Sustainability Report

KBC Group

Our voluntary
sustainability report

2024

About this report

We provide a detailed reporting on our group's sustainability performance annually. In 2024, we will do this through both the Sustainability Report and the Sustainability Statement in the Annual Report. The latter report will include our mandatory reporting in line with the European Corporate Sustainability Reporting Directive (CSRD). The Sustainability Report offers more in-depth reporting and background information on material topics and topics of interest to some of our stakeholders. In it, we outline our approach to corporate sustainability, the implementation of our sustainability strategy and the Sustainable Finance Programme. The Sustainability Report also covers the policies and guidelines we follow, the targets we have set and our main achievements.

Content and materiality

We regularly engage with all relevant stakeholders throughout the year. These interactions help us identify which topics we should direct our efforts at, evaluate our performance and objectives through specific targets and to define policies. We address these topics in our sustainability reporting, as well as topics that could have significant impacts on our business, including those with the highest impacts on the economy, environment and people.

In 2024, we conducted a double materiality assessment (DMA) in line with the CSRD. Through that process, we identified six sustainability topics as material to us, considering both their financial and impact importance. **From 2024 onwards, we will report on these material topics in the Sustainability Statement of our Annual Report, following the European Sustainability Reporting Standards (ESRS).**

This reporting year we will both publish a Sustainability Statement in the Annual Report and a separate Sustainability Report. The goal of this **Sustainability Report** is twofold:

- To provide **more in-depth reporting and background information on material topics** covered in the Sustainability Statement, consistent with prior Sustainability Reports.
- Additionally, we will use it to report on **topics that were not identified as material from a double materiality perspective but are nonetheless of interest to some of our stakeholders**.

To gain a comprehensive understanding of our sustainability efforts and performance, it is recommended that this report and the Sustainability Statement in the KBC Group Annual Report are read together.

For further information on our stakeholder interactions, see the 'Our sustainability strategy' section of this report. For detailed results of the DMA conducted in 2024, we refer to the Sustainability Statement of the KBC Group Annual Report.

Reporting guidelines: moving from GRI to ESRS

Commencing in 2024, the KBC Group Annual Report will incorporate the mandatory Sustainability Statement for KBC Group, adhering to the ESRS standards in accordance with the European CSRD reporting legislation. Clarity about this legislation and its application has increased over recent years. With the mandatory implementation of ESRS and due to the interoperability with the GRI (Global Reporting Initiative), it is anticipated that the focus for European companies will increasingly shift from GRI to ESRS. We have therefore decided to cease publishing a separate GRI content index in our Sustainability Report. We have also mapped our material topics to SASB (Sustainability Accounting Standards Board) since 2019. In 2024, we aim to publish a separate SASB disclosure on our corporate website.

Scope

In general, this report covers the KBC Group organisation as a whole. It matches the scope of consolidation used for financial information as per end of September 2024, unless stated otherwise. There are **no substantial differences in scope compared to the previous report.**

A list of all entities included in the financial consolidation is published on our website. The aggregate balance sheets of entities included in the financial consolidation scope but not fully consolidated do not exceed 1% of the combined balance sheet total.

Finally, we note that for some data points the reporting scope in this Sustainability Report differs from the scope of the mandatory Sustainability Statement in the Annual Report. This is because ESRS standards oblige us to report beyond the financial consolidation scope for certain data points. We provide more detailed information on such data points in the Sustainability Facts and Figures.

Data collection and reporting period

We 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, own 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 2023 – 30 September 2024, unless stated otherwise in the report. Our group has published a Sustainability Report annually since 2005. The most recent report was published in April 2024. You will find our previous reports on our corporate website.

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 approved the report on 13 March 2025.

External assurance

Starting in 2024, our sustainability reporting will be verified through the limited assurance of the Sustainability Statement, which is integrated in the Annual Report. This includes environmental, social and governance-related data points. In the Sustainability Facts and Figures, we will indicate these data points with the adjoining symbol and refer to the Annual Report for the assurance statement.

Feedback

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

When we use the terms 'green' and 'sustainable' in this report, it does not necessarily suggest that what we describe is already (fully) aligned with the EU Taxonomy.

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. Similarly, '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 designations refer to the Board of Directors and Executive Committee of KBC Group.

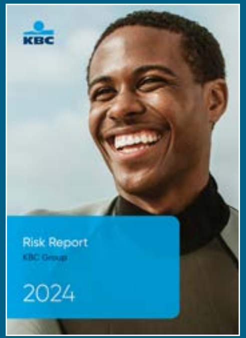
Glossary: A list of the most widely used terms and abbreviations, with accompanying definitions where necessary, can be found at the end of this report.

Our reports

The **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 **Annual Report** provides information (including mandatory statements) on our business model, strategy, sustainability, governance, financial performance, risks and capital. Starting in 2024, it includes the mandatory **Sustainability Statement** for KBC Group in line with the European CSRD reporting legislation. The Annual Report is intended for investors, clients, employees and society in general.

The **Risk Report** provides greater detail on the group's risk and capital management, including environmental, social and governance-related (ESG) risks. The Risk Report is intended for investors, (ESG) 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 assumes its role in society and local economies. 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.

