



KBC

Social Bond Framework

April 2022

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1. Introduction

1.1 About KBC

KBC (including KBC Group, KBC Bank, and its subsidiaries) is an integrated bank-insurance group catering mainly for retail, private banking, SME and mid-cap clients. KBC's core markets are Belgium, the Czech Republic, Slovakia, Hungary, Bulgaria and Ireland. KBC is also present to a limited extent in several other countries to support corporate clients from its core markets.

1.2 KBC's Purpose (Mission)

As a bank-insurer, KBC's purpose is to help all its stakeholders realise their dreams and protect them. Even more, KBC wants to inspire, boost and stimulate those who count on KBC, day after day, so that others can grow and achieve their respective goals.

KBC enables its retail clients to plan, realise and protect their projects. KBC cooperates with its business clients so that they can grow and develop in the long term. KBC drives local economies so that communities can further develop and offers services to their citizens and opportunities for their youth. KBC enables its current and future employees to develop their potential. KBC is preparing for tomorrow's challenges.

1.3 KBC's Vision

KBC's vision is to be the reference for bank-insurance in all its core markets. Its strategy consists of four cornerstones, interacting with each other:

- KBC strives to offer its clients an unique bank-insurance experience.
- KBC develops its group with a long-term perspective and therefore achieves sustainable and profitable growth.
- KBC puts its clients' interests at the heart of what it does and strives to offer them at all times a high-quality of service and relevant solutions.
- KBC take its responsibility towards society and local economies very seriously and aims to reflect that in its everyday activities.

1.4 KBC's Commitment to Corporate Sustainability

1.4.1 Overview

Sustainability is embedded into the strategic decision-making and core business operations throughout the entire group, via the Sustainability Governance model¹, as a key driver for sustainability implementation. As part of its sustainability strategy, KBC offers its clients business solutions that respond to societal needs within the focus domains of financial literacy, entrepreneurship, longevity and health and environmental responsibility. Additionally, KBC applies strict exclusionary criteria to its business activities in respect of human rights, business ethics, the environment and sensitive/controversial societal issues (for further details on KBC's exclusionary criteria, see the

¹ See KBC's Corporate Sustainability Governance on <https://www.kbc.com/en/making-it-work-governance>

Appendix). For more information on KBC's comprehensive sustainability strategy, please see KBC's Group Sustainability Framework² and KBC's annual Sustainability Report prepared in accordance with the Global Reporting Initiative (GRI) Standards (Core option) and according to the Sustainability Accounting Standards Board (SASB).

In 2019, KBC was one of a small group of bank signatories of the United Nations Environment Programme Finance Initiative Principles for Responsible Banking (PRB), that publicly endorsed the Collective Commitment to Climate Action (CCCA) and committed – in cooperation with its clients – to align portfolios with the international climate goals of the Paris Agreement. Since 2018, KBC is a signatory to the Principles for Sustainable Insurance (PSI) and reports on its progress³, and, since 2016, is a signatory to the Principles for Responsible Investment (PRI) and reports the actions taken⁴.

KBC is also a member of the ICMA Green Bond Principals. Both KBC's 2018 and 2020 Green Bonds received Climate Bonds Initiative's "Green Bond Standard" certification.

1.4.2 KBC's Contribution to the SDGs

As a financial institution, KBC is an important driving force for the real economy and therefore has an important impact on the United Nations Global Sustainable Development Goals (SDGs). By contributing to the economic well-being of companies, private individuals and governments, KBC can increase its ability to achieve better social outcomes. Moreover, through its lending, insurance and asset management activities, KBC can direct the social and environmental influence of its operations.

Although the 17 SDGs are all interconnected and relevant, KBC has identified a number of high-impact areas where it believes it can contribute most positively as a bank-insurer to the implementation of the SDGs and minimise the negative impact KBC might have on them. KBC has aligned its sustainability strategy with the SDGs.

- SGD 3 on "Good Health and Well-being"
- SDG 7 on "Affordable and Clean Energy"
- SDG 8 on "Decent Work and Economic Growth"
- SDG 12 on "Responsible Consumption and Production"
- SDG 13 on "Climate Action"

Furthermore, with the funds raised through its social bond(s) (see section 2.1 "Use of Proceeds"), KBC also aims to have a positive impact on SDG 4 "Quality Education," SDG 9 "Industry, Innovation and Infrastructure" and SDG 11 "Sustainable Cities and Communities."

1.4.3 KBC's Contribution to Financing Social Objectives

KBC is dedicated to increase its positive social impact through its core activities as an integrated bank-insurer and asset manager by financing and insuring projects that contribute to and provide access to social goods and services such as education, basic infrastructure, essential services, health and employment. In a world that was marked by a severe and worldwide health crisis, KBC draws particular attention to the important role it has always played as a financier and insurer of the healthcare sector.

² [CSD CorporateSustainabilityFramework_en.pdf \(kbcgroup.eu\)](#)

³ KBC report on the progress it has made (PRB & PSI) in its Sustainability Report
<https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/PerfRep/2020/csr-sr-2020.pdf>

⁴ KBC report the actions taken in relation the six PRIs via <https://www.unpri.org/>

Healthcare and well-being are at the heart of KBC's activities as an insurer. Through the insurance products KBC provides, KBC protects not only its clients' dreams and projects but also clients themselves from the financial consequences of healthcare risk.

In addition to its important role as an insurer, KBC is also an important financier of care facilities and the healthcare sector. The financing KBC provided to this sector amounted to 6.1 billion EUR at the end of 2021.

In particular, KBC regularly finances hospitals, care centres, and schools in their various projects.

- EpiCURA: In 2020, KBC took part in a bank consortium that financed a programme of 170 million EUR for EpiCURA. Split across several sites, EpiCURA provides care in cities where no other hospital is present. The programme will allow EpiCURA to build new extensions, renovate existing buildings and purchase up-to-date medical appliances over the next five years.
- In 2021, KBC committed to finance the expansion works for De Lindeboom on the campus of AZ Zeno in Blankenberge. The capacity of the elderly care units will increase to 166. Another example is the construction of a new and modern care home in Heist, also for De Lindeboom. The building – formerly used as a school – will be refurbished and used for a different purpose. The new residential care centre will accommodate 38 large rooms and a green inner garden which increases the capacity of the elderly care units to 75.
- KBC financed the land on which the Egied Van Broeckhoven School will be built in accordance to the DBFM (Design Build Finance Maintain) formula. The school is a new Dutch-speaking secondary Jesuit education school in Molenbeek (the Brussels region). The new school building – which will open its doors in 2023 – will meet the need for Dutch-language education in Brussels. It will offer general (ASO), vocational (BSO) and technical (TSO) courses within two study domains: the science domain STEM (Science, Technology and Mathematics) and the care domain 'Society and Welfare'. 860 pupils will be able to follow a career path focussing on the needs of the labour market.

KBC, as a real estate financier, is aware of its role in financing affordable housing. In Belgium, KBC has financed the Walloon and Brussels housing funds, which make buying a home more affordable for large families or low income households by granting loans at subsidised interest rates. KBC also acted as a joint lead manager in the issuance of a debut one billion EUR Social Bond for the Walloon Region of Belgium, supporting actions to tackle the Covid-19 pandemic.

In 2021, KBC acted as a Joint Bookrunner for the 1.25 billion euro Sustainability Bond issued by the Flemish Community. In line with the Sustainability Bond Framework of Flanders, the proceeds of the bond will be used to finance expenditures with both environmental and social benefits relating to energy efficiency in buildings, affordable housing, access to education and pollution prevention and control. Among other things, the proceeds will be used to finance energy loans at adjusted interest rates to vulnerable low-income households, social housing agencies, and for the construction of public school buildings and circular projects.

As a multi-domestic bank-insurer and asset manager, KBC recognizes its significant responsibility to help minimize the social and economic damage Covid-19 has caused to people, KBC's clients and society as a whole. KBC is determined to continue to support society and the local economies which it serves.

1.4.4 KBC's Expertise and Commitment in Offering Responsible Investing Funds

On the asset management side, KBC displays a strong approach towards Responsible Investing funds:

- For the last decade, KBC has been a pioneer and a market leader in Belgium, offering a full range of Responsible Investing funds to its retail and institutional clients. KBC also offers Responsible Investing funds in Ireland, Hungary, the Czech Republic and Slovakia. Our ambition is to introduce in its remaining core countries is to gradually introduce Responsible Investing funds in Bulgaria.
- In 2018, KBC was the first Belgian financial institution to launch a Responsible Investing pension savings fund.
- In 2021, KBC converted its two remaining pension saving funds in Belgium to Responsible Investing funds. With this decision, all Belgian KBC pension savings funds now invest in responsible assets. These pension savings funds, including the largest pension savings fund in Belgium, have approximately 6 billion euros under management. With this decision, KBC wants to further strengthen its positive impact on society and the environment.
- The strict Responsible Investing selection criteria relating to the environment, social policy and corporate governance can be found in "Exclusion Policies for Responsible Investing Funds⁵."

The Responsible Investing framework is a KBC in-house but well proven and externally challenged framework. KBC Asset Management is further aligning this framework to new EU regulations such as SFDR and MIFID and currently works under the assumption that all Responsible Investing funds are either article 8 or article 9 funds under the SFDR.

1.4.5 KBC Group Policy on Human Rights

KBC is fully committed to meeting its responsibility to respect human rights throughout the group. To help the group achieve this, KBC applies the 'UN Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework' – the global standard for preventing and addressing the risk of adverse human rights impacts linked to business activity.

Human rights are rights inherent to all human beings, whatever their nationality, place of residence, gender, national or ethnic origin, colour, religion, language, or any other status. All human beings are equally entitled to human rights without discrimination. These rights are interrelated, interdependent and indivisible. They also include the protection of people's private lives.

KBC acknowledges that financial institutions, like any other enterprise, may be related to practices that harm human rights. KBC recognises that businesses, including financial service providers, can be connected to negative human rights impacts in three ways, as set out in the UNGP Framework: companies may (i) cause an adverse impact; (ii) contribute to an adverse impact; or (iii) their operations may be directly linked to an adverse impact by a company with which they have a business relationship.

KBC fulfils its commitment to respect human rights in relation to its core stakeholders – customers, suppliers and employees – through specific policies and human rights due diligence processes, thereby

⁵ https://multimediafiles.kbcgroup.eu/ng/published/kbc/zip/SRI_Uitsluitingen_EN.pdf

taking into account the severity of actual and potential adverse human rights impact when identifying and addressing such impacts. As a financial institution, KBC's highest risk in terms of potential involvement with human rights violations arises through its client relationships, through its credit and insurance portfolio, its advisory services, its asset management activities and its own investments. Human rights aspects are also taken into consideration when assessing mergers or acquisitions in which KBC may engage.

The worst offenders of the UN Global Compact Principles are blacklisted across all KBC's operations: any activity with KBC is ruled out via the KBC Group Policy on Blacklisted Companies. The KBC Group Policy on Controversial Regimes also prohibits financial activities with or related to the most controversial regimes. These are regimes that fundamentally violate human rights and lack any form of good governance, rule of law or economic freedom.

2. KBC's Social Bond Framework

KBC channels funds to finance access to social goods and services such as education, healthcare and employment.

In order to meet the obligations described above and to finance projects that will provide social benefits in support of KBC's mission and vision, KBC has chosen to create a Social Bond Framework (the "Framework") pursuant to which it may issue social bond(s).

KBC social bond(s) can be issued under the Framework via KBC Group NV or KBC Bank NV (collectively referred to as "KBC"). If KBC issues a KBC social bond at the level of KBC Group NV, it will allocate an equivalent amount of the KBC social bond proceeds to KBC Bank NV. The Framework is intended to accommodate secured and unsecured (including subordinated) transactions in various formats and currencies. Further details will be provided in the applicable announcements and transaction documentation.

The Framework is presented through the following core components, which follow the voluntary guidelines of the International Capital Market Association (ICMA) Social Bond Principals (SBP) 2021⁶.

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

Additionally, the Framework includes the External Review recommendation for heightened transparency.

KBC intends to follow best market practices and will thus periodically update the Framework to both ensure compliance with voluntary market practices as well as emerging standards and classification systems. This includes KBC's close monitoring of the potential EU Social Taxonomy by the European Commission, for which the Platform on Sustainable Finance has published a final report in February 2022.

2.1 Use of Proceeds

An amount equivalent to the proceeds of social bond issuances will be exclusively used to finance or refinance, in whole or in part, projects and activities with clear social benefits in the categories listed in the tables below.

To qualify as Social Bond Eligible Assets (**'Eligible Assets'**), the selected loans are required to have originated in Belgium and meet the following eligibility criteria:

⁶ <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principals-June-2021-140621.pdf>

Social Bond Category	Eligibility Criteria	Target Populations	Alignment with SDG(s)
Access to Essential Services - Education Objectives: Increase access to quality education Social Benefits: Reduce education inequalities			
Access to education	(Re)financing of activities for public schools, including kindergarten and universities: <ul style="list-style-type: none"> • Construction, extension or refurbishment of equipment and infrastructures • Dedicated programmes, furniture, learning materials and other equipment (See the Appendix for further information relating to eligibility criteria)	General public access to state/public schools and free private schools	
Affordable basic infrastructure for sport and culture	Support of projects (including those subsidised by local authorities) improving access to sport and cultural facilities (e.g. construction of public sport and cultural facilities) (See the Appendix for further information relating to eligibility criteria)	General public	

Social Bond Category	Eligibility Criteria	Target Populations	Alignment with SDG(s)
Access to Essential Services - Health Objectives: Increase access to healthcare Social Benefits: Reduce health related inequalities			
Hospitals	(Re)financing for the development, acquisition, construction, extension or refurbishment of buildings, equipment, infrastructures and general corporate purposes related to hospitals (See the Appendix for further information relating to eligibility criteria)	General public	
Care facilities	(Re)financing of residential care centres, elderly care centres, disabled care, and service flats: <ul style="list-style-type: none"> • Construction, extension or refurbishment of equipment and infrastructures • Acquisition of buildings, facilities or equipment 	Aging population, People with disabilities	

Social Bond Category	Eligibility Criteria	Target Populations	Alignment with SDG(s)
Affordable Housing Objectives: Support access to housing Social Benefits: Reduce inequalities			
Social housing	(Re)financing of social housing: <ul style="list-style-type: none"> • Development, construction, renovation and maintenance of social housing projects (See the Appendix for further information relating to eligibility criteria)	Governmental agencies that provide social mortgages and housing	

Social Bond Category	Eligibility Criteria	Target Populations	Alignment with SDG(s)
Employment Generation Objectives: Foster economic growth Social Benefits: Employment generation including to alleviate the impact of socioeconomic crisis			
SME* loans	(Re)financing of: <ul style="list-style-type: none"> • SMEs in socio-economically disadvantaged areas (see the Appendix) • SMEs impacted by the consequences of extreme events such as extreme weather events and natural disasters • SMEs affected by a pandemic crisis such as the Covid-19 crisis (including, but not limited to hospitality, entertainment & leisure services, and manufacturing activities assigned within the shipping sector) (See the Appendix for information relating to KBC's exclusions and restrictions to lending)	SMEs in socio-economically disadvantaged areas, SMEs impacted by the consequences of extreme events or pandemics	 

*KBC refers to the European Commission definition of Small and Medium-sized Enterprise (SME)⁷

Regarding the Eligible Assets alignment with the SDG's, (and as mentioned in Section 1.4.2 "KBC's Contribution to the SDGs"), KBC emphasizes that while the 17 SDGs are all interconnected and relevant, KBC has identified a number of high-impact areas where it believes it can contribute most positively as a bank-insurer.

⁷ https://ec.europa.eu/growth/smes/sme-definition_en

2.2 Process for Project Evaluation and Selection

The Eligible Assets are both aligned with KBC's Corporate Sustainability strategy and comply with local laws and regulations, including any applicable regulatory, environmental and social requirements. The Eligible Assets are furthermore evaluated by an assessment against KBC's sustainability policies and standards. Specifically, Eligible Assets are screened at source and will be subject to general policies⁸ that limit adverse impact on the environment and society (including KBC Blacklist, Human Rights, Controversial Regimes) as well as KBC's Credit Risk Standards on Sustainable & Responsible Lending. These standards and policies, along with exclusionary criteria are defined in the KBC Group Sustainability Framework⁹. An overview of KBC's exclusionary criteria can also be found in Appendix 1. KBC has a strong sustainability governance¹⁰ in place, which includes KBC's Internal Sustainability Board (ISB). The Group Corporate Sustainability Manager is a member of the ISB and a member of the Green and Social Bond Committee (see below). Additionally, senior members of KBC's Group Corporate Sustainability participate in the Green and Social Bond Committee when required.

KBC business units provide information on the compliance of the projects with the criteria for Eligible Assets (as per section 2.1).

Upon submission of projects by the business units, the Green and Social Bond Committee, comprised of representatives including at least one general manager from Group Treasury, Corporate Sustainability and representatives from the business units (when required), will verify the compliance of the projects with the Use of Proceeds requirements and select projects as Eligible Assets. The Green and Social Bond Committee also verifies that all selected Eligible Assets comply with the standards of the KBC Group Sustainability Framework, where applicable. Furthermore, the Green and Social Bond Committee will consider perceived environmental and social risks associated with each of the relevant projects as a part of the approval and monitoring of Eligible Asset allocation.

The Green and Social Bond Committee will document the assessment process with the view to demonstrate to an independent auditor that funded loans meet the applicable eligibility criteria.

2.3 Management of Proceeds

The net proceeds of the social bond(s) will be managed by the Treasury team of KBC Group on a portfolio basis. As long as the social bond(s) are outstanding, it is intended to exclusively allocate an amount equivalent to the net proceeds to a social bond portfolio of Eligible Assets in line with the above-mentioned eligibility criteria and evaluation and selection process. KBC will individually identify all allocated Eligible Assets in its internal information systems and will monitor these allocations on a quarterly basis. If an asset no longer meets the eligibility criteria, KBC will remove the loan from the Social Bond Portfolio and will strive to replace it with an Eligible Asset as soon as possible, subject to availability.

Pending the full allocation of the proceeds to Eligible Assets, or in case insufficient Eligible Assets are available, KBC commits to hold the balance of net proceeds not allocated to Eligible Assets within the treasury of the Group, invested in money market products, cash and/or cash equivalent.

⁸ <https://www.kbc.com/en/corporate-sustainability/setting-rules-and-policies.html>

⁹ https://www.kbc.com/content/dam/kbccom/doc/sustainability-responsibility/FrameworkPolicies/CSD_CorporateSustainabilityFramework.pdf

¹⁰ CSD_CorporateSustainabilityFramework_en.pdf (kbcgroup.eu)

Based on the internal monitoring of the portfolio of Eligible Assets, the Green and Social Bond Committee will review and approve allocations of bond proceeds to Eligible Assets on a quarterly basis. See also section 2.5.2 Verification Assurance – Allocation of Proceeds.

2.4 Reporting

KBC will regularly provide investors with information on both the allocation of proceeds and the non-financial impact of the Eligible Assets included in its Social Bond Portfolio.

2.4.1 Allocation of Proceeds Reporting

On at least an annual basis KBC will prepare a report to update investors on the allocation of the net proceeds of the social bond(s) to Eligible Assets. This report provides information about:

- The total amount of proceeds allocated to Eligible Assets
- The allocated amounts to Eligible Assets per Use of Proceeds category
- Origination timeframe and maturity profile of the loans per Use of Proceeds category
- The amount of unallocated proceeds, if any

2.4.2 Social Reporting

On an annual basis, KBC will publish a Social Report on various quantitative metrics of the Eligible Assets which may include those listed in the Appendix (Output, Outcome and Impact Indicators) subject to the availability of information and baseline data and based on methodologies that will be publicly available. Where relevant, the SBP's Harmonized Framework for Impact Reporting for Social Bonds may guide impacting reporting.

Both the allocation report and the Social Report will be made publicly available in the Social Bond section of KBC's Investor Relations webpage.

2.5 External Review

2.5.1 Second Party Opinion - Social Bond Framework

Prior to issuance, KBC commissioned Sustainalytics to provide a second party opinion to assess the alignment of its Social Bond Framework to ICMA's Social Bond Principals (SBP). Sustainalytics has reviewed KBC's Social Bond Framework and issued a second party opinion verifying the alignment of the Framework with the four core components of the SPB.

The second party opinion is available in the Social Bond section of KBC's Investor Relations webpage.

2.5.2 Verification Assurance – Allocation of Proceeds

KBC will request on an annual basis, starting one year after issuance and until maturity, a limited assurance report of the allocation of the social bond proceeds to Eligible Assets, provided by a reputable third party.

Appendix 1

Exclusionary Criteria

KBC has clear policies in place to limit the negative environmental and negative social impacts of its core activities within its portfolio of loans, investments and insurance activities. Furthermore, KBC regularly updates its list of exclusions and strengthens its approach towards some industries. The latest overview of all of KBC's sustainability policies can be found in the "Setting Rules and Policies" section of KBC's Corporate Sustainability Webpage¹¹. In summary,

- KBC has fundamental exclusions applicable to all of KBC's business activities relating to human rights, controversial weapons (including nuclear and white phosphorous weapons), and controversial regimes.
- Additional exclusions and restrictions to lending, insurance activities and advisory services are also in place, based on Environmental Social Governance (ESG) screening of counterparties' activities, which include biodiversity, soft commodity speculation (structured products), arms-related activities, energy, gambling, and tobacco.
- KBC is a signatory of the Equator Principles since 2004, and only provide project financing or advisory services to clients complying with the processes and policies of the Equator Principles.
- KBC achieved full exit from direct coal-related financing in 2021, thereby dropping the last remaining exception in the Czech Republic for the funding of coal-fired power stations for communal heating systems.

As part of its energy sector policy, KBC now refrains from financing, insuring or providing advisory services with regard to the exploration of any new oil and gas fields and additional restrictions for vertically integrated oil and gas companies that operate oil and gas fields. .

¹¹ <https://www.kbc.com/en/corporate-sustainability/setting-rules-and-policies.html>

Appendix 2

Further Information Relating to Eligibility Criteria

Access to Education

The education system in Belgium is financed by three communities (Flemish-speaking, French-speaking and German-speaking) and receives federal contributions. Access to the “public education system” (set up by the government) and the “free education system” (which includes but is not limited to faith-based schools and some private schools) is free during the period of compulsory attendance (1st September of the calendar year in which a child turns 5 years old to 18 years old). Learning materials and extracurricular activities may incur fees^{12,13}. Private schools that are fee-paying (above learning materials and extracurricular activities) are excluded.

Affordable Basic Infrastructure for Sport and Culture

In Belgium, each community (Flemish-speaking, French-speaking and German-speaking) is responsible for sports, culture, education and welfare matters. The policy is intentionally managed by the lowest possible political and administrative level in order to be as close to the citizens as possible. In the Flemish context, sport federations and local sport authorities play an important role in Flemish sport policy in particular with regard to “Sport for All”. The funding of sports differs in the three communities. In Flanders, the Flemish municipalities receive subsidies for the implementation of local sport policy and are responsible for a large part of the funding of sports. The majority of the Flemish sport clubs belong to a sport federation that is recognized and/or subsidized by the Flemish Government. Several initiatives are taken at the local level, including people with limited income (living wage¹⁴ or income less than or equal to living wage) receiving a partial refund of sport subscriptions. The French-speaking and German-speaking communities follow a similar structure. The type of sport facilities will vary, but are generally classified as public sports infrastructure in local communities. Exclusive private clubs are excluded.

Hospitals

The Hospital category includes both public hospitals (i.e. hospitals managed by a public authority) and private hospitals (which, in Belgium, run as non-profit organizations). As stated on health.belgium.be, both public and private hospitals provide reimbursed (via a health insurance system financed by social contributions proportional to income) healthcare services. Reimbursed services are facilitated via this compulsory health insurance which covers 99% of Belgian residents. The remaining 1% (who have not fulfilled the administrative requirements), as well as individuals who are not included in the calculation (including irregular immigrants) still have a right to medical care in any hospital and are covered via the public centre for social assistance^{15,16}. Furthermore, “The Law on Hospitals applies in equal measure to both the public and private sectors, and their financing by the public authorities is identical¹⁷.”

Social Housing

In Belgium, the three regions (Flanders, Wallonia and Brussels) are responsible for social housing and for the allocation of funds. In Flanders, the VMSW¹⁸ (Vlaamse Maatschappij Sociale Woningen) and the VWF (Vlaamse Woningfonds) – both governmental agencies – work closely together. The VWF provides mortgage loans to households to buy a property. Only borrowers with an annual income below a threshold determined by law are eligible for such a mortgage loan. The interest rate is adjusted based on market practices and on changes to the annual income. While the VWF (Vlaamse Woningfonds) provides the (social) mortgage loans to eligible individuals, the VMSW provides mortgage loans to social housing companies and municipalities. The loans KBC provides to these government agencies are eligible.

¹² <https://www.vlaanderen.be/en/compulsory-education>

¹³ <https://onderwijs.vlaanderen.be/en>

¹⁴ <https://www.vlaanderen.be/leefloon>

¹⁵ <https://www.healthybelgium.be/en/hit>

¹⁶ <https://www.inami.fgov.be/nl/themas/kost-terugbetaling/financiele-toegankelijkheid/Paginas/verhoogde-tegemoetkoming-betere-vergoeding-medische-kosten.aspx>

¹⁷ <https://www.healthybelgium.be/en/key-data-in-healthcare/general-hospitals/organisation-of-the-hospital-landscape/types-of-hospitals>

¹⁸ www.vmsw.be

Appendix 3

Definition of Socio-economically Disadvantaged Areas

As detailed in Section 2.1 (Use of Proceeds), Eligible Assets include SME financing in socio-economically disadvantaged areas. In this context, KBC defines socio-economically disadvantaged areas as:

- **Within Belgium:** Eurostat's Nomenclature of Territorial Units for Statistics (NUTS) regions (excluding Brussels) with an unemployment rate higher than the national unemployment rate. This resulted in the eligibility of 4 of the 11 regions for SME financing in Belgium. See **Table 1** below.
- **Within Brussels:** Municipalities with a proxy unemployment rate¹⁹ higher than the Brussels proxy unemployment rate. This resulted in the eligibility of 8 of 19 municipalities for SME financing in Brussels. See **Table 2** below.

The list of eligible areas will be updated annually.

Table 1

Belgium Region		Unemployment Rate 2020
BE	Belgium	5.6
BE10	Région de Bruxelles-Capitale/Brussels Hoofdstedelijk Gewest	12.3
BE21	Prov. Antwerpen	4
BE22	Prov. Limburg (BE)	3.6
BE23	Prov. Oost-Vlaanderen	2.7
BE24	Prov. Vlaams-Brabant	3.9
BE25	Prov. West-Vlaanderen	3.3
BE31	Prov. Brabant wallon	6.2
BE32	Prov. Hainaut	8.3
BE33	Prov. Liège	7.8
BE34	Prov. Luxembourg (BE)	5.1
BE35	Prov. Namur	6.1

Source: <https://ec.europa.eu/eurostat/en/>

Dataset: Unemployment rates by sex, age, educational attainment level and NUTS 2 regions (%) [LFST_R_LFU3RT__custom_2487176], Age Class: From 15 to 74 years [Y15-74]

¹⁹ The proxy unemployment rate for each Brussels municipality has been derived by dividing the average number of unemployed people looking for a job by the population on 01/01/2021.

Table 2

Municipality in Brussels	Population 01/01/2021	Avg # Unemployed Looking for a Job in 2020	Proxy Unemployment Rate 2020
Brussels Hoofdstedelijk Gewest	1,219,970	88,803	7.3%
Anderlecht	121,929	9,381	7.7%
Oudergem	34,723	1,526	4.4%
Sint-Agatha-Berchem	25,441	1,710	6.7%
Brussel	186,916	15,035	8.0%
Etterbeek	48,331	3,067	6.3%
Evere	43,061	2,751	6.4%
Vorst	56,281	4,647	8.3%
Ganshoren	25,189	1,716	6.8%
Ixelles	87,488	6,358	7.3%
Jette	52,854	3,717	7.0%
Koekelberg	21,873	1,683	7.7%
Sint-Jans-Molenbeek	98,112	8,800	9.0%
Sint-Gillis	49,196	4,801	9.8%
Sint-Joost-ten-Node	27,124	2,751	10.1%
Schaarbeek	131,451	10,919	8.3%
Ukkel	84,774	4,406	5.2%
Watermaal-Bosvoorde	25,221	1,303	5.2%
Sint-Lambrechts-Woluwe	58,010	2,700	4.7%
Sint-Pieters-Woluwe	41,996	1,532	3.6%

Employment Source: <https://bisa.brussels/themas/arbeidsmarkt/werkloosheid>

Dataset: Niet-werkende werkzoekenden in het Brussels Hoofdstedelijk Gewest: 2020 (jaargemiddelde), Eenheid: duizenden personen

Population Source: <https://statbel.fgov.be/en/themes/population/population-density#figures>

Dataset: Population Density by Municipality 1st January 2021, Eenheid: duizenden personen

Appendix 4

Output, Outcome and Impact Indicators

Examples of quantitative indicators (see Section 2.1 “Use of Proceeds”) that may be included in the Social Report are listed below. Output, outcome and impact indicators not listed below will be developed over time when social bond proceeds are allocated to the respective categories.

Social Bond Category	Indicators
Access to Essential Services - Education	
Access to education	<ul style="list-style-type: none"> • Number of education facilities, and/or initiatives benefiting from a loan
Affordable basic infrastructure for sport and culture	<ul style="list-style-type: none"> • Number of sport and culture facilities benefiting from a loan, including a breakdown between sport and culture • Number of beneficiaries
Access to Essential Services - Health	
Financing of hospitals	<ul style="list-style-type: none"> • Number of hospital beds • Number of consultations • Number of hospitalisations, incl day hospitalisations • Number of emergency contacts • Number of FTE
Financing of care facilities	<ul style="list-style-type: none"> • Number of care facilities benefiting from a loan • Number of beds
Affordable Housing	
Social housing	<ul style="list-style-type: none"> • Number of dwellings • Number of beneficiaries
Employment Generation	
SME financing	<ul style="list-style-type: none"> • Number of newly created companies • Number of SMEs benefiting from a loan • Estimated number of employees retained in the SMEs benefiting from the loans

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