, their directors and their staff members do not act in any way as employees of KBC Insurance NV or, by extension, of any other entities of the KBC Group.

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 categories).

Employees, by country

	Note	Unit	2022	2021	2020
Belgium		%	38.2	40.4	41.4
Bulgaria		%	15.9	10.7	10.1
Czech Republic		%	24.9	25.9	26.4
Hungary		%	9.3	9.7	9.9
Ireland		%	2.6	3.0	3.4
Slovakia		%	8.1	9.3	7.9
Rest of the world		%	1.0	1.0	1.0

Employees, by age group

	Note	Unit	2022	2021	2020
Total employees					
< 30 years		%	14	14	15
30–50 years		%	56	57	57
> 50 years		%	30	29	28
Board of Directors					
< 30 years		%	0	0	0
30–50 years		%	12	6	13
> 50 years		%	88	94	87
Executive Committee					
< 30 years		%	0	0	0
30–50 years		%	28	14	0
> 50 years		%	72	86	100

Employees, by employment type

	Note	Unit	2022	2021	2020
Permanent		%	95	95	95
Temporary		%	5	5	5
Full-time		%	84	83	83
Part-time		%	16	17	17

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Employees, by employment type, by gender

	Note	Unit	2022		2021		2020	
			Men	Women	Men	Women	Men	Women
Full-time		%	47	53	48	52	48	52
Part-time		%	24	76	24	76	24	76
Permanent		%	44	56	-	-	-	-
Temporary		%	33	67	-	-	-	-

Employees, by employment type, by country

	Note	Unit	2022	2021	2020
Belgium					
Permanent		%	99.6	98.9	98.5
Temporary		%	0.4	1.1	1.5
Bulgaria					
Permanent		%	97.1	96.6	96.3
Temporary		%	2.9	3.4	3.7
Czech Republic					
Permanent		%	89.4	89.8	89.5
Temporary		%	10.6	10.2	10.5
Hungary					
Permanent		%	99.2	99.5	99.5
Temporary		%	0.8	0.5	0.5
Ireland					
Permanent		%	97.7	96.0	96.5
Temporary		%	2.3	4.0	3.5
Slovakia					
Permanent		%	85.3	88.1	86.2
Temporary		%	14.7	11.9	13.8
Rest of the world					
Permanent		%	98.9	94.5	93.3
Temporary		%	1.1	5.5	6.7

Employees, by function classification

	Note	Unit	Target	2022	2021	2020
Senior management (Top 300)		%		0.5	0.5	0.6
Middle and junior management	1	%		40.8	40.3	39.6
White and blue collar	1	%		58.7	59.2	59.8

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

New employees and employee turnover

	Note	Unit	2022	2021	2020
New employee hires, total headcount		number	5 120	3 799	3 590
Employee turnover, total headcount	1, 2	%	15.3	14.5	11.9
Proportion of voluntary leavers		%	89.2	80.5	79.1
Internal mobility	3	%	14.6	24.4	22.0
Average seniority		years	13	13	13

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 in 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.

³ Internal mobility is the internal mobility divided by the total headcount at the end of the reporting period.

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New employee hires and employee turnover, by country

	Note	Unit	2022	2021	2020
New employee hires					
Belgium		number	1 156	723	483
Bulgaria		number	1 392	809	817
Czech Republic		number	1 394	1 130	1 192
Hungary		number	694	646	482
Ireland		number	16	53	113
Slovakia		number	417	410	480
Rest of the world		number	51	28	23
Employee turnover					
Belgium	1	%	11.5	10.1	9.5
Bulgaria	2	%	23.5	17.7	17.9
Czech Republic		%	13.9	17.7	12.3
Hungary		%	18.7	18.8	15.5
Ireland	3	%	11	21.4	13.5
Slovakia	4	%	18.4	14.9	12.3
Rest of the world		%	13.8	8.5	10.7

- ¹ The figure reported in 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.
- ² The increased turnover in Bulgaria in 2022 was mainly due to the merger with the Bulgarian operations of Raiffeisen Bank International and staff anticipation of expected, structural changes.
- ³ The increased turnover in KBC Ireland in 2021 was a consequence of the announced sale of the Irish portfolio to Bank of Ireland.
- ⁴ The increased turnover in Slovakia in 2022 was mainly due to the merger with OTP Bank taking its full effect.

New employee hires, by age

	Note	Unit	Target	2022	2021	2020
< 30 years		%		45.5	47.0	45.5
30-50 years		%		45.1	46.2	47.5
> 50 years		%		9.4	6.8	7.0

New employee hires, by gender

	Note	Unit	2022		2021		2020	
			Men	Women	Men	Women	Men	Women
New employee hires		%	40.2	59.8	39.9	60.1	39.7	60.3

Diversity and inclusion

	Note	Unit	2022	2021	2020
Employees by gender					
Male		%	43	44	44
Female		%	57	56	56
Women promoted as a % of total promotions	1	%	59	59	58.7

¹ Restatement of the 2021 figures 'Women promoted as a % of total promotions'.

Gender diversity, by management level

	Note	Unit	2022		2021		2020	
			Men	Women	Men	Women	Men	Women
Board of Directors		%	62	38	62	38	62	38
Group Executive Committee	1	%	86	14	86	14	86	14
Senior management	2	%	76	24	76	24	78	22
Middle and junior management	3	%	57	43	59	41	59	41
White and blue collar	3	%	33	67	33	67	34	66

- ¹ We aim to achieve a more balanced gender representation on our Executive Committee. For more information, please refer to our [Corporate Governance Charter](#).
- ² 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 candidate and one male candidate for every new senior management nomination.
- ³ The 2020 figures are restated due to changes made to the grade-leveilling system of employees in Belgium.

Diversity of nationalities¹

	Note	Unit	2022	2021	2020
Belgian		%	37	-	-
Czech		%	24	-	-
Slovak		%	9	-	-
Bulgarian		%	16	-	-
Hungarian		%	9	-	-
Other		%	5	-	-

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.

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Health and workplace

	Note	Unit	2022	2021	2020
Sick leave (days)		number	9.0	8.0	7.5
Sick-leave rate (share of working days)		%	4.2	3.8	3.5
Lost-time injury frequency rate (LTIFR) (per million hours worked)	1, 2	number	1.91	1.98	5.0
Employees entitled to workplace flexibility options (as a % of total headcount)		%	99	80	80
Employees able to control and/or vary the start or end times of the working day or working week (as a % of total headcount)		%	99	99	99
Employees able to control and/or vary the location where they work (as a % of total headcount)		%	99	99	98

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.

Labour relations

	Note	Unit	2022	2021	2020
Employees covered by collective bargaining agreements	1	%	77	82	81
Employees covered by employee representation structures	2	%	74	79	77

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 2022 compared to 2021. This is due to the acquisition of the Bulgarian operations of Raiffeisen Bank International.

Competence, learning and development and engagement

Highest educational level achieved

	Note	Unit	2022	2021	2020
Master's degree and higher		%	38.4	36.9	35.6
Bachelor's degree		%	34.4	35.6	35.6
Secondary education certificate		%	27	27.3	28.6
Primary education certificate		%	0.2	0.2	0.3

Learning and development

	Note	Unit	2022	2021	2020
Total time spent on learning and development per FTE	1,2	days	4.0	4.0	3.6
Money invested in learning and development		m euros	24.2	22	12.9
Employees participating in (top) talent development programmes (end-of-year data)	3,4	number	24	331	392
Male		number	11	217	265
Female		number	13	114	127
KBC University Programme					
Total time spent by top management and top talent on KBC University training programmes and events	3,5,6	days	408	123	602

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.

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Group employee survey

	Note	Unit	2022		2021		2020
Response rate ¹			1st half year	2nd half year	1st half year	2nd half year	
Belgium		%	75	77	69	64	57
Bulgaria	2	%	76	78	64	75	64
Czech Republic	2	%	74	80	31	-	37
Hungary		%	85	87	85	84	70
Ireland		%	-	-	-	-	72
Slovakia		%	50	43	44	45	55
Group Services branches Czech Republic and Bulgaria		%	88	88	78	83	77

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
Engagement score ¹			1st half year	2nd half year	1st half year	2nd half year	
Belgium		%	69	72	72	68	74
Bulgaria	2	%	70	65	70	69	61
Czech Republic	2	%	73	76	74	-	71
Hungary		%	64	68	62	55	70
Ireland		%	-	-	-	-	69
Slovakia		%	62	58	59	67	65
Group Services branches Czech Republic and Bulgaria		%	66	70	71	71	64

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 – 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.

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.

	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		m euros	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			
Charitable donations		m euros	4.3	1.8	2.0
Community Investments		m euros	12.4	9.5	7.1
Commercial activities		m euros	1.6	1.7	2.8
Employee volunteering hours (estimated number)		number	20 000	12 000	12 000

¹ Based on the [B4SI \(Business for Societal Impact\) Framework](#).
² The total amount spent on corporate community involvement in 2022 excludes spending by KBC Ireland.

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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. financed 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.

	Source of GHG emissions	Scope and boundary KBC Group GHG emissions	Data quality ¹	Third party external verification ²
DIRECT	Scope 1			
	Fuel combustion	Includes emissions from fuel combustion in all company-owned or controlled, groupwide operations	Score 1	✓
	Company owned or -controlled vehicle fleet	Includes emissions from employee commuting and business travel by company owned or -controlled vehicle fleet of all groupwide operations	Score 1	✓
	Refrigeration and air-conditioning equipment	Includes fugitive emissions from refrigeration and air conditioning equipment in all groupwide operations	Score 1	✓

INDIRECT	Scope 2	Purchased electricity, steam, heating and cooling for own use	Emissions from purchased electricity, steam, heat and cooling of all groupwide operations	Score 1	✓
	Upstream scope 3	Purchased goods and services (Category 1)	Includes emissions from paper and water consumption of all groupwide operations	Score 1	✓
		Capital goods (Category 2)	Not relevant or not material for KBC Group as a financial services company		
		Fuel- and energy-related activities (Category 3)	Not relevant or not material for KBC Group as a financial services company		
		Upstream transportation and distribution (Category 4)	Not relevant or not material for KBC Group as a financial services company		
		Waste generated in operations (Category 5)	Includes emissions from waste generation and waste processing of all groupwide operations	Score 1	✓
		Business travel (Category 6)	Includes emissions from business travel by not-own fleet (vehicles, public transport and air travel) of all groupwide operations are included	Score 1	✓
		Employee commuting (category 7)	Includes emissions from employee commuting travel by not-own fleet (vehicles and public transport) of all groupwide operations are included	Score 1	✓
		Upstream leased assets (category 8)	Not relevant or not material for KBC as a financial service company		
	Downstream scope 3	Downstream transportation and distribution (Category 9)	Not relevant or not material for KBC Group as a financial services company		
		Processing of sold products (Category 10)	Not relevant or not material for KBC Group as a financial services company		
		Use of sold products (Category 11)	Not relevant or not material for KBC Group as a financial services company		
		End-of life treatment of sold products (Category 12)	Not relevant or not material for KBC Group as a financial services company		
		Downstream leased assets (Category 13)	Emissions from KBC Group's operational lease portfolio (Scope 1) ³	Score 1	
		Franchises (Category 14)	Not relevant or not material for KBC Group as a financial services company		
		Investments (Category 15)	Emissions from KBC Group's loan portfolio (Scope 1, 2 and 3)		
					Score ranges from 1-5 (detailed scores are available in the indirect environmental impact section of this chapter)
			KBC Group's own investments are excluded ⁴		

¹ For Scope 3 Category 13 and Category 15, 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 *Pensioenfond KBC*, based on the Trucost data and methodology. The results of this analysis can be found in the [Methodologies explained](#) 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.

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Summary of KBC Group's total GHG emissions

	Note	Unit	Target	2022	2021 recalculated ⁶	2021 ⁶
Scope 1						
Energy		tonnes CO ₂ e		11 236	12 994	12 850
Refrigerants		tonnes CO ₂ e		1 124	1 357	1 302
Employee commuting (own fleet)	1	tonnes CO ₂ e		5 412	3 090	2 498
Employee business travel (own fleet)	1	tonnes CO ₂ e		3 823	3 597	2 861
Total Scope 1		tonnes CO ₂ e		21 596	21 038	19 511
Scope 2 (market based)						
	2					
Energy		tonnes CO ₂ e		3 482	4 076	3 857
Total Scope 2 (market based)		tonnes CO ₂ e		3 482	4 076	3 857
Scope 3						
Employee commuting (excluding own fleet)		tonnes CO ₂ e		14 472	12 522	10 022
Employee business travel (excluding own fleet)		tonnes CO ₂ e		1 784	828	675
Paper consumption		tonnes CO ₂ e		1 542	1 947	1 844
Water consumption		tonnes CO ₂ e		107	111	101
Waste generation		tonnes CO ₂ e		896	945	830
Total Scope 3 excluding portfolio data		tonnes CO ₂ e		18 803	16 353	13 473
Total own operational footprint (Scope 1 + Scope 2 + Scope 3 excluding portfolio data)	3	tonnes CO ₂ e		43 882	41 468	36 841
% Change compared to base year (2015)	1, 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).		Carbon credits	Net climate-neutrality (2021)	44 000	-	37 000
Emissions from leasing and lending portfolio	5	tonnes CO ₂ e		56 206 657	-	57 045 386
Total Scope 3 including portfolio data		tonnes CO ₂ e		56 225 460	57 061 739	57 058 859
Total Scope 1 + Scope 2 + Scope 3 including portfolio data		tonnes CO ₂ e		56 250 539	57 086 854	57 082 227

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 For detailed emissions data per sector and the calculation methodology, please refer to the part on '[Indirect environmental impact: Scope 3 GHG emissions from leasing and lending portfolio](#)' in this section and the [PCAF appendix](#) of this report.

⁶ As for KBC Group's total own operational footprint (Scope 1 + Scope 2 + Scope 3 excluding portfolio data), the 2015 base year has been recalculated in accordance with the GHG protocol guidance on the recalculation of base-year emissions. They reflect the structural changes in the reporting organisation in 2022 (the acquisition of Raiffeisen bank in Bulgaria) as well as methodological changes (i.e. conversion factors used for business and commuter travel by cars based on WLTP values instead of NEDC values going forward). We have also 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.

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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 Raiffeissen 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 recalculation of base-year emissions, we have restated our 2015 baseline. Moreover, to facilitate year-on-year comparison, we have [recalculated 2021 data accordingly](#). The tables below therefore report two numbers for 2021. On the one hand, we include our emissions as reported last year. On the other hand, we report a recalculated number that reflects the two material changes described above.

Coverage

	Note	Unit	2022	2021 recalculated	2021
Full-time equivalents (FTE) covered)	1	number	37 943	38 139	36 004
		%			100%

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 Raiffaisen Bank Bulgaria is included in the reported data as from reporting year 2022 onwards.

Direct footprint, by country

	Note	Unit	2022	2021 recalculated ²	2021
Belgium		tonnes CO ₂ e	16 752	15 056	13 909
Bulgaria	1	tonnes CO ₂ e	5 078	5 359	3 529
Czech Republic		tonnes CO ₂ e	12 479	11 465	10 584
Hungary		tonnes CO ₂ e	4 701	4 890	4 476
Ireland		tonnes CO ₂ e	450	380	374
Slovakia	2	tonnes CO ₂ e	3 973	3 902	3 577
Rest of the world		tonnes CO ₂ e	447	417	392
Total own operational footprint (Scope 1 + Scope 2 + Scope 3, excluding portfolio data)		tonnes CO ₂ e	43 882	41 468	36 841

¹ The 2015 base year has been recalculated in accordance with the GHG protocol guidance on the recalculation of base-year emissions. They reflect the structural changes in the reporting organisation in 2022 (i.e. the acquisition of Raiffeissen bank in Bulgaria) and methodological changes (i.e. conversion factors used for business and commuter travel by cars based on WLTP values instead of NEDC values going forward). We have also recalculated 2021 data accordingly to enable year-on-year comparison.

² From reporting year 2021, GHG emission data for Slovakia include data for OTP Banka Slovensko, acquired at the end of November 2020.

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Energy consumption

Note	2022		2021 recalculated		2021	
	kWh	tonnes CO ₂ e	kWh	tonnes CO ₂ e	kWh	tonnes CO ₂ e
Scope 1						
Natural gas	60 940 613	11 124	69 997 549	12 821	69 212 196	12 677
Heating oil	431 535	111	666 513	171	666 915	171
Electricity (own production) from renewable sources	1 821 566	0	1 484 212	0	1 472 715	0
Electricity (own production) from non-renewable sources	316 714	0	247 933	0	248 082	0
Other types of direct energy consumption	2 435 718	1	2 916 056	2	2 917 812	2
Total Scope 1	65 629 432	11 236	75 064 331	12 994	74 269 637	12 850
Scope 2						
Purchased electricity – market based	124 504 667	0	129 694 531	0	122 305 765	0
– of which renewable electricity	124 504 667	0	129 694 531	0	122 305 765	0
Purchased electricity – location based	124 504 667	31 978	129 694 531	34 842	122 305 765	30 775
District heating, cooling and steam consumption	20 219 505	3 483	23 858 043	4 076	22 571 103	3 857
Other types of energy consumption	0	0	0	0	0	0
Total Scope 2 (market based)	144 724 172	3 483	153 552 574	4 076	144 876 868	3 857
Total Scope 2 (location based)	144 724 172	35 461	153 552 574	38 918	144 876 868	34 632
Total Scope 1 + 2 (market based)	210 036 890	14 719	228 368 972	17 070	218 898 423	16 707
Total Scope 1 + 2 (location based)	210 036 890	57 057	228 368 972	59 957	218 898 423	47 482

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

Note	2022		2021 recalculated		2021	
	kg	tonnes CO ₂ e	kg	tonnes CO ₂ e	kg	tonnes CO ₂ e
Scope 1						
Refrigerants and air condition equipment	597	1 124	736	1 357	690	1 302
Total Scope 1	597	1 124	736	1 357	690	1 302

Source emission factors: DEFRA GHG reporting: 2022 conversion factors and supplier data.

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Employee commuting and business travel

Note		2022		2021 recalculated		2021	
		km	tonnes CO ₂ e	km	tonnes CO ₂ e	Km	tonnes CO ₂ e
Scope 1							
Employee commuting by own fleet (non-electric vehicles)	1	42 091 944	5 412	22 584 040	3 090	22 344 925	2 498
Business travel by own fleet (non-electric vehicles)	1	28 018 976	3 823	24 857 651	3 597	23 783 635	2 861
Total Scope 1		70 110 920	9 235	47 441 691	6 687	46 128 560	5 360
Scope 2							
Employee commuting by own fleet (electric vehicles)	1	915 072	0	-	-	-	-
Business travel by own fleet (electric vehicles)	1	281 662	0	-	-	-	-
Total Scope 2		1 196 734	0	-	-	-	-
Scope 3							
Employee commuting on foot/by bicycle		8 193 135	0	5 371 383	0	5 070 680	0
Employee commuting by road other than own fleet		72 464 480	11 369	65 844 747	9 824	61 474 134	7 728
Employee commuting by public transport		62 242 935	3 099	47 814 353	2 698	43 879 711	2 294
Business travel by road other than own fleet		7 687 704	1 213	4 951 671	752	4 806 660	603
Business travel by public transport		2 884 914	92	686 915	22	687 329	22
Air travel		3 059 413	480	349 623	54	324 286	50
Total Scope 3		156 532 582	16 253	119 647 309	13 350	111 172 121	10 698
Total Scope 1 + 2 + 3		227 840 236	25 488	167 089 000	20 037	157 300 681	16 057
Total employee commuting		185 907 566	19 880	141 614 523	15 612	132 769 451	12 521
Total business travel		41 932 670	5 608	30 845 859	4 425	29 601 910	3 536

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 travelled 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.

Paper consumption

Note		2022		2021 recalculated		2021	
		tonnes	tonnes CO ₂ e	tonnes	tonnes CO ₂ e	tonnes	tonnes CO ₂ e
Scope 3							
Recycled paper consumption		83	62	73	54	58	43
Other paper consumption		1 611	1 481	2 059	1 893	1 959	1 801
Total Scope 3		1 694	1 542	2 132	1 947	2 017	1 844

Source emission factors: DEFRA GHG reporting; 2022 conversion factors.

Water consumption

Note		2022		2021 recalculated		2021	
		m ³	tonnes CO ₂ e	m ³	tonnes CO ₂ e	m ³	tonnes CO ₂ e
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

Note		2022		2021 recalculated		2021	
		tonnes	tonnes CO ₂ e	tonnes	tonnes CO ₂ e	tonnes	tonnes CO ₂ e
Scope 3							
Recycled waste generation		1 607	34	1 812	39	1 628	35
Incinerated waste generation		577	12	534	11	534	11
Landfilled waste generation		1 820	850	1 916	895	1 679	784
Total Scope 3		4 004	896	4 263	945	3 841	830

Source emission factors: DEFRA GHG reporting; 2022 conversion factors.

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Indirect environmental impact: financed Scope 3 GHG emissions from leasing and lending portfolio and emission intensity

Product lines and sectors	Data quality level score¹	Financed GHG emissions (tonnes CO₂e) (share as a % covered by a climate target)				Climate targets	
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO₂e/ m euros)	
WHITE PAPER SECTORS AND PRODUCT LINES							
Agriculture²	5.0	6 909 434 (100%²)	70 148 (100%²)	2 155 471 (0%)	9 135 053 (76%)	1 822	See our target and progress here
Building and construction							
Cement	4.5	21 290 (100%)		12 575 (0%)	33 865 (63%)	2 151	See our target and progress here
Remainder Building and construction	5.0	252 077 (0%)	39 726 (0%)	4 229 668 (0%)	4 531 471 (0%)	518	
Total Building and construction³, ⁴		273 367 (7%³)	39 726	4 252 243 (0%)	4 565 336 (0.5%)	521	
Energy							
Oil, gas and other fuels	4.4	339 589 (100%)	15 429 (100%)	401 608 (0%)	756 626 (47%)	1 771	See our target and progress here
Transmission and distribution	4.8	402 985 (99%)	27 560 (99%)	286 680 (0%)	717 226 (59%)	474	
Electricity	4.3	1 076 100 (99%)	1 484 (0%)	1 492 499 (0%)	2 570 083 (41%)	1 043	
Total energy		1 818 674 (99%)	44 474 (99%)	2 180 788 (0%)	4 043 935 (45%)	921	
Real estate							
Mortgages	3.0	1 759 111 (92%)		-	1 759 111 (92%)	23	See our target and progress here
Commercial real estate², ⁵	3.1	447 606 (88%)	4 489² (0%)	1 287 778 ² (0%)	1 739 873 (23%)	139	
Total real estate		2 206 717 (91%)	4 489 (0%)	1 287 778 (0%)	3 498 984 (58%)	40	
Food and beverage producers							
Food producers	5.0	328 532	115 853	2 740 929	3 185 313	884	
Beverages	5.0	48 420	16 440	243 153	308 013	428	
Total food and beverage producers		376 952	132 292	2 984 083	3 493 327	809	
Metals							
Steel	3.7	710 195 (100%)		293 577 (0%)	1 003 772 (71%)	2 044	See our targets and progress here
Aluminium	3.1	9 897 (100%)		9 000 (0%)	18 897 (52%)	907	
Remainder metals	5.0	87 860 (0%)	217 662 (0%)	2 132 952 (0%)	2 438 474 (0%)	872	
Total metals⁴, ⁶		807 953 (89%⁴)	217 662	2 435 528 (0%)	3 461 143 (21%)	1 047	
Transport: automotive and vehicles financing							
Financial lease and loans⁷	3.3	1 004 475 (37%)	-	-	1 004 475 (37%)		See our targets and progress here
Operational lease⁸	1.2	318 483 (64%)	-	-	318 483 (64%)		
Automotive	5.0	327 214	26 325	1 720 979	2 074 518		
Total automotive and vehicles leasing		1 650 172 (35%)	26 325 (0%)	1 720 979 (0%)	3 397 476 (17%)	310	
Chemicals⁴	5.0	1 203 293	78 055	1 158 930	2 440 277		
Total White Paper sectors and product lines		15 246 562 (77%)	613 170	18 175 799 (0%)	34 035 531 (36%)		

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Product lines and sectors	Data quality level score ¹	Financed GHG emissions (tonnes CO ₂ e)				
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO ₂ e/ m euros)
REMAINING SECTORS						
Services	5	1 584 579	170 006	5 838 547	7 593 133	378
Distribution	5	1 214 007	6 516	3 209 019	4 429 542	268
Finance and insurance	5	512 775	37 222	1 652 515	2 202 511	160
Shipping	5	819 752	368	856 776	1 676 896	1 318
Authorities	5	133 521	67 573	994 874	1 195 968	154
Machinery and heavy equipment	5	99 336	30 144	698 865	828 345	453
Textile and apparel	5	38 715	18 865	568 057	625 636	664
Timber and wooden furniture	5	115 752	9 935	465 158	590 845	697
Water	5	381 193	3 492	161 233	545 918	1 030
Electrotechnology	5	80 421	15 506	447 078	543 005	488
Aviation	5	307 084	379	171 792	479 255	1 480
Catering and hospitality	5	30 486	14 334	391 032	435 851	301
Paper and pulp	5	53 772	10 783	179 629	244 183	420
Traders	5	72 504	22	147 867	220 393	195
Consumer products	5	35 247	3 519	136 274	175 040	577
Mining ⁹	5	76 331	990	52 190	129 511	663
Media	5	23 790	3 450	84 664	111 904	234
IT	5	21 092	2 481	72 323	95 896	218
Telecom	5	5 642	782	29 116	35 540	91
Tobacco ¹⁰	5	9	1	31	41	372
Total remaining sectors		5 606 008	396 368	16 157 038	22 159 414	
Total		20 852 570	1 009 538	34 332 837	56 194 945	285 ¹¹
Share as a % covered by a climate target		56%		0%	22%	

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 Pillar 3 reporting) due to differences in scope and calculation methods.

¹ Data quality scores accord 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 is the lowest data quality. Scores reflect the overall quality levels of associated Scope 1, 2 and 3 financed GHG emissions, and may therefore differ from the quality scores mentioned in the 'Climate target setting' chapter of the [Methodologies explained](#) appendix of this report. We acknowledge 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 This calculation excludes KBC Ireland and KBC Bank Bulgaria.

³ A separate PCAF calculation performed for the cement sector is based on 30 June 2022 data, but no subdivision is available for Scope 1 and 2 financed emissions. The total building and construction sector calculation is based on 30 September 2022 data. 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.

⁴ 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).

⁵ 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.

⁶ A separate PCAF calculation performed for the steel sector is based on 30 June 2022 data. With respect to steel and aluminium PCAF calculations, 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.

⁷ Financed emissions associated with vehicles may be double counted due to vehicle loans granted in the sectors specified below.

⁸ 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.

⁹ 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.

¹⁰ Associated exposure is immaterial, in run-off and predominantly recorded in the recently acquired KBC Bank Bulgaria. Following acquisition, KBC Bank Bulgaria portfolios will be brought in line with KBC Group policies with respect to existing contractual obligations.

¹¹ 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 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.

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A photograph of a woman with brown hair hugging a man with grey hair from behind. They are outdoors, possibly at a cafe or park, with greenery and a paved path in the background. The woman is smiling and has her eyes closed, while the man is seen from the back, wearing a dark green jacket. The scene is bathed in soft, natural light.

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Value creation: our material topics 2022

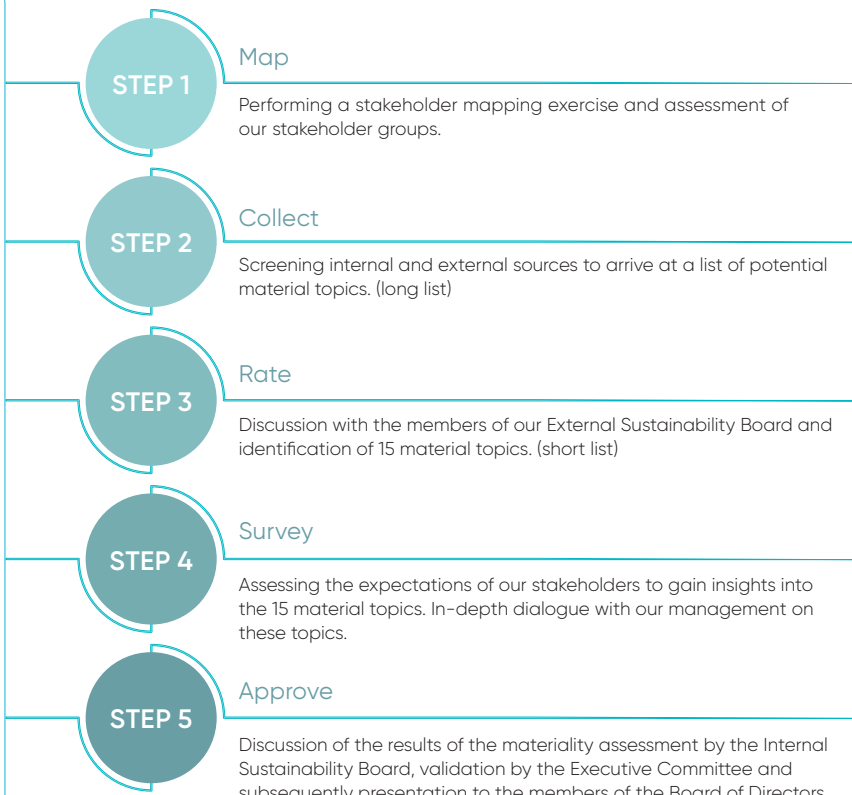
Materiality assessment

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**.



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 #4 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.

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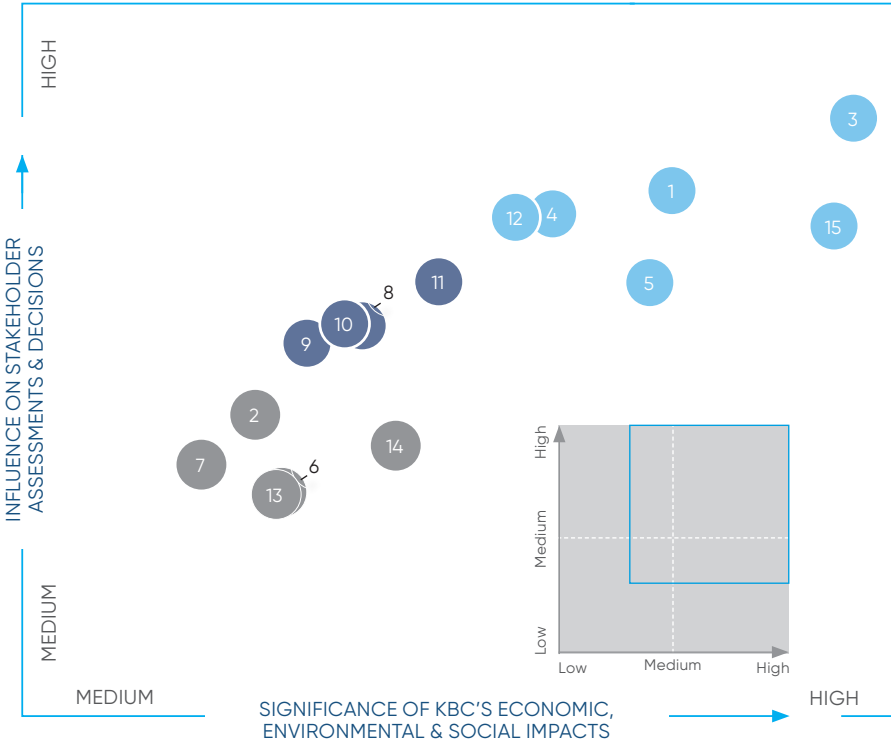
Impact on KBC

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.

Figure 8.1: Materiality matrix KBC Group



The short list of material topics and definition is as follows

Topic	KBC definition	
1	Long-term resilience of our business model	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.
2	Direct environmental impact of our activities	Limiting any direct adverse impact on the environment from our operational activities and the resources we use.
3	Sustainable and responsible service and product offering	Continuously & actively working on lending, insurance and advisory services that are responsible from an ESG as well as from a human rights perspective and contribute to the transition to a more sustainable society (e.g., sustainable loans, insurance solutions covering climate risks, bike leasing, restricting lending to controversial activities, etc.).
4	Sustainable and responsible asset management and investing	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.
5	Partner in the transformation to a more sustainable future	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.
6	Community engagement	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.
7	Inclusive service offering	Fostering inclusion by providing affordable financial products and services for the less advantaged clients.
8	Service offering stimulating the local economy	Stimulating the local economy and encouraging entrepreneurship by financing small companies and start-ups with innovative ideas and projects.
9	Accessibility and usability of products and services	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.)
10	Promotion of financial literacy	Contributing actively to the improvement of the general public knowledge of financial concepts and products.
11	Fair, understandable and transparent information to clients	Helping clients to make well-informed financial choices through fair, understandable, and transparent information.
12	Data protection and cyber security	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 campaign) and by ensuring our ICT-systems are resilient to outside attacks.
13	Diverse and inclusive business culture	Safeguarding an inclusive internal business culture with strong shared values, beliefs and behaviour, in which diversity is valued.
14	Employee development and well-being	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.
15	Ethical business conduct and responsible behaviour	Promoting and safeguarding ethical and responsible behaviour in all our operations and under all circumstances and ensuring transparency towards all our stakeholders.

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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.

High-priority topics	Impact on economy environment and people	Actual/potential	Negative/positive
Sustainable and responsible service and product offering	We increase our positive impact, by financing, insuring, and offering advisory services that contribute to a low carbon economy and social goods and services.	Actual	Positive
	Through our activities we may have a(n) (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.	Potential	Negative
Partner in the transformation to a more sustainable future	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.	Potential	Negative and positive
Sustainable and responsible asset management and investing	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.	Actual	Positive
Ethical business conduct and responsible behaviour	If we do not operate responsibly, we will lose the trust of our stakeholders and our operating licence.	Potential	Negative
Long-term resilience of our business model	KBC can only do business sustainably if we strictly manage our risks and have the necessary financial resilience.	Actual	Positive
Data protection and cyber security	Our stakeholders would lose trust if we cannot ensure the protection of our clients' data and our ICT systems.	Potential	Negative
	Digitalisation gives us the opportunity to collect data to understand our clients' needs swiftly and respond in the most efficient way.	Actual	Positive
Employee development and well-being	Investing in the right skills within a culture of continuous learning helps us to create and offer our clients the best products and solutions.	Actual	Positive
	If we cannot attract, develop and retain talented employees we will be unable to remain the reference in the European financial sector.	Potential	Negative

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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  symbol indicates that the members of our Executive Committee and Board of Directors were involved.

Stakeholder groups	Their expectations	Our response by way of engagement activities
Clients	A trustworthy partner Respect for privacy and protection against cyber risk Transparency Broad accessibility Top expertise Innovation	 Annual client satisfaction ranking: Client net promotor score (NPS) Complaints management Regular customer panels and customer consultations Local engagement by branch network and relationship managers Collaboration with clients in their transition to becoming a low-carbon business Webinars on ESG-related topics More information on engagement activities can be found in the ' Sustainable Finance ' section of this report
Employees	Work-life balance Personal and professional development Health and safety Ethical conduct	 Employee surveys (e.g., Shape Your Future survey) Regular consultations with the occupational health and safety committees, health, safety and security advisers and employee representatives  Annual meeting of the European Works Council Regular evaluation of all staff StiPPLE, a digital learning and talent platform for our employees. More information on engagement activities can be found in the ' Our people ' section of this report
Investors and core shareholders	Value creation Long-term business model with clear financial and non-financial targets ESG as part of our strategy Transparency	 Investor days Regular roadshows for investors and analysts and dedicated virtual ESG meetings  Annual general meeting  Review by credit rating agencies  Sustainability assessments such as S&P Global Corporate Sustainability Assessment, CDP, Sustainalytics, FTSE4Good, BankWijzer Belgium, Bloomberg GEI and ISS ESG Adhoc ESG questionnaires of investors
Suppliers	Transparency Connect and collaborate to identify opportunities Strengthen long-term relationships Shared vision, strategy and values Shared risk and reward Joint value creation	CSR questionnaire as an integral part of our supplier assessments Supporting suppliers willing to make the adjustments needed to comply with the Code of Conduct for Suppliers Webinars on ESG-related topics Vendor meetings on all levels of the hierarchy Proofs of Concept during which we mutually learn about potential value creation Transparent, simultaneous communications and approaches in competitive sourcing cases More information on engagement activities can be found in the ' Strategy and value creation ' section of this report
Public authorities	Compliance with applicable legislation	 Membership of banking and insurance federations  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)  Active participation in networking events
NGOs and the broader community	Local employment Transparency and good communications	Regular (one-on-one) meetings with NGOs Membership of sustainability network organisations  Membership of local works councils Research papers and media analysis

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GRI content index and SASB Disclosure

This sustainability report has been prepared in accordance with the GRI Universal Standards and the GRI Topic Standards.

Since 2019, we have also been mapping our material topics to relevant Sustainability Accounting Standards Board (SASB) standards within the Financial Industry Standards. The SASB Disclosure includes reporting on the relevant disclosure topics and associated metrics under the 'Commercial Banks' industry standard only (primary industry as defined in the SASB's Sustainable Industry Classification System (SICS)). Given that we have activities in multiple industries and not only primary industry commercial banks, we will continue to evaluate the standards in the future in order to report on other industry standards as well. Please note that we do not currently disclose all metrics included in the standards.

The GR Content Index and the SASB Disclosures are set out below. Reference is made to our [2022 Annual Report](#) (AR 2022), our 2022 Sustainability Report (SR 2022), the [KBC Group Sustainability Framework](#) and our [corporate website](#).

Complementarity of the GRI and SASB standards

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

We also closely follow-up new reporting regulations in this respect. The European Union introduced the [Corporate Sustainability Reporting Directive \(CSRD\)](#), which will replace the Non-Financial Reporting Directive as from 1 January 2025. One of the main principles of the CSRD is the double materiality perspective. This implies that the future disclosure by large European companies will need to address the needs of a wide range of stakeholders, including investors. Please refer to the part on ['Legislative and regulatory agenda'](#) in the 'Sustainable finance' section of this report.

GRI content index and SASB disclosure

Statement of use	KBC has reported in accordance with the GRI Standards for the period 01/10/2021-30/09/2022
GRI used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	No GRI Sector Standards for Banking, Insurance and Capital Markets guidelines published yet.

General disclosures

GRI 2: General disclosures 2021	Disclosure	Location	Omission
2-1	Organizational details	AR 2022, section 'KBC Group Passport' SR 2022, section 'About this report'	
2-2	Entities included in the organization's sustainability reporting	AR 2022, section 'Notes on the financial assets and liabilities on the balance sheet' SR 2022, section 'About this report' See our corporate website for a complete list of companies belonging to the group	
2-3	Reporting period, frequency, and contact point	SR 2022, section 'About this report' 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.	
2-4	Restatements of information	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.	
2-5	External assurance	AR 2022, section 'Corporate governance' SR 2022, section 'About this report' and 'Assurance statements' See Corporate Governance Charter of KBC Group	
2-6	Activities, value chain and other business relationships	AR 2022, sections 'KBC Group passport' and 'Our business model' SR 2022, sections '2022 in a nutshell' and 'Strategy and value creation'	
2-7	Employees	AR 2022, section 'Business model' SR 2022, sections 'Our people' and 'Sustainability facts and figures'	
2-8	Workers who are not employees	SR 2022, section 'Sustainability facts and figures'	
2-9	Governance structure and composition	AR 2022, section 'Corporate governance statement' See Corporate Governance Charter of KBC Group	
2-10	Nomination and selection of the highest governance body	AR 2022, section 'Corporate governance statement' See Corporate Governance Charter of KBC Group	
2-11	Chair of the highest governance body	AR 2022, section 'Corporate governance statement' See Corporate Governance Charter of KBC Group	

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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'
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 meetings 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 complete list of 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'

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2-29	Approach to stakeholder engagement	SR 2022, section 'Appendices: our material and value creation topics 2022'
2-30	Collective bargaining agreements	AR 2022, section 'Our business model' SR 2022, sections 'Our people' and 'Sustainability facts and figures'

Material topics

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-1	Process to determine material topics	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'	
3-2	List of material topics	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'	

Long-term resilience of our business model

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	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: Value creation: our material topics 2022'	
GRI 201: Economic performance 2016	Disclosure	Location	Omission
201-1	Direct economic value generated and distributed	AR 2022, 'KBC Group passport' and section 'Our business model' SR 2022, section 'Sustainability facts and figures'	
202-2	Financial implications and other risks and opportunities related to climate change	AR 2022, sections 'Our strategy' and 'How do we manage our risks?' SR 2022, section 'Sustainable finance: Our commitment to the environment and climate action' Our first Climate Report 2022 KBC Group CDP Report	
202-4	Financial assistance received from government	KBC did not receive financial assistance from any government during 2022.	
SASB Commercial Banks Disclosure Topic: Systemic Risk Management	Accounting metric	Location	
FN-CB-550a.1	Global Systemically Important Bank (G-SIB) score, by category	KBC Group is not considered as a Global Systemically Important Bank (G-SIB) as per definition, methodology, and most recently updated list of the Financial Stability Board (FSB)	

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FN-CB-550a.2	Description of approach to incorporation of results of mandatory and voluntary stress tests into capital adequacy planning, long-term corporate strategy, and other business activities	AR 2022, section 'How do we manage our risks?' SR 2022, section 'Sustainable finance: Our commitment to the environment and climate action' Our first Climate Report 2022 KBC Group CDP Report
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Ethical business conduct and responsible behaviour

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2022, sections 'Our business model', 'Our strategy', 'Corporate governance statement' SR 2022, sections 'Strategy and value creation: The world in which we operate', 'Our responsibility' and 'Appendices: Value creation: our material topics 2022'	
GRI 205: Anti-corruption 2016	Disclosure	Location	Omission
205-1	Operations assessed for risks related to corruption	AR 2022, sections 'Our strategy', 'How do we manage our risks?' and 'Corporate governance statement' SR 2022, section 'Our responsibility: Business ethics'	
205-2	Communication and training about anti-corruption policies and procedures	AR 2022, section 'Corporate governance statement' SR 2022, section 'Sustainability facts and figures' KBC Group Code of Conduct	
GRI 207: Tax 2019	Disclosure	Location	Omission
207-1	Approach to tax	AR 2022, section 'Corporate governance statement' KBC Group Tax strategy	
207-2	Tax governance, control and risk management	AR 2022, section 'Corporate governance statement' KBC Group Tax strategy	
207-4	Country-by-country reporting	AR 2022, section 'Notes to the income statement' KBC Group Tax strategy	
SASB Commercial Banks Disclosure topic: Business Ethics	Accounting metric	Location	
FN-CB-510a.1	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice, or other related financial industry laws or regulations	AR 2022, sections 'Notes to the income statement' and 'Notes on other balance sheet items' Net provisions for taxes and pending legal disputes were 157 m euros in 2022.	
FN-CB-510a.2	Description of whistleblower policies and procedures	AR 2022, section 'Corporate Governance statement' SR 2022, section 'Our responsibility: Business ethics' KBC Group policy for the protection of whistleblowers	

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Sustainable and responsible service and product offering

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	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'	
GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	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'	
GRI 412: Human Rights Assessment 2016	Disclosure	Location	Omission
412-1	Operations that have been subject to human rights reviews or impact assessments	AR 2022, section 'Our strategy' SR 2022, section 'Our responsibility: Human rights' See KBC Group Human Rights Policy See UN Global Compact	
SASB Commercial Banks Disclosure topic: Incorporation of Environmental, Social, and governance Factors in Credit Analysis	Accounting metric	Location	
FN-CB-410a.1	Commercial and industrial credit exposure, by industry	AR 2022, sections 'Our strategy' and 'How do we manage our risks?' SR 2022, sections 'Sustainable finance' and 'Sustainability facts and figures'	
FN-CB-410a.2	Description of approach to incorporation of environmental, social, and governance (ESG) factors in credit analysis.	AR 2022, sections 'Our strategy' and 'How do we manage our risks?' SR 2022 section 'Sustainable finance', KBC Group Sustainability Framework KBC Group Energy credit, insurance and advisory services policy	

Sustainable and responsible asset management and investing

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	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'	
GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	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'	

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GRI 412: Human Rights Assess-ment 2016	Disclosure	Location	Omission
412-1	Operations that have been subject to human rights reviews or impact assessments	AR 2022, section 'Our strategy' SR 2022, section 'Our responsibility: Human Rights' See KBC Group Human Rights Policy See UN Global Compact	

Partner in the transformation to a more sustainable future

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	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'	

GRI 203: Indirect Economic Impacts 2016	Disclosure	Location	Omission
203-2	Significant indirect economic impacts	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'	

Data protection and cyber security

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2022, sections 'Our business model', 'Our strategy', 'Corporate governance statement' and 'How do we manage our risks' SR 2022, sections 'Strategy and value creation: The world in which we operate', 'Our responsibility: Information security and cyber risk', 'Our responsibility: Privacy and data protection' and 'Appendices: Value creation: our material topics 2022'	

GRI 418: Customer Privacy 2016	Disclosure	Location	Omission
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	In 2022, KBC Group received 23 privacy-related complaints in which the local Data Protection Authority was involved.	

SASB Commercial Banks Disclosure Topic: Data security	Accounting metric	Location	
FN-CB-230a.2	Description of approach to identify and addressing data security risks	AR 2022, sections 'Our business model', 'How do we manage our risks?' and 'Corporate governance statement' SR 2022, section 'Our responsibility: Information security and cyber risk', 'Our responsibility: Privacy and data protection'	

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Employee development and well-being

GRI 3: Material topics 2021	Disclosure	Location	Omission
3-3	Management of material topics	AR 2022, section 'Our business model' SR 2022, sections 'Strategy and value creation: The world in which we operate', 'Our people' and 'Appendices: Value creation: Our material topics 2022'	
GRI 401: Employment 2016	Disclosure	Location	Omission
401-1	New employee hires and employee turnover	AR 2022, section 'Our business model' SR 2022, section 'Sustainability facts and figures'	
GRI 403: Occupational health and safety 2018	Disclosure	Location	Omission
403-1	Occupational health and safety management system	AR 2022, section 'Our business model' SR 2022, section 'Our people: Health and well-being'	
403-9	Work-related injuries	SR 2022, section 'Sustainability facts and figures'	
GRI 404: Training and education 2016	Disclosure	Location	Omission
404-1	Average hours of training per year per employee	AR 2022, section 'Our business model' SR 2022, sections 'Our people: Talent management' and 'Sustainability facts and figures'	
404-2	Programmes for upgrading employee skills and transition assistance programmes	AR 2022, section 'Our business model' SR 2022, sections 'Our people: Talent management' and 'Sustainability facts and figures'	

SASB Activity metrics

SASB Commercial Banks Activity metrics	Activity metric	Location
FN-CB-000.B	(1) Number and (2) value of loans by segment: (a) personal, (b) small business, and (c) corporate	AR 2022, section 'How do we manage our risks?'

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Methodologies explained

We use a variety of methodologies to track the climate-related impact on and of our portfolios. The choice of the selected methodologies is driven by a combination of relevance and applicability for our business, as well as data availability. We use these data to monitor and steer our portfolios in climate-related areas. We also use them to set targets and meet reporting requirements from regulators and supervisors.

In this section, we discuss in detail the methodologies we use for portfolio assessment and target setting. We elaborate on:

- Our [climate target setting for our lending portfolio](#)
- [PCAF](#) (Partnership for Carbon Accounting Financials)
- [PACTA](#) (Paris Alignment Capital Transition Assessment)
- [Trucost](#) data and 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](#).

Table 8.1: Summary of data and measurement choices

Sector	Financial indicator	GHG emission intensity		Applicable PCAF data quality score ¹ (quality score at baseline)	Applicable PCAF quality score card	Attribution approach
		Measurement method	Data source			
Electricity generation		PCAF	Reported GHG emissions and output (only partly verified) and country or subsector averages ²	Weighted average score 2.8 (2.6)	Project finance and business loans	PCAF attribution approach for business loans to private companies and project finance
Residential real estate		PCAF-inspired ³	Country- and EPC-specific PCAF emission factors Estimated expert-based m ² values	Weighted average score 3 ⁴ (3)	Mortgages	See Table 8.2 for an overview of attribution approaches
Transport	Outstanding loan exposure	PCAF-inspired ³	Contract data of the financed vehicle (e.g. registration information) PCAF emission factors for motor vehicle loans Proxy data, such as country-specific averages (e.g. passenger km driven) or emission factors (e.g. WLTP average per drive train technology)	Weighted average score 2.7 ⁵ (2.9)	Motor vehicle loans	Average emission intensity based on a best estimate of the emission intensity of the financed vehicle, weighted by estimated kilometres of the financed vehicles
Agriculture		PCAF	PCAF emission factors for agriculture (country- and subsector specific)	Score 5 (5)	Business loans	Economic activity-based approach based on outstanding loan exposure
Cement		PACTA	Asset Resolution's physical asset-level dataset	Score 3 ⁶ (3)	Business loans	Portfolio-weighted approach ⁵
Steel	Granted loan exposure	PACTA	Asset Resolution's physical asset-level dataset	Score 3 ⁶ (3)	Business loans	Portfolio-weighted approach ⁵
Aluminium		Client data	Reported unverified GHG emission intensities	Score 2 ⁶ (2)	Business loans	Portfolio-weighted approach ⁵

¹ Quality scores only refer to the quality level of the non-financial information used in the emission intensity calculations for our target progress. Variance in quality levels is a product of portfolio evolutions and changes in data quality levels. These scores may differ from those included in the [‘Sustainability facts and figures’](#) section, given that the above PCAF data quality scores relate to the emission intensities within the scope of our target, while the PCAF data quality scores in the [‘Sustainability facts and figures’](#) section relate to financed Scope 1, 2 and 3 emissions, where the last emissions scope in particular has poorer data quality levels.

² Most recent available data used, which is a mix of 2021 and 2022 emission data.

³ Related progress measurement based on an alternative calculation method, corresponding as closely as possible to the PCAF Global Standard. For these alternative calculations, we have endeavoured to ensure that our approach is technically robust and remains in very close observance of the spirit of PCAF. For residential real estate portfolios with no or insufficient data on financed floor area, the standard loan-by-loan PCAF calculation formula could not be applied. Subsequently, we applied an alternative portfolio-based calculation method to estimate the emission intensity of the subject portfolio. This alternative calculation method uses expert-based m² market values to estimate the financed floor area of the portfolio. It combines this information with the relevant PCAF emission factors to calculate an estimated financed emission intensity of the real estate portfolios in question. For transport, WLTP emission intensities of the financed passenger cars and light commercial vehicles have been used to define the portfolio baseline intensity. We believe that this metric corresponds more strongly to and hence allows better comparison with the EU CO₂ emission performance standards that apply to passenger cars and light commercial vehicles in accordance with Regulation (EU) 2019/631.

⁴ PCAF-inspired weighted quality score partially based on estimated EPC labels and m² per building. The quality score refers to the quality of the PCAF emission factors used.

⁵ Based on this year's PCAF exercise. The score calculation includes PCAF quality scores of KBC Bank Bulgaria vehicle financing.

⁶ GHG intensities of the companies in the portfolio are weighted according to their granted loan exposure in the portfolio. Note that portfolio emission intensity calculations exclude company exposures for which no information was available. For cement and steel, portfolio emission intensity calculations are based on company information representing >99% of the granted exposure. The aluminium portfolio emission intensity calculation is based on company information approximating 83% of the granted exposure. As the measurement method is based on PACTA for steel and cement (and a similar method was applied by KBC for aluminium) these quality scores are an expression of the quality of the non-financial information used and not an expression of calculations based on the PCAF Global Standard. A full overview of the financed GHG emissions (including clients' Scope 3 emissions) and associated PCAF data quality scores is available in the [‘Sustainability facts and figures’](#) section of this report.

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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 constraints) prompted us to apply alternative calculation methods to estimate portfolio GHG intensities (see [Table 8.1](#) and [Table 8.2](#)). These alternative calculation methods take account of robust technical considerations and are very much in line with the spirit of the relevant market standard. However, for the reasons explained in earlier sections, they do not as yet follow the subject market standard to the letter.

- [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 uniformed our 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 8.2
Emission attribution approaches in KBC entities for the real estate sector

Sector	Subsector	Belgium	Czech Republic	Hungary	Slovak Republic	Bulgaria
Real Estate	Mortgages and commercial residential real estate	Physical emission intensities are based on PCAF emission factors (CO ₂ /m ²), weighted by the EPC label distribution (outstanding amount). Financed emissions are derived from the physical emission intensities and estimated m ² financed.		Physical emission intensities are derived from financed emissions and estimated or actual m ² financed. Financed emissions are based on PCAF emission factors, estimated or actual EPC label distribution (m ² , or units) and an attribution factor (in most countries overall outstanding amount versus value at origination).		
	Commercial non-residential real estate	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type, and estimated financed m ² .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated financed m ² .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated and actual financed m ² .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and estimated financed m ² .	Financed emissions are based on emission intensity retrieved from PCAF emission factors per building type and EPC label, and actual financed m ² (based on outstanding versus value at origination).

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PCAF (Partnership for Carbon Accounting Financials)

2019

[KBC JOINED PCAF](#)

[LAUNCH OF THE METHODOLOGY PILOT FOR MORTGAGE AND CAR PORTFOLIO IN FLANDERS](#)

2020

[SCOPE ENLARGED TO MORTGAGE AND CAR PORTFOLIO OF KBC GROUP, COVERING 94% OF THE LOANS TO PRIVATE INDIVIDUALS](#)

2021

[PILOT SCOPE OF VEHICLES ENLARGED](#)

[PILOT SCOPE ENLARGED TO INCLUDE OIL, GAS AND MINING](#)

[HIGH-LEVEL CALCULATIONS FOR ENTIRE LOAN PORTFOLIO](#)

[LAUNCH OF DATA AND METRICS PROJECT TO GRADUALLY AUTOMATE DATA COLLECTION AND REPORTING](#)

2022

[PCAF BASED CALCULATIONS EXTENDED TO REAL ESTATE, VEHICLE FINANCING AND ENERGY SECTOR AS PART OF OUR CLIMATE TARGET SETTING.](#)

[ACTUAL CLIMATE TARGET CALCULATIONS](#)

[PRELIMINARY PILOT INSURANCE METHODOLOGY FOR PERSONAL VEHICLES PORTFOLIO IN BELGIUM](#)

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.

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- [Results of the calculations for the total lending portfolio of KBC Group](#)
[‘Sustainability facts and figures’](#)
- [More details on the calculations and the assumptions](#)
[‘Methodologies explained: Target setting’](#)
KBC Group Climate Report: ‘Technical appendix’
2021 Sustainability Report: ‘PCAF appendix’

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 [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% (4 224 million euros) of the total industrial loan book compared to 3.8% reported last year¹. 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 line with the existing activity scope of PACTA. [This finding is commensurate with the general risk appetite of KBC Group](#), as the loan books do not include large, single-name exposures to activities which contribute the most to global CO₂ emissions.

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.

Table 8.3: Overview of the sector activities within the scope of PACTA – reported figures per 30 June 2022

Sector	Granted exposure (in m euros) ¹	In % of KBC total industrial loan portfolio	Granted exposure (in m euros) matched to physical assets ²
Power	2 899	2.2%	1 488
Steel	767	0.6%	767
Fossil fuels	162	0.1%	162
Heavy duty vehicles	144	0.1%	138
Cement	126	0.1%	125
Light duty vehicles	65	0.05%	65
Aviation	62	0.05%	16
TOTAL	4 224	3.2%	2 761

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 8.4: Overview of the reference scenarios used in the PACTA analysis

Scenario description ¹	Sector coverage
NZE 2050 – IEA-WEO-NZE-2021-Fossil-Fuels-Power-Auto-start-yr-2021 and IEA-NZE-2021-CO2-Intensity-for-Steel-Cement-start-yr-2021: This scenario extends the SDS scenario in order to target net zero emissions. In particular, it explores the actions needed in the period to 2030 in order to be on track to achieve net zero emissions by 2050, including the need to end new fossil fuel exploitation from 2021 onwards and to avoid stranded assets across sectors.	Fossil fuels, Power, Automotive, Cement, Steel
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: This scenario represents an economically efficient pathway to achieving 1.5°C. The scenario assumes low overshoot by 2050 (1.7°C) with global net-zero greenhouse gas emissions reached before 2070. It assumes application of a single (‘unified’) global carbon price from 2021 onwards and that this functions as the main policy driver.	Fossil fuels, Power, Automotive, HDV, Steel, Aviation
ISF NZ – ISF-NZ-2020-CO2-Intensity-for-Steel-Cement-Aviation-start-yr-2021: This scenario was created on the request of the Net Zero Asset Owners Alliance (NZAOA). It presents a contrasting net zero scenario to that of the IEA, with a focus on existing, mature technologies, the exclusion of carbon capture technologies to achieve net zero, a greater overall investment in renewable energy and demand-side efficiency. The scenario is an output of the One Earth Climate Model (OECM).	Steel, Cement, Aviation

¹ For more information about the scenarios, see the dedicated PACTA webpage.

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¹ The scope of the PACTA coverage changed compared to last year’s exercise, as shipping sector exposure (876 million euros last year) was not covered by PACTA this year, while this year’s car manufacturing scope was expanded with heavy-duty vehicles (118 million euros new in scope). 2 761 million euros of this year’s exposure could be matched to physical asset-level data.

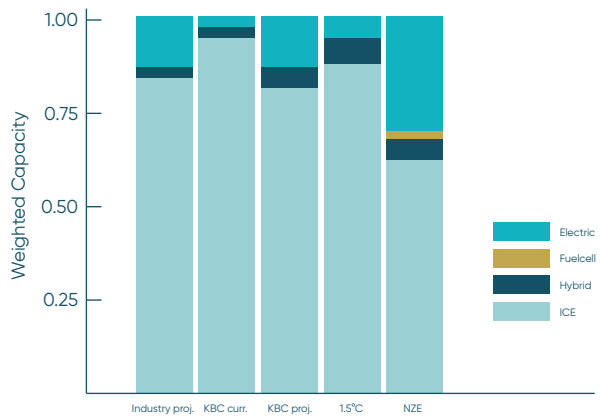
Vehicle manufacturers

Car manufacturers

Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards car manufacturers is aligned with the '1.5°C unified' scenario pathway.

- KBC Group's total granted exposure to the Light Duty Vehicles manufacturers segment – i.e. the PACTA scope within the Automotive sector – is 65 million euros². When comparing this figure to KBC Group's overall industrial loan book, it is safe to conclude that KBC is only minimally (0.05%) exposed to this important climate-relevant activity.
- Eight 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 KBC portfolio when comparing current and projected shares. This drop, as well as a relative increase in the share of electric vehicles, aligns with the 1.5°C unified scenario's projected shares for technology mixes.

Graph 8.1: Automotive sector results – technology mix (Source: KBC and RMI³)
Industry projected portfolio, KBC current portfolio and KBC projected portfolio (weighted by loan size), 1.5°C unified, and NZE 2050 targets capacity profile



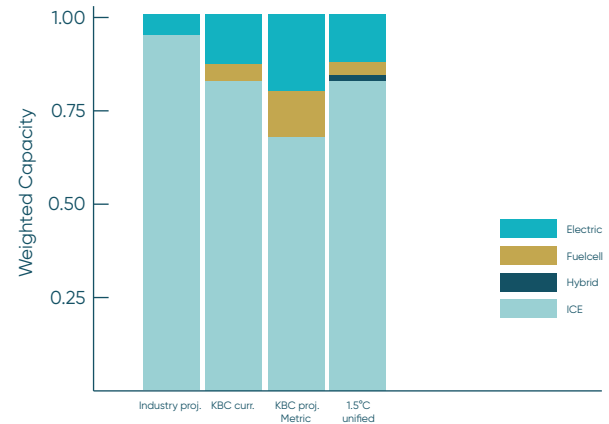
Heavy duty vehicle manufacturers

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 the physical asset-level database. KBC Group's total exposure to these corporates represents 96% (138 million euros) of KBC Group's HDV manufacturers sector exposure within the PACTA scope. 81% of the exposure in scope is concentrated within a single company group, which means that the results below are particularly influenced by that group's investment plans.

- 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.

Graph 8.2: HDV sector results – technology mix (Source: KBC and RMI)
Industry projected portfolio, KBC current portfolio and KBC projected portfolio (weighted by loan size), 1.5°C unified targets capacity profile



² Last year we reported an exposure in scope of 156 million euros. The lower amount reported now is the result of this year's PACTA methodology expansion to Heavy Duty Vehicle (HDV) producers. Part of the Light Duty Vehicle (LDV) producers that were in scope for our analysis last year are now included as in scope for the HDV segment.

³ RMI, formerly Rocky Mountain Institute.

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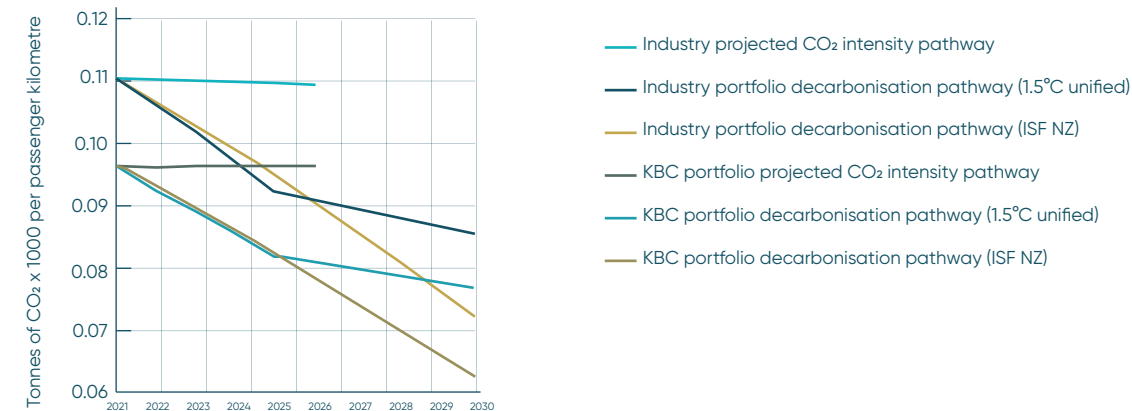
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Aviation

- KBC Group's total granted exposure towards the aviation operator segment⁴ 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. 71% (12 million euros) of the matched exposure is concentrated in one company group, which means that the results below are particularly influenced by this group's investment plans. However, despite the high proportion, the concerned exposure amount is still limited.
- In line with the PACTA model, the emission intensity per passenger kilometre up to 2026⁵ 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 lines 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.

Graph 8.3: Aviation sector results – emission intensities (Source: KBC and RMI)
Industry projected portfolio, 1.5°C unified, ISF NZ emission intensity profiles and KBC projected portfolio (weighted by loan size)



⁴ I.e. the PACTA scope within the aviation sector, since aircraft parts suppliers, aircraft manufacturers and aircraft owners are out of scope of PACTA.
⁵ This emission intensity is calculated by combining information on passenger kilometre per year with applicable emission factors of the aviation operators.

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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 *Pensioenfond 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 normalised 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:

- **Territorial 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.

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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. In doing so, the aggregate GHG emissions of the investment products were weighed against total investment exposures.

Equity and corporate bonds

We calculated the carbon intensity for our equity and corporate bond investments in terms of tonnes of CO₂e per million US dollars of revenue. The scope of the calculation covers 94% of all equity and corporate bond investments of the portfolios in scope based on our positions at the end of Q3 2022. This is a slight improvement versus 2021 and is comparable to global benchmark coverage rates.

Table 8.5: Weighted average carbon intensity of all equity and corporate bond investments¹

Weighted average carbon intensity scope 1 + scope 2 (CO ₂ e per million US dollar of revenues) ¹	Q3 2022 ³	Q3 2021	2020	2019
All KBC Funds	89	95	115	157
KBC Responsible Investing Funds	73	95	121	117
MSCI ACWI (benchmark) ²	188	161	166	203
Iboxx EUR corporates (benchmark) ²	157	162	166	180

¹ Source S&P Trucost Limited © Trucost (2022).
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

Weighted average carbon intensity sovereigns (CO ₂ e per million US dollar of GDP) ¹	Q3 2022	Q3 2021	2020	2019
KBC all funds	480	511	504	504
KBC Responsible Investing funds	368	376	406	414
JPM EMU Govies (benchmark) ²	328	347	375	378
World benchmark Govies (benchmark)	573	625	627	653

¹ Source S&P Trucost Limited © Trucost (2022).
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.

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- 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.

Conclusions and actions for emission reduction

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 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 polices 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 Net-Zero Company benchmark of the Climate Action 100+ to monitor developments and potentially take further action via its Proxy Voting and Engagement Committee in 2023.

More details on investee engagement and the Climate Action 100+ can be found in the [‘Responsible Investing on behalf of our clients’](#) part of this report.

Own investments of KBC Insurance

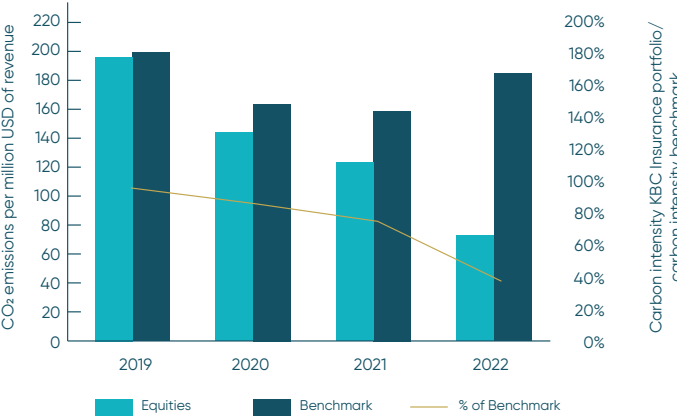
The bonds and equity portfolio of KBC Insurance is managed by KBC Asset Management. The largest part of the insurance equity portfolio and bond portfolio is held by KBC Insurance NV, i.e. 88% of the total investments of KBC Insurance Group⁶. We therefore calculated the weighted average carbon intensity of the listed equity, government and corporate bond portfolios KBC Insurance NV.⁷ 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.

⁶ KBC Insurance Group representing all insurance entities within the KBC Group (KBC Verzekeringen, Group Re, CSOB Poj CZ, CSOB Poj SK, DZI and K&H Insurance)
⁷ The equity and bond portfolio represent 84% of total investments of KBC Insurance NV (or 74% of the total investments of KBC Insurance Group). It is not expected that the carbon intensity of the portfolios of the other insurance entities is significantly different as they have similar investment profiles (compliance with the same KBC investment policy).

Equities

The public equity portfolio of KBC Insurance NV represented a market value of 1.1 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: Weighted average carbon intensity of KBC Insurance NV's equity portfolio compared to the benchmark MSCI World AC



Graph 8.4 shows the weighted average carbon intensity of KBC Insurance NV's equity portfolio. It shows the CO₂e emissions of the portfolio per million US dollars of revenues (left axis) and the relative weight of the carbon intensity of the portfolio compared to its benchmark (right axis).

At the end of 2019, the carbon intensity 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.

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.

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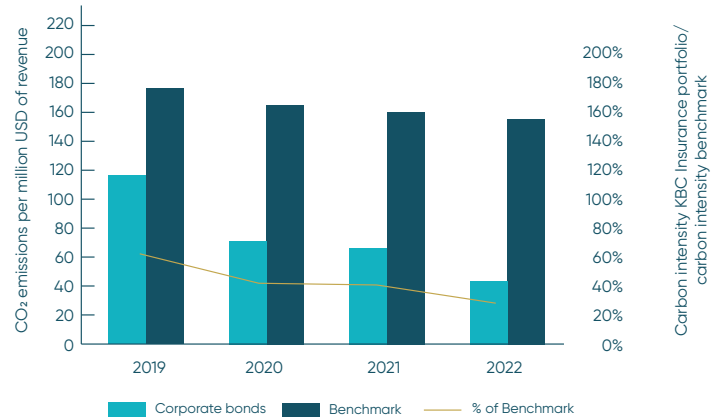
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Corporate Bonds

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).

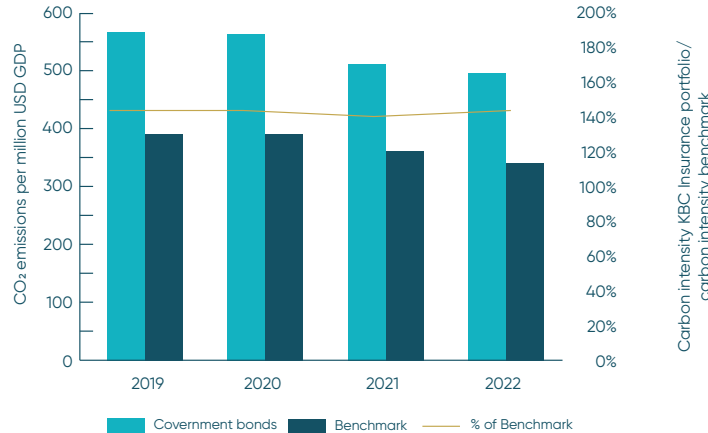


There are two main reasons for these outcomes. First, the portfolio has an overweight position on financials with a low carbon intensity compared to the benchmark. Second, the introduction of the additional exclusion criteria in 2020, especially relating to fossil fuels, resulted in a decrease of the carbon intensity of the portfolio. Due to this change in policy, maturing bonds within the energy sector were replaced by bonds with lower carbon intensity. Given the generally short maturity profile of the bonds that do not meet the fossil fuel exclusion policy, it is expected that carbon intensity will further reduce in the coming years. In addition, for some longer dated bonds we have committed to selling the bonds within a three-year time frame. Most of these bonds were effectively sold during 2022.

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)



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 government bond portfolio. Belgium has a high carbon intensity score, which explains the high carbon intensity compared to the benchmark.

Investments of Pensioenfond KBC

Finally, we calculated the carbon intensity of the investment portfolios of *Pensioenfond KBC*, which manages the supplementary pensions of our Belgium-based staff. The calculations take into account the listed equities and bonds invested by *Pensioenfond KBC* with KBC AM. More specifically, this takes into account the listed equities, government and corporate bond fund portfolios. In all cases, they are compared to their relevant benchmarks. This makes up approximately 81% of the entire portfolio. Unlisted asset classes are left out of scope because of lacking reliable data and methodologies.

Since 2017, we have started to embed explicitly ESG policies in the Statement of Investment Principles of *Pensioenfond 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 *Pensioenfond 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.

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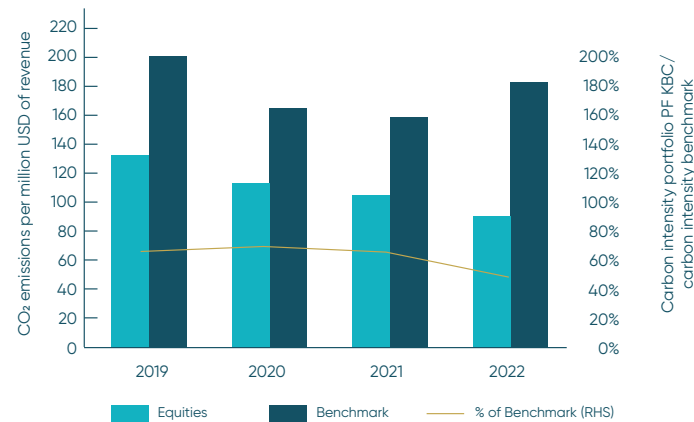
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Graph 8.7: Carbon intensity of Pensioenfonds KBC's equity portfolio compared to the benchmark MSCI World AC

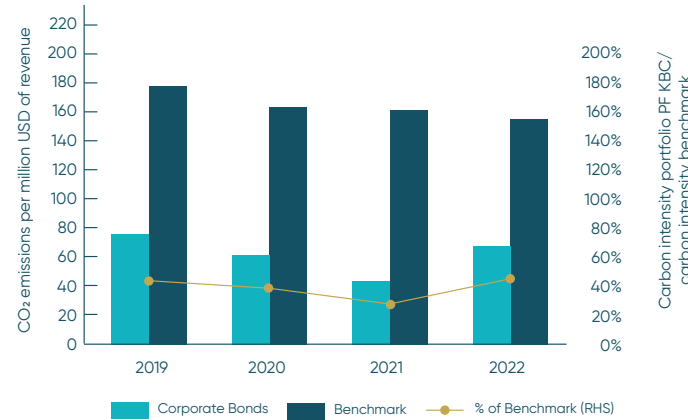


Since 2019, the equity portfolio has improved on carbon intensity due to the new RI investing methodology. For further reading on this methodology, we refer to the ['Responsible Investing on behalf of our clients'](#) section. Finally, the MSCI World AC benchmark increased significantly in 2022. This increase was due to an increased weight of energy companies with a relatively high carbon intensity, which are predominantly excluded from the listed equity portfolio of pensioenfonds KBC.

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).

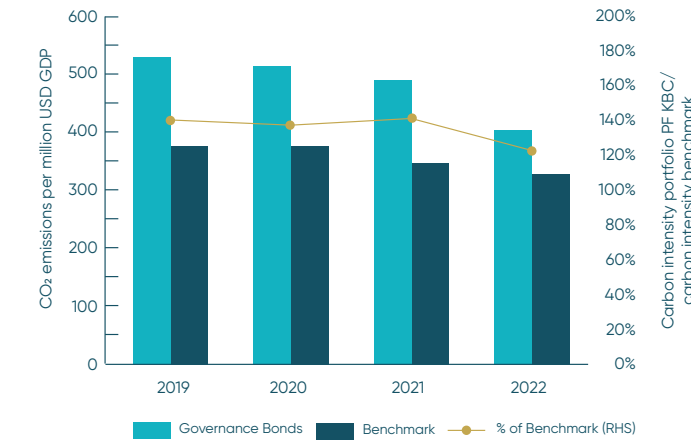


The carbon intensity of the corporate bond portfolio of *Pensioenfonds KBC* is low compared to its benchmark. However, the carbon intensity of the portfolio increased in 2022 compared to 2021. This was due to a shift of the Liability-Driven Investment (LDI) bond portfolio to a portfolio that contains 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.

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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. 



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Principle 1: Alignment	
 We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.	
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, asset management, insurance 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, lease, 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.	Links and references • KBC Group Quarterly Report 3Q2022: section 'Credit risk' • KBC Group Company presentation 3Q2022
Strategy alignment Does your corporate strategy identify and reflect sustainability as strategic priority/ies 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? ☒ UN Guiding Principles on Business and Human Rights ☒ International Labour Organization fundamental conventions ☒ UN Global Compact ☒ UN 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 54 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
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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 fulfil 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 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%) In 2022, 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 upcoming years.	Links and references • KBC Group Quarterly Report 3Q2022: section 'Credit risk'
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 i) by sectors & industries for business, corporate and investment banking portfolios (i.e. sector exposure or industry breakdown in %), and/or ii) by products & services and by types of customers for consumer and retail banking portfolios. If your bank has taken another approach to determine the bank's scale of exposure, please elaborate, to show how you have considered where the bank's core business/major activities lie in terms of industries or sectors.	

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Composition of our loan portfolio per geographical scope

	Belgium	Czech Republic	Bulgaria	Hungary	Slovakia
Retail banking	34%	58%	39%	35%	56%
SME banking	26%	14%	20%	1%	10%
Corporate banking	40%	28%	41%	64%	34%

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 (so excluding finance and insurance, authorities and private persons). The main climate-sensitive industrial sectors and technologies we finance are available in the table below.

	% outstanding groups portfolio (31/12/2021)	% outstanding groups portfolio (30/09/2022)
Energy	2.2%	2.5%
Real estate	6.1%	6.1%
Building and construction	4.2%	4.2%
Automotive	2.4%	2.4%
Agriculture	2.7%	2.7%
Food and beverage producers	2.2%	2.1%
Metals	1.4%	1.6%
Chemicals	1.3%	1.4%

Retail banking portfolio in Belgium

(Double counting clients as some clients use more than one service/product)

Products/services	Total % of portfolio based on amounts (30/09/2022)	Total % of portfolio based on number of customers (30/09/2022)
Current Accounts	19.3%	39.5%
Savings	43.2%	37.3%
Credit	37.5%*	23.2%

* 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)

Segments/products and services	Current accounts	Savings	Credit
0-18 yr	2.09%	3.95%	0.36%
19-29 yr	5.38%	4.64%	3.18%
30-55 yr	12.45%	11.72%	9.12%
55-xx yr	12.25%	13.98%	6.84%
Unspecified (including multiple person client relationships)	7.36%	2.97%	3.72%

Links and references

- [KBC Group Quarterly Report 3Q2022: section 'Credit Risk'](#)
- [KBC Group Sustainability Report 2022: section 'Sustainable Finance'](#)

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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.	Links and references
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. 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	Links and references
d) 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. If your bank has taken another approach to assess the intensity of impact resulting from the bank’s activities and provision of products and services, please describe this. 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.	

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Response 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 back-grounds, 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.	Links and references KBC Group Sustainability Report 2022: section 'Sustainable Finance'
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: Portfolio composition: Context: Performance measurement: ☒ Yes ☐ In progress ☐ No ☒ Yes ☐ In progress ☐ No ☒ Yes ☐ In progress ☐ No ☒ Yes ☐ In progress ☐ No Which most significant impact areas have you identified for your bank, as a result of the impact analysis? 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: a) 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. You can build upon the context items under 2.1.	

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Climate change mitigation
Target: please refer to 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 SDG7 '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-sustainable 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 instigate and support widescale transformation in the real economy, KBC supports SDG9 'Industry, innovation and infrastructure' and SDG12 '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
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.

b) Baseline: Have you determined a baseline for selected indicators and assessed the current level of alignment? Please disclose the indicators used as well as the year of the baseline.
You can build upon the performance measurement undertaken in 2.1 to determine the baseline for your target.
A package of indicators has been developed for climate change mitigation and financial health & inclusion to guide and support banks in their target setting and implementation journey. In case you have identified other and/or additional indicators as relevant to determine the baseline and assess the level of alignment towards impact driven targets, please disclose these.



Response

Climate change mitigation:
We refer to our first [Climate Report](#) in which we outline our 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](#)

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c) SMART targets (incl. key performance indicators (KPIs)): Please disclose the targets for your first and your second area of most significant impact, if already in place (as well as further impact areas, if in place). Which KPIs are you using to monitor progress towards reaching the target? Please disclose.	
 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.	Links and references Our first Climate Report
d) 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', SDG14 '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 ICCM Sustainable Development Framework (limiting impact on SDGs such as SDG6 'Clean water and sanitation', SDG8 'Decent work and economic growth', SDG14 'Life below water', SDG15 'Life on land' and SDG16 'Peace, justice and strong institutions'. 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 SDG6 'Clean water and sanitation', SDG14 'Life below water', SDG15 'Life on land'). 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 10 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 KBC Group Sustainability Report 2022, sections 'Portfolio steering' and 'Portfolio actions' under the 'White Paper sectors' chapter Our first Climate Report KBC Group Sustainability Report 2022, section 'Sustainable Finance' KBC Sustainability Framework KBC Group's Environmental policy KBC Group's Mining policy KBC Group's Human Right policy

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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...



For each target separately:

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.

Climate change mitigation



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.

- [Our first Climate Report](#)
- [KBC Group Sustainability Report 2022](#), sections 'Portfolio steering' and 'Portfolio actions' under the 'White Paper sectors' chapter

- [Our first Climate Report](#)
- [KBC Group Sustainability Report 2022](#), sections 'Portfolio steering' and 'Portfolio actions' under the 'White Paper sectors' chapter

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.	Links and references • KBC Group Sustainability Report 2022, section 'Sustainable Finance'								
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). <table> <tr> <td>Total amount of Green Bonds issued</td><td>1.75 bn euros</td></tr> <tr> <td>Total amount of renewable energy project finance (granted amount)</td><td>1.73 bn euros</td></tr> <tr> <td>Total amount of mortgages for energy efficient housing (granted amount)</td><td>11.7 bn euros</td></tr> <tr> <td>Total amount of low carbon vehicles financing (outstanding amount)</td><td>319 m euros</td></tr> </table>	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)	319 m euros	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)	319 m euros								

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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 ☐ In progress ☐ 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 that 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.		Links and references KBC Group Sustainability Report 2022: section 'Strategy and value creation' KBC Group Sustainability Report 2022: section 'Sustainable Finance'
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 ☐ In progress ☐ 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 ratifies 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.		Links and references KBC Group Sustainability Report 2022: section 'Strategy and value creation'

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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.	Links and references • Code of Conduct for KBC Group Employees • KBC Group Sustainability Report 2022, section ‘Our responsibility’ • KBC Group Annual Report 2022, section ‘Corporate Governance’ • KBC Group Compensation Report for Key Identified Staff
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.	Links and references • KBC Corporate website: Setting rules and policies • KBC Group Sustainability Report 2022, section ‘Our responsibility’ • KBC Group Risk Report
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	

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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.	Links and references KBC Group Sustainability Report 2022: 'Assurance' section
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.	Links and references KBC Group Sustainability Report 2022, section 'About this report' CDP reporting 2022
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.	Links and references

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Principles for Sustainable Insurance (PSI)



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.

High-level summary of KBC’s response	References and more information
Principle 1: We will embed in our decision-making environmental, social, and governance issues relevant to our insurance business.	
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: • put our clients first, offering them a unique bank-insurance experience • focus on our long-term development • pursue sustainable and profitable growth • take our responsibility for society and local economies seriously. Our sustainability policies and restrictions apply fully to our insurance activities and are complementary to our sustainability governance which covers the insurance underwriting and investment activities. KBC’s Internal Sustainability Board (ISB), chaired by our Group CEO, decides on all insurance-related sustainability topics. In addition, our Sustainable Finance Programme covers the insurance-related businesses. As shown throughout this report, climate action is a top priority for KBC Insurance. In addition to climate, other environmental topics (e.g. water, biodiversity) and societal issues have gained importance. KBC Insurance already covers climate-related physical risks and other environmental topics are addressed in most of its insurance business solutions. At KBC Insurance in Belgium, the standard Home Insurance covers renewable energy sources for private use: solar panels, home batteries and charging points. The Patrimony Insurance protects small wind turbines on top of the aforementioned covers. In case of severe damage, KBC Insurance covers the additional costs of rebuilding residential buildings in accordance with the latest building regulations. For similar damage in the case of non-residential buildings, this additional cover is provided for up to 20% of the insured damage to buildings with a maximum of 150 000 euros. The multi-peril climate insurance is available for farmers in Flanders. This insurance allows farmers to insure their crops against extreme weather conditions. In 2023, KBC Insurance will further elaborate its policies and client engagement in the area of sustainability. In its property underwriting business, KBC Insurance: • will investigate updates of flood maps • will continue to focus on data collection with respect to the energy performance of non-residential buildings it insures KBC Insurance fully complies with the KBC Group Investment Policy, which includes clear ESG-related investment criteria. See the ‘Climate-related impact of our own investments’ section of this report. We also take accountability for our social impact. For example, since the beginning of Russia’s invasion of Ukraine, many of our clients and employees have welcomed Ukrainian refugees into their homes. To support this initiative, KBC Insurance NV allowed its clients and employees to extend their insurance coverage in the standard family and fire insurance policies for free.	KBC Group Sustainability Report 2022: • ‘Strategy and value creation’ • ‘Our responsibility’ • ‘Sustainable finance: Our sustainability policies’ • ‘Sustainable finance: Our commitment concerning our social impact’
Principle 2: We will work together with our clients and business partners to raise awareness of environmental, social and governance issues manage risk and develop solutions.	
KBC Insurance launched several initiatives to raise awareness among our clients, stakeholders and employees about sustainability in 2022. Firstly, we initiated an exercise on data capture, more specifically determining the required data points and exploring the market of data suppliers. This allows us to gain a better insight of the market and the needs of the various sectors. In the next stage, during product development, we assessed the sustainability risks and opportunities. For example, in our car insurance policy, we rewarded those clients who drove less than certain distances. They also have access to a sustainable repair network in case of damage. This year, we also adjusted our products and processes in response to the electrification and car sharing trends. We extended the purchase price of coverage for the full and partial casco insurance policies from 30 to 48 months for electric passenger cars. For electric passenger cars older than 36 months, this cover was extended from 12 to 24 months. Since car sharing has significant benefits in terms of emissions, we decided to extend the insurance coverage for private car owners who share their cars via an online platform with a ‘sharing clause’. By doing so, car owners are incentivised to share their vehicles while being protected against specific risks. We plan to provide more information to our clients on the environmental advantages of electric vehicles, car sharing and our relevant products and engaging and upskilling KBC’s employees in the area of ESG topics is one of KBC’s priorities. In doing so, we 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 we provided trainings for our agents by way of several workshops, online coaching sessions and provided support material.	KBC Group Sustainability Report 2022: • ‘Sustainable finance’ • ‘Our people’

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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.	

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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  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 ; and
- the appendix "principles for responsible banking": statements marked in blue and with the symbol .

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 2021).

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.



Auditor's 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 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.

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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.

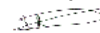


Other matter - restriction on use and distribution of our report

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/Reviseurs d'Entreprises SRL
represented by

DocuSigned by:

BCCBA4CB2A6E4FB...
Marc Daelman¹
Registered auditor

¹ Marc Daelman BV, member of the Board of Directors, represented by its permanent representative Marc Daelman

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GREENHOUSE GAS VERIFICATION STATEMENT

61125675_KBC_CO2footprint

KBC GROUP

VINÇOTTE nv

Jan Olieslagerslaan 35
1800 Vilvoorde, België

Organisation

KBC Group
Havenlaan 2
1080 Brussels
Belgium

Period

1/10/2021 - 30/09/2022

Verification procedure

The validation was performed by Vinçotte in accordance with ISO14064-3 meeting the requirements of the WRI/WBCSD GHG Protocol.

Verified amount

43.881,97 ton CO₂-eq

Declaration of independence

The validation was carried out by Vinçotte as an independent third party.

This statement may only be communicated and reproduced in its entirety and without change. Page 1 of 3



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, transparant 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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Conclusion

Vinçotte 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 Vinçotte that the greenhouse gas emissions of KBC Group for the period 1/10/2021 - 30/09/2022 are fairly stated.

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AI	Artificial intelligence	
ASC	Aquaculture Stewardship Council	
ATM	Automated Teller Machine	
AUD	Assets Under Distribution	
AUD (direct client money)	Assets Under Distribution (direct client money)	Assets under distribution from external customers of KBC Group (retail, private banking and institutional investors).
Bn	Billion	
BRS	Belgian Raiffeissen Foundation	
CCCA	Collective Commitment to Climate Action	
CDP	Carbon Disclosure Project	
CESGA	Certified ESG Analyst	
CH ₄	Methane	
CO ₂	Carbon dioxide	
CO ₂ e	Carbon dioxide equivalent	
CoP	Communication on Progress	
	Commercial real estate	Commercial real estate finance relates to the development of or investment in real estate assets (or a portfolio of such assets) by property developers or investors, which are subsequently sold or let to third parties.
CSRD	Corporate Sustainability Reporting Directive	Review of the EU Non-Financial Reporting Directive (NFRD 2014/95 EU) in a proposed new EU Corporate Sustainability Reporting Directive, under negotiation.
DBIO	Don't Buy Into Occupation	
DORA	Digital Operational Resilience Act	
EBA	European Banking Authority	
EEA	European Environmental Agency	
EITI	Extractives Industries Transparency Initiative	
EP	Equator Principles	
ESAP	European Single Access Point	
ESG	Environmental, social and governance	
EMU	Economic and Monetary Union of the European Union	
EPC	Energy Performance Certificate	
	EU Green Deal	The EU Green Deal was adopted in December 2019. It is the European Union's new growth strategy that aims to transform the Union into a modern, resource-efficient and competitive economy with no net emissions of greenhouse gases by 2050.

	EU Taxonomy	The Taxonomy Regulation was published in 2020 (2020/852) and establishes an EU-wide framework for sustainable economic activities. The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities.
FTE	Full Time Equivalent	
GAR	Green Asset Ratio	
GDP	Gross Domestic Product	
GDPR	General Data Protection Regulation	A regulation in EU law on data protection and privacy.
GHG	Greenhouse Gas	
GHG protocol	Greenhouse Gas Protocol	
GRI	Global Reporting Initiative	
GRI Standards	Global Reporting Initiative Sustainability Reporting Standards	
HDV	Heavy Duty Vehicle	
ICMA	International Capital Markets Association	
ICP	Internal carbon price	
ICE	Internal combustion engine	
ICT	Information and Communication Technology	
IEA	International Energy Agency	
IFRS foundation	International Financial Reporting Standards	
ILO	International Labour Organisation	
IMF	International Monetary Fund	
	Industrial loan portfolio	The corporate industrial loan portfolio excludes loans to SMEs, private persons, finance and insurance and authorities.
IRM	Information Risk Management	
ISB	Internal Sustainability Board	
IT	Information Technology	
IUCN	International Union for Conservation of Nature	
KBC AM	KBC Asset Management	
KPI	Key Performance Indicator	
KWh	Kilowatt-hours	
LDI	Liability-Driven Investment	The primary goal of an LDI portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities.

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M	Million	
MiFID	Markets in Financial Instruments Directive	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.
Mt CO ₂ e	Mega tonnes CO ₂ e	
MFI	Microfinance Institutions	
MSC	Marine Stewardship Council	
N ₂ O	Nitrous oxide	
NEDC	New European Driving Cycle	
NFRD	Non-Financial Reporting Directive	
NGFS	Network for Greening the Financial System	
NGO	Non-Governmental Organisations	
NPS	Net Promotor Score	
NZAOA	Net Zero Asset Owner Association	
NZIA	Net Zero Insurance Alliance	
OECD	Organisation for Economic Cooperation and Development	
OECM	One Earth Climate Model	
OHSC	Occupational Health and Safety Committee	
PACTA	Paris Alignment Capital Transition Assessment	
PBAF	Partnership for Biodiversity Accounting Financials	
PCAF	Partnership for Carbon Accounting Financials	
PEARL+	Performance, Empowerment, Accountability, Responsiveness, Local Embeddedness Plus	
PRB	UNEP FI Principles for Responsible Banking	

PRI	UN Principles for Responsible Investments	
PSI	UNEP FI Principles for Sustainable Insurance	
RI funds	Responsible Investing funds	
SBTi	Science-Based Targets Initiative	
STiPPL	Skills to Improve Performance Progression Learning and Employability	
	Stranded assets	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.
SFDR	Sustainable Finance Disclosure Regulation	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.
SASB	Sustainability Accounting Standards Board	
SDG	Sustainable Development Goals	
SME	Small and Medium-sized Enterprise	
TCFD	Task Force on Climate-Related Financial Disclosures	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.
TNFD	Taskforce on Nature-related Financial Disclosures	
UN	United Nations	
UNEP FI	United Nations Environmental Programme Finance Initiative	
VITO	Vlaams Instituut voor Technologisch Onderzoek	Flemish Institution for Technological Research
VLAIO	Vlaams Agentschap Innoveren en Ondernemen	Flemish Agency for Innovation and Entrepreneurship
WLTP	Worldwide Harmonised Light Vehicles Test Procedure	

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Publisher: KBC Global Services NV, Havenlaan 2, 1080 Brussels, Belgium

Feedback

We welcome comments and questions from all our stakeholders.
Please send us your feedback via

csr.feedback@kbc.be