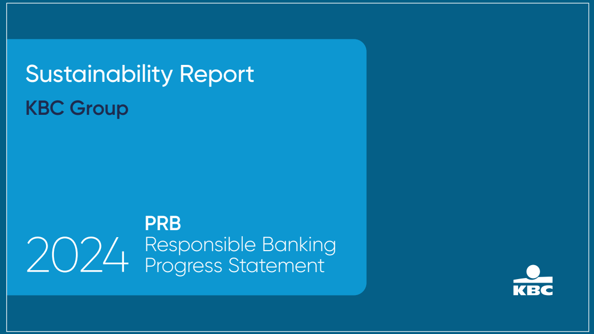
Sustainability Report KBC Group 2024: Sustainability Facts and Figures

This report contains comprehensive non-financial and sustainability data. It presents information on our direct and indirect environmental impact, sustainable finance, employees, suppliers and community involvement. Additionally, it includes our sustainability targets, where applicable, and the progress made towards these targets in 2024. The report also provides explanations for differences in reporting scope between certain data points in the Sustainability Report and the mandatory Sustainability Statement in the Annual Report.

Sustainability Report KBC Group 2024: Methodologies Explained

We adopt a variety of methodologies to track and disclose the climate-related impact on and of our portfolios. The majority of these are explained and discussed in detail in the mandatory Sustainability Statement, which is integrated in our Annual Report. This is the case for our climate target progress measurement for our lending portfolio, PCAF (Partnership for Carbon Accounting Financials) and Trucost data and methodology used for our investment portfolios. In this report, we elaborate on:

- PACTA (Paris Agreement Capital Transition Assessment)
- EU Taxonomy voluntary reporting for mortgages.



Sustainability Report KBC Group 2024: PRB Responsible Banking Progress Statement

We report on our commitment and our progress regarding the implementation of the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking (PRB) in this Responsible Banking Progress Statement.

Sustainability Report KBC Group 2024: PSI Sustainable Insurance Progress Statement

This report includes our self-assessment regarding the implementation of the Principles for Sustainable Insurance (PSI). It includes a high-level overview of KBC Insurance's activities, demonstrating its commitment to the PSI as one of the signatories.

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As we reflect back on 2024, it is evident that the need to transition towards a sustainable society requires continued attention and effort. In early autumn Central Eastern Europe and Spain experienced devastating floods. Temperature records were shattered worldwide. These events underscore the effects of the changing climate and signal the need for more effective investments in climate adaptation and mitigation.

In addition to climate impacts, we are also facing a biodiversity challenge, as evidenced by the latest WWF Living Planet Report. It revealed an average decline of 73% across the wildlife populations studied over the past 50 years, of which around half were in decline, while half where either increasing or stable. This environmental challenge, along with its indirect effects on KBC, presents complex management and strategic issues. Our alignment with the recommendations of the Task Force on Nature-Related Financial Disclosures highlights our commitment to continuing growth and stewardship in this area.

We are actively working to implement our 'S.T.E.M. the Ecosphere' strategy, within which we aim to create business ecosystems around themes like mobility and housing. Within these

JOHAN THIJS
Chief Executive Officer
KBC Group

ecosystems, we are joining forces with a range of partners to leverage our distribution channels so we can provide clients with integrated solutions that go beyond financial services. Our objective in this is to make our clients' search for day-to-day housing and mobility solutions easier. This model increases the potential to create an additional lever for society's sustainable transition.

KBC recognises the pivotal role of Artificial Intelligence (AI) in driving sustainable transitions. Our digital assistant Kate is a testimony to this commitment. Since its official launch in 2020, Kate has learned a lot and continues to learn more. Kate is now a vital player in our overall customer approach with an impressive ability

KOENRAAD DEBACKERE
Chairman of the Board of Directors
KBC Group

to provide autonomous solutions to clients' questions that nears 70%. Kate also contributes in the domain of sustainability, specifically through the beyond-bank-insurance assistance she provides to help clients improve, for instance, the energy-efficiency of their homes. This strong learning curve showcases the potential of AI to enhance our services and support our sustainability goals.

We believe that being transparent about how we are working towards sustainability is very important. This year, in accordance with the CSRD regulation, KBC released a Sustainability Statement as an integral part of its Annual Report. Our adherence to these reporting requirements confirms our long track record in sustainability-related disclosures. It also demonstrates our continued commitment to the overall objective of creating a sustainable and resilient economy. Our excellent sustainability ratings, including our inclusion in the prestigious CDP A list for the third consecutive year, are clear external acknowledgments of our endeavours.

We applaud the fact that stricter reporting frameworks in Europe aim to contribute to more standardised non-financial disclosures. However, we believe it is essential that regulators also consider the associated administrative burden, especially on small- and medium sized companies and institutions. Close monitoring of whether all requirements offer valuable and actionable sustainability information is therefore important and should ensure a level-playing field for the European companies subject to it.

As we look ahead to 2025, we sincerely hope for a year characterised by renewed cooperation between nations and all actors in our society. Despite the current multi-dimensional geopolitical context, we remain optimistic that collaboration and unity will ultimately prevail, paving the way for a brighter and more sustainable future.

2024 in a nutshell

This section presents a comprehensive overview of our business, objectives and corporate strategy. It highlights our sustainability efforts and key achievements in 2024, and includes a summary of our main ESG ratings as well as principal sustainability targets.

KBC at a glance

Our areas of operation

KBC is an integrated bank-insurance group, catering mainly for retail, private banking, small and medium-sized enterprises 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.

S.T.E.M. the Ecosphere

Over the past three years, we have dedicated significant effort to transforming our core business model through digital innovation. We have introduced several concepts and building blocks – such as Digital First, Bank-Insurance+, Kate and Kate coins – that create additional value when they interact. Now, we are integrating these elements into 'ecosystems' to offer our clients a new kind of service. Our goal is to provide solutions to our clients throughout their entire customer journey, for example, in the areas of housing, mobility and health. We achieve this through our own products and the products and services of our partners and suppliers. This approach allows our clients to save time and earn money, both within and beyond the traditional KBC bank-insurance environment. We call this next step in our strategy 'S.T.E.M. the Ecosphere,' where S.T.E.M. stands for 'Save Time and Earn Money.'

Our clients, staff and network

	Belgium	Czech Republic	Hungary	Slovakia	Bulgaria
EMPLOYEES	14 553	11 432	3 912	3 279	6 338
MILLION CLIENTS	4.0	4.3	1.6	0.8	2.2
BANK BRANCHES	429	198	193	98	176

Our corporate strategy

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

bank-insurance+
We offer our clients **a unique bank-insurance+ experience,** combining traditional banking and insurance with non-financial solutions.

sustainable and 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 assume our role in 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.

Read more

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

Our sustainability journey: building on our fundamentals

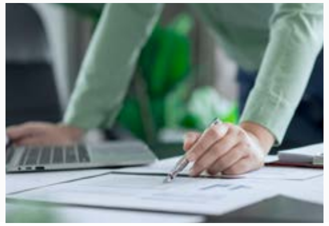
Sustainability has been present in our organisation for a long time. And we have come a long way since we first started working on sustainability issues. Initially, sustainability tended to be seen as a separate policy domain, in which KBC engaged in a more passive way, and not very intertwined with the core business itself. Over time, however, we started to gradually incorporate sustainability into our business. Year on year, we have taken further, important steps in our sustainability journey and our sustainability reporting. Sustainability is now an integral part of our business, embedded as one of the four pillars of our corporate strategy and day-to-day operations. We aim to continue on this path in the years to come and to build upon the foundations we have laid over the past decades.

A few milestones on our sustainability journey

1970

Laying the foundation for tackling environmental issues

Stichting Leefmilieu (renamed ARGUS) was launched and was pioneering corporate social responsibility before the term was even coined. The aim was to provide the public with scientific and sound information on environmental issues. In 2016, 45 years after its founding, we decided to integrate ARGUS into our core activities. From this point onwards KBC would take an active role, from within its core business, in supporting the shift to a more sustainable economy and society.



Focusing on responsible investing

Kredietbank launched the KB Eco Fund, which was the first responsible investing fund in Belgium. As such, KBC Asset Management has been Belgium's pioneer in Responsible Investing for over 30 years. Over this time, the range has been greatly expanded and the way of working refined. Three decades later, these funds have grown from a niche instrument into a first offer and an important pillar of KBC's sustainability strategy.

1992

1992

Contributing to sustainable local development and financial inclusion

Foundation of the Belgian Raiffeisen Foundation (BRS) vzw, a unique partnership in cooperation with CERA. BRS helps to sustainably improve the quality of life of rural entrepreneurs and farmers in the Global South through microfinance and micro-insurance. BRS also benefits from KBC's unique practical experience and knowledge in cooperative banking and insurance to advise, coach and train partner associations.

Setting targets and measuring our progress

We set our first sustainability targets in 2016 to measure our progress in several areas related to our sustainability strategy. Since then, we have tightened existing targets and formulated new ones to support our sustainability and climate-related ambitions. In 2022, we committed to a first set of climate-related targets for our lending and asset management portfolio. We now also have a carbon intensity reduction target for KBC Insurance's own investments.

2016

2019

Continuing our commitment to the environment

KBC launched a separate programme to develop a structural approach to the management and reporting of climate-related risks and opportunities. As such, we began to increasingly focus on the climate-related impact of our business activities and portfolios. In the following years, the scope of the programme was extended to include other environmental themes such as biodiversity and nature and circular economy.

Reporting transparently on sustainability

KBC has upheld its commitment to transparent sustainability reporting for nearly 20 years. Starting in 2005 with its first group-wide Sustainability Report, the group's reporting expanded in 2011 with its Report to Society. In 2022, KBC reached a new milestone with its Climate Report, setting out its climate vision and goals. This year, our Annual Report includes our first dedicated Sustainability Statement. The statement is aligned with CSRD requirements and includes disclosures on environment, social and governance-related topics.

2024

2024 Sustainability highlights

We continuously strive to ensure robust performance in the areas of environment, social and governance (ESG). Here, we highlight some of our achievements.

Commitment to the environment

Two new thematic White Papers

This year, we developed two new internal thematic White Papers: one on plastics and one on deforestation.

12 climate targets for our lending portfolio

KBC's Climate Progress Dashboard shows that, overall, we are on track to meet our climate targets, with nine out of twelve targets being in line with our climate alignment benchmarks.

25 billion euros to loans with environmental objectives

In 2024, KBC financed 3.2 billion euros in the renewable energy and biofuel sector, 21 billion euros in mortgages for energy-efficient housing and 1.3 billion euros for low carbon vehicles.

750-million-euro Green Bond issue

KBC Group successfully issued a new eight-year Green Bond under the recently updated Green Bond Framework, through which we support energy efficient buildings, renewable energy transactions and clean transportation.

Sustainable business

CSRD Reporting

We published our first Sustainability Statement in our 2024 Annual Report. These new disclosures align with CSRD requirements and detail how we integrate sustainability into our business.

50.8 billion euros in Responsible Investing funds

Responsible Investing funds account for 44% of total direct client money. These include Responsible funds, ECO-thematic funds and Impact Investing funds.

Thousands of conversations with our customers

We engage on a variety of sustainability topics with a wide range of clients with respect to their sustainability transition.

80% of start-ups integrate sustainability

We support start-ups and scale-ups through the Start it @KBC communities. In Belgium, 80% of them integrate sustainability into their mission and operations.

Social responsibility

7.4 billion euros in social sectors

In 2024, we financed 6.17 billion euros in the healthcare and senior living sectors and 1.23 billion euros in the education sector.

Over 400 dreams realised

Launched in late 2024, the Team Blue Challenge supports our mission to safeguard the dreams of our community by inviting all colleagues to volunteer for non-profits.

Two social targets for housing in Belgium

This year, we are reporting for the first time on our progress towards two social targets on housing: the number of young adults reached with housing-related information, and the relative share of young adults in a situation of overindebtedness.

Up to 500 days spent by KBC staff for BRS

KBC colleagues, along with other volunteers, dedicated 500 days to voluntary coaching and training for BRS. In total, BRS vzw supported 15 projects in the Global South.

Community involvement

Our positive impact is also driven by Team Blue – all KBC employees – committed to making a difference in society. In 2024, we introduced the group-wide Team Blue Challenge, inviting colleagues to engage in our communities. Our Team Blue has already realised over 400 dreams.

"As a bank-insurer, our purpose is to help all our stakeholders realise and protect their dreams. Team Blue is committed to making dreams come true and connecting with our communities, every day. Through the Team Blue Challenge, KBC aspires to give back to society in a meaningful way by harnessing the energy of our employees across all countries. In 2024, we made over 400 dreams come true."

HILDE VAN HAUWE
Senior General Manager Corporate HR

Dedication to communities and health

Our employees are dedicated to supporting good causes through sports. At CBC Banque & Assurance, around fifty colleagues participated in the CAP48 100-km challenge, raising 14 255 euros for autism research. KBC Belgium sponsored 'The 1 000 kilometres for *Kom op tegen Kanker*.' with 24 teams raising funds for cancer research. In the Czech Republic, 291 employees took part in the 'Cycle to Work' campaign, covering 66 978 km and raising 133 956 Czech koruna for children with disabilities and foster families, while also saving over eight tons of CO_2. In Bulgaria, Team Blue participated in the Legion Run, raising funds for mobile defibrillators for schools and mountain huts.

Educating future generations

Our employees are devoted to supporting education. In Bulgaria, UBB is a key partner in the 'Mentor the Young' programme, providing mentoring and skill-building opportunities for people aged 18–25. In Belgium, the 'Get-a-Teacher' project focuses on financial literacy, offering free lessons to secondary schools and reaching nearly 87 000 students since 2017. Since 1995, the Education Fund scholarship programme in the Czech Republic, a collaboration between ČSOB CZ and the Goodwill Committee – Olga Havlova Foundation, has financially supported over 1 300 students with social or health disadvantages.

I AM TEAM BLUE

Commitment to biodiversity



Our colleagues are committed to preserving biodiversity. In Belgium, KBC Brussels employees planted micro-forests in Uccle and Anderlecht, in collaboration with SOWoods. In Bulgaria, UBB and DZI employees planted 1 000 spruce saplings on Vitosha mountain and committed to planting a tree for the first 1 000 clients who asked a nature-related question via Kate. In Hungary, the K&H Animal Friendly Groves programme created green areas in 30 schools, planting 555 trees and 1 110 shrubs to support biodiversity.

Empowering communities' development


© TADA


Across the group, we also support community development. In Belgium, KBC supports social projects such as [ToekomstAtelierDel'Avenir](), a Brussels non-profit organisation that offers schooling and learning opportunities to youngsters from socially disadvantaged backgrounds. In Slovakia, the Digital Smart grant programme funds innovative projects in digital education, cyber security, AI and green innovations. In Hungary, K&H created a new program called *'K&H Fit for life'* with the support of the SOS Children's Villages Hungary and FICE NGO and provided 50 million Hungarian forint to help young people living in foster care in transition into adulthood.

Our responsibility in natural disasters

Natural disasters and the effects of global warming are becoming increasingly frequent and may impact us directly. Last September, storm Boris struck and caused extensive damage to many homes across Central Europe. In response, we took swift action to support our affected colleagues and clients. In the Czech Republic, colleagues affected by flooding received additional leave days and financial and psychological support. ČSOB CZ offered mortgage repayment deferrals and extraordinary loans to clients. ČSOB Pojišťovna also deployed extra staff to handle claims and launched a fundraising campaign. In Slovakia, employees in flood-threatened areas were granted extra paid leave, with around 400 clients reporting damage. In Hungary, Team Blue volunteers helped fill sandbags. We also ensured the continuity of online service for customers in hard-to-reach areas.

I AM TEAM BLUE

Read more

- Discover our Team Blue Challenge 'Our People: Team Blue in action'
- More on KBC's community involvement
  KBC Group Community Involvement Policy
  Sustainability Facts and Figures: 'Community Involvement'

Sustainability-related recognition

In 2024, KBC again received broad external recognition for its efforts on ESG themes through several sustainability-related awards and ESG ratings. We list some of them on this page.

Our main ESG ratings

CDP A List 2024

A
Leader in addressing climate change

S&P Global Sustainability Yearbook Member

67/100
Top 8% of 669 banks assessed
Included in the Sustainability Yearbook for the 6th consecutive year

SUSTAINALYTICS

Low risk rating (10.9)
5th of 262 diversified banks (3rd percentile)

TOP Responsible Company for sustainable business practices
ČSOB CZ won a total of six awards at the TOP Responsible Company competition in the Czech Republic. The competition recognises companies for their responsible and sustainable business practices. Awarded projects included ‘Green Village of the Year’, which supports municipalities in sustainable practices, and the Diversity project, which improves working conditions for people with disabilities.

Euromoney awards for Excellence 2024 – Best bank for corporate responsibility
ČSOB SK has been recognised by Euromoney as the best bank in Slovakia for social responsibility in 2024. The award recognises the bank's efforts in diversity inclusion, reducing environmental impacts, creating a suitable working environment, adhering to ethical business principles and supporting local communities with over 260 000 euros in project support last year.

Belgium

Czech Republic

Slovakia

Hungary

Bulgaria

Sustainable Asset Management Company of the Year 2024
KBC Asset Management was recognised as the Sustainable Asset Management Company of the Year 2024 by Wealth & Finance International. This award recognises finance industry professionals committed to social responsibility and ethical practices and helping clients manage their finances with integrity.

CSR Hungary 2024 – Best Agricultural and Environmental Initiatives
K&H received two awards at the 2024 CSR Hungary Gala. The Agri Greenhouse Gas Calculator won the Best Sustainable Agricultural Solution award. This free tool helps farmers gain insight into their emissions and increase the sustainability of their operations. K&H Green Car Leasing won the Best Environmental Initiative award for providing affordable green mobility solutions and extended insurance coverage for hybrid and electric vehicles.

Best Bank for ESG and Best Digital Bank in Bulgaria for 2024
UBB has been recognised as the Best Bank for ESG and the Best Digital Bank in Bulgaria for 2024 by Euromoney. This is the second consecutive year that UBB has won the Best ESG Bank award, highlighting its progress in innovation, digitalisation and sustainable transformation.

Financial Times Climate Leader
In May 2024, KBC was recognised as Climate Leader by Financial Times

Terra Carta
KBC continues to be proud of the Terra Carta Seal awarded in 2022, which recognises our ongoing commitment to creating a sustainable future.

Sustainability targets

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.

12 climate lending targets: We have established 12 climate-related targets for our lending portfolio. For each target we have set a 2030 intermediate- and a 2050 long-term target. Explore the different sectors for which these targets have been set and track their progress on 'KBC's climate progress dashboard'.

80% reduction in our own footprint by 2030 (versus 2015 baseline). In 2024, we reduced our own carbon footprint by 68%.

100% renewable electricity consumption by 2030. Since 2021 all of our electricity consumption has been sourced entirely from renewable energy.

0-euros of direct exposure to thermal coal (target: full exit by 2021). In 2024, as in 2023, 0 euros were directly financed to thermal coal activities.

75% share of renewable energy within the total energy loan portfolio by 2030. In 2024, we reached 67%.

55% share of Responsible Investing funds in total direct client money by 2030. In 2024, we reached 44%. We also aim to have 65% of our total annual fund production in Responsible Investing funds by 2030. In 2024 the RI share was 51%.

40% reduction in the carbon intensity within the equity and corporate bonds portfolio (incl. Scope 1 and 2) of KBC Insurance's own investments by 2030. In 2024, we achieved a 75% reduction.

50% female entrepreneurship in our start-up community in Belgium. By October 2024 we had reached 39%.

35 000 young adults in Belgium will have their financial skill sets and attitudes towards mortgage loans improved by 2030 as part of our financial literacy goal. In 2024, we reached 823 young adults as part of our broader efforts, including content creation and engagement sessions. These efforts will be ramped up in the coming years to enhance our impact.

50% better than peer organisations. We aim to perform at least 50% better than our peers in the relative share of young adults who are unable to repay their mortgage loans. In 2024, we performed 68.5% better than our peers.

Our sustainability **strategy**

This section outlines our approach to defining our role in society. It provides an overview of the Group's sustainability governance. Additionally, it covers the sustainability dashboard and its use in monitoring the implementation of our sustainability strategy. Lastly, it details how we actively engage with our stakeholders and how external factors continuously reinforce the development of our sustainability strategy.

We want to meet societal needs and to create long-term value for society, local economies and all our stakeholders. That is why supporting the transition to a more sustainable and resilient society is a crucial part of our overall corporate strategy and our day-to-day business. Our sustainability strategy guides how we play our role in society, now and in the future. We want to collaborate with our clients and other stakeholders to achieve this.

Creating **long-term value** for society is at **the core of our sustainability strategy**

As a financial institution, we can create value in many ways. Through the financial services that we provide, we support economic growth, well-being and job creation, for instance. We offer our employees fair reward, training, career development opportunities and a safe, healthy and inclusive working environment. We also create financial value for several of our stakeholders. Making a sustainable profit enables us to preserve our solid capital base and reinvest in our business activities.

Our value-creation model shows how we create value for our stakeholders and society at large. It sets out 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. For further reading about our value creation model, we refer to our Annual Report.

At the same time, we acknowledge that our activities may have a negative impact, both directly and indirectly. **We want to limit this impact and increase our positive impact by providing more sustainable finance and supporting our clients in their sustainable transition. To do so, we have established a dedicated sustainability strategy.**

Our sustainability strategy outlines the role we want to play in society, our focus points and our goals. We have strict sustainability governance in place to support the implementation of the strategy throughout the Group. The KBC Sustainability Dashboard further ensures that we can track the implementation using different indicators and targets. Finally, we keep a close eye on the world around us so that we focus on the right issues in shaping our sustainability strategy and policies. All these elements are discussed in this chapter.

Read more

- Our value-creation model
  KBC Group Annual Report 'How do we create sustainable value'

The cornerstones of our sustainability strategy

We have a dedicated sustainability strategy in place to properly take up our role in society and create value for our stakeholders.

At the heart of this sustainability strategy lies the responsibility to ensure financial resilience and run a strict risk management system. In doing so, we ensure that we can 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**
- **Ensure all our employees behave responsibly.**

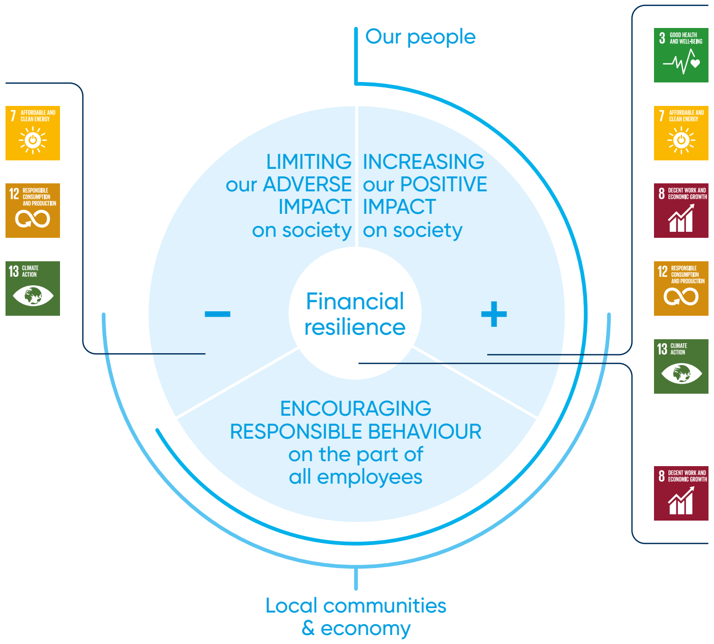
These three cornerstones are embedded within **two additional and crucially important elements:**

- **Local communities and economy:** We respect the unique context of each core market and aim to support local communities and the economy in these markets.
- **Our people:** Our sustainability strategy is driven by our people. That is why we invest heavily in developing sustainable skills and vision across our workforce, encouraging a responsive, respectful and results-driven approach in all employees.

United Nations Sustainable Development Goals

The United Nations (UN) Sustainable Development Goals (SDGs) have played a key role in shaping our sustainability strategy and target setting. By focusing on five high-impact areas closely tied to our role as a bank-insurer, we aim to maximise our impact.

Figure 2.1: The cornerstones of our sustainability strategy



SDG 3 Good health and well-being: We prioritise work-life balance for our employees and design our products to enhance healthcare, quality of life and safety.

SDG 7 Affordable and clean energy: We promote local renewable energy production and its efficient use. KBC has phased out financing, insuring and investing in direct thermal coal. We also have clear restrictions in our Energy Policy on other non-sustainable energy solutions, like oil and gas.

SDG 8 Decent work and economic growth: We support entrepreneurs and invest in innovative businesses. We especially support start-ups and scale-ups with a focus on female entrepreneurship through our 'Start it' community. Our microfinance and microinsurance activities provide rural entrepreneurs in the Global South with access to financial services, driving sustainable local development and financial inclusion.

SDG 12 Responsible consumption and production: We offer banking and insurance products tailored to low-carbon and circular businesses, while promoting Responsible Investing (RI) as our first and preferred investment solution.

SDG 13 Climate action: We implement strict sustainability policies across our core activities and have set climate targets in our lending and investment portfolio to align it with the Paris Agreement. We engage with clients as well as our investees to reduce their climate impact while also working to minimise our own footprint.

From strategy to business: four focus areas

Our sustainability strategy focuses on four areas: environmental responsibility, financial literacy, entrepreneurship and longevity and health. These align with current societal needs, and we aim to provide sustainable solutions in each of these domains.

Environmental responsibility

Climate change and other environmental challenges relating to biodiversity, pollution, water and circular economy are global challenges that require appropriate action.

Explore further

Financial literacy

We believe it is our responsibility to contribute to improving the general public's understanding of financial concepts and products.

Explore further

Entrepreneurship

We want to support entrepreneurship, stimulate job creation and to contribute to sustainable economic growth through our core activities and partnerships.

Explore further

Longevity and health

In Belgium and the Czech Republic, our focus is on longevity. In our other core markets, the focus is on improving quality of life, healthcare and health in general.

Explore further

Sustainability governance

We have firm sustainability governance in place to ensure that our sustainability strategy is integrated throughout our group and in all our core activities. This includes top-level responsibility for our sustainability strategy, covering all environment, social and governance-related (ESG) themes. We make decisions about our sustainability strategy at the group level, which local teams in each of the core countries then implement. Local accountability is placed at top management level to ensure proper implementation.

Figure 2.2: KBC sustainability organisation chart

Supervisory board level responsibility	Board of Directors		• Sets KBC's sustainability strategy and oversees its implementation and progress. This includes all ESG-related themes
	Risk and Compliance Committee		• Closely monitors the management of ESG-related risks that are identified as top risks: climate and environmental risk, cyber risk, compliance risk and conduct risk
	Audit Committee		• Monitors the sustainability reporting process
	Executive Committee		• Responsible for the implementation of KBC's sustainability strategy and policies and monitors the group-wide implementation of that strategy. • Grants day-to-day decision-making powers to other relevant committees and top management positions
Key executives and top management level responsibility	Internal Sustainability Board		• Executive and top management representation of all our business units, core countries and group services • Primary forum for discussing all ESG-related issues at KBC
		Sustainable Finance Steering Committee	• Monitors the progress and technical implementation of the Sustainable Finance Programme • Focuses on KBC's approach to climate action and other environmental themes
		Data and Metrics Steering Committee	• Manages the challenges related to climate-related data collection and reporting
		CSRD Steering Committee	• Oversees and manages the implementation of the new European reporting legislation CSRD
	Senior General Manager Group Corporate Sustainability		• Leads the Group Corporate Sustainability Division • Follows-up on ESG-related issues, develops and implements the sustainability strategy and policies and reports on this strategy
Local accountability in our core countries	Country Sustainability General Managers		• Communicates on, translates and implements the sustainability strategy in their core countries and business units
	Country sustainability departments and sustainability committees		• Supports Country Sustainability General Managers in their responsibilities • Steered by local top management • Organises the local sustainability teams
External	External Sustainability Board		Consists of external sustainability experts that advise KBC on its sustainability strategy and policies

Read more

- More details on the sustainability governance
  KBC Group Annual Report: 'Sustainability Statement'
- Follow-up on sustainability progress
  'KBC Sustainability Dashboard'
- More detail on the Remuneration Policy for the Board and the ExCo
  KBC Group Annual Report: 'Sustainability Statement'
  KBC Group Annual Report 'Corporate Governance Statement'

At least **30% of the variable remuneration** awarded to the members of the Executive Committee is determined by **sustainability-related performance metrics.**

Supervisory and management board level responsibility

The **Board of Directors** sets the KBC's sustainability strategy and oversees its implementation by the Executive Committee. This covers ESG-related themes in the broader sense, including climate and other environmental topics, as well as topics such as gender diversity, human rights, ethical behaviour and integrity. Twice a year, the Board of Directors evaluates and discusses the implementation and progress of the sustainability strategy using the KBC Sustainability Dashboard. In addition, important changes to sustainability policies and sustainability-related reporting are also discussed at board level, when required.

The Board of Directors and the **Risk and Compliance Committee** closely monitor ESG-related risks. In particular climate and environmental risk, cyber risk, compliance risk and conduct risk, as the Executive Committee has defined these as top risks for KBC Group. For more information, see the KBC Group Risk Report.

The **Audit Committee** ensures that the Executive Committee establishes adequate and effective internal control measures and monitors KBC's sustainability reporting process.

The **Executive Committee** is tasked with the operational management of the sustainability strategy within KBC. This includes the Group's ESG-related strategies and policies. It also monitors the implementation of that strategy throughout the Group.

Sustainability integrated into our remuneration policy

We believe our management bodies have an important role in the implementation of our sustainability strategy. Elements such as sustainability are becoming increasingly important and today determine at least 30% of the collective, variable, results-related remuneration component that is awarded to the members of the Executive Committee. Progress on these criteria 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.

The variable remuneration of top management is also partly linked to sustainability performance. In practical terms, at least 10% of the variable remuneration of top management members is tied to the achievement of individual targets related to the implementation of the Group's sustainability strategy.

Read more

- More details on the sustainability governance
- KBC Group Annual Report: 'Sustainability Statement'
- Follow-up on the progress on sustainability
  'KBC Sustainability Dashboard'
- More detail on the Remuneration Policy for the Board and the ExCo
  KBC Group Annual Report: 'Sustainability Statement'
  KBC Group Annual Report 'Corporate governance statement'

Key executives and top management level responsibility

The Executive Committee has granted day-to-day decision-making powers to other relevant committees and top management positions that are each responsible for a certain domain:

- The **Internal Sustainability Board (ISB)** serves as the principal forum at KBC for discussions of overall ESG-related issues. The Board is chaired by the Group CEO and includes the Group CFO as the vice-chairman. It is furthermore composed of executive- and top-management representatives of all our business units, core countries and group services. The ISB operates in close partnership with the Group Corporate Sustainability division and the Senior General Manager Group Sustainability, who is also a member of the ISB.
- The **Sustainable Finance Steering Committee**, chaired by the Group CFO, monitors the overall progress and technical implementation of the Sustainable Finance Programme. This programme specifically focuses on KBC's approach to climate action and other environmental themes such as biodiversity, water and circularity. Various departments at group level work closely together for this purpose. A Sustainable Finance Programme Core Team has been set up to handle the day-to-day implementation. The team is made up of specialists from the Finance, Credit Risk and Risk functions, along with sustainability experts. The team also works closely together with all relevant departments throughout the Group.
- The **Data and Metrics Steering Committee** specifically manages the challenges related to climate-related data collection and reporting. It is chaired by the Group CFO who is supported by the Senior General Manager of Finance.
- The **CSRD (Corporate Sustainability Reporting Directive) Steering Committee** was set up in 2023 to temporarily oversee KBC's CSRD Programme conceptualisation and implementation. The aim of this programme is to implement the KBC Sustainability Statement as part of the new European reporting legislation, CSRD. The CSRD Steering Committee is only responsible for reporting topics. Strategic decisions remain the responsibility of the relevant existing decision-making bodies and committees.
- The **Senior General Manager Group Corporate Sustainability** leads the Group Corporate Sustainability Division. The Senior General Manager reports directly to the Group CEO and meets on a regular basis with the Chairman of the Board of Directors. The division handles the follow-up of ESG-related issues, developing our general sustainability strategy and policies, and the day-to-day implementation of this strategy across the Group.

Local accountability in our core countries

In each core country, we have appointed a General Manager of Sustainability. These managers are responsible for communicating on sustainability matters within their countries and for the operational implementation of the sustainability strategy. They work closely together with the Group Corporate Sustainability division, and functionally report to the Senior General Manager of Group Corporate Sustainability.

The organisation of the local sustainability teams varies from country to country. However, **they are generally organised as country sustainability departments and committees. Local top management steers these committees**. They provide support for the local integration of the sustainability strategy as well as the organisation and communication of local sustainability initiatives.

External boards

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 Advisory Board. This board acts as an independent body and oversees the screening of the responsible character of the RI funds offered by KBC Asset Management.

Read more

- More details on the sustainability governance
  KBC Group Annual Report: 'Sustainability Statement'
- Follow-up on the progress on sustainability
  'KBC Sustainability Dashboard'
- More detail on the Remuneration Policy for the Board and the ExCo
  KBC Group Annual Report: 'Sustainability Statement'
  KBC Group Annual Report 'Corporate governance statement'

KBC Sustainability Dashboard

We track the implementation and progress of our sustainability strategy by using the KBC Sustainability Dashboard. The dashboard provides measurable and verifiable parameters related to the key themes and actions of our sustainability strategy. This enables an objective assessment of the strategy. The dashboard is presented twice a year to the Executive Committee and the Board of Directors for the evaluation and discussion of progress on sustainability. Progress on the different objectives affects the variable remuneration of the Executive Committee members.

> Twice a year, we present the KBC Sustainability Dashboard to the Executive Committee and the Board of Directors. This ensures that we closely monitor our sustainability objectives and maintain top-level responsibility in our strategy implementation. Our commitment to sustainability drives us to continually evaluate and improve our practices.

FILIP FERRANTE
Senior General Manager of Group Sustainability

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

Figure 2.3: KBC Sustainability Dashboard

Environment

- Climate target setting Read more
- Sustainable business volume targets Read more
- Own footprint target setting Read more
- Sustainable business opportunity track Read more

Social

- Supporting female entrepreneurship Read more
- Developing the skill sets and attitudes of young adults towards mortgage loans Read more
- KBC Group gender balance Read more
- BRS: financial inclusion and impact investing Read more

Governance

- KBC Group Sustainability governance Read more
- Sustainability objectives of top management Read more
- Responsible behaviour Read more

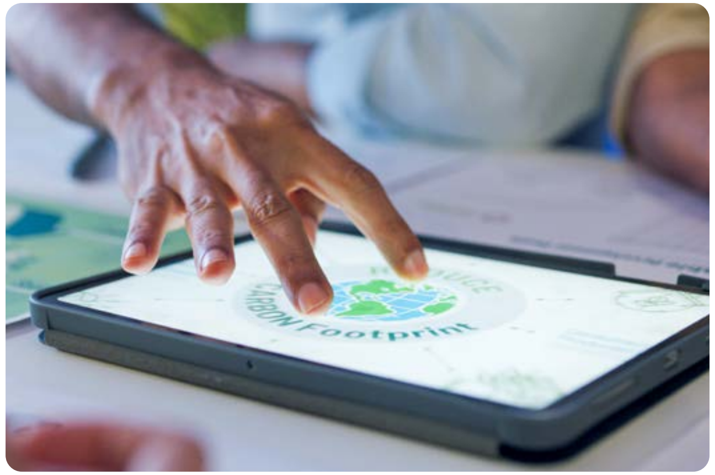
Overarching

- Responsible Investing funds targets Read more
- KBC Group sustainability training courses Read more
- Overview of new policy decisions linked to sustainability Read more
- KBC Green Bond and KBC Social Bonds Read more

External views

- ESG-ratings of KBC group Read more
- Investor view
- Structural stakeholder dialogue Read more
- Follow-up on concerns from our stakeholders Read more
- Net promoter score results Read more
- Corporate reputation index results Read more

The world in which we operate



As a financial institution, we are an important driver of the current economic system and have a significant impact on the environment in which we operate. At the same time, we are impacted by the world around us. In shaping our sustainability strategy and policies, we keep a close eye on the developments in our working environment. This section describes different external elements that influence the focus of our sustainability strategy and how we deal with these factors.

Legal landscape and voluntary commitments

Our sustainability strategy is informed and influenced by opinions from various societal and legislative counterparts. We make a distinction between legislations and regulations on the one hand, and our voluntary commitments on the other.

Regulatory and legislative agenda

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

We welcome the fact that many of these initiatives help to provide a uniform and standardised overview of sustainability actions in the financial world and beyond. We very closely follow up on and prepare for developments around all relevant legal initiatives, such as:

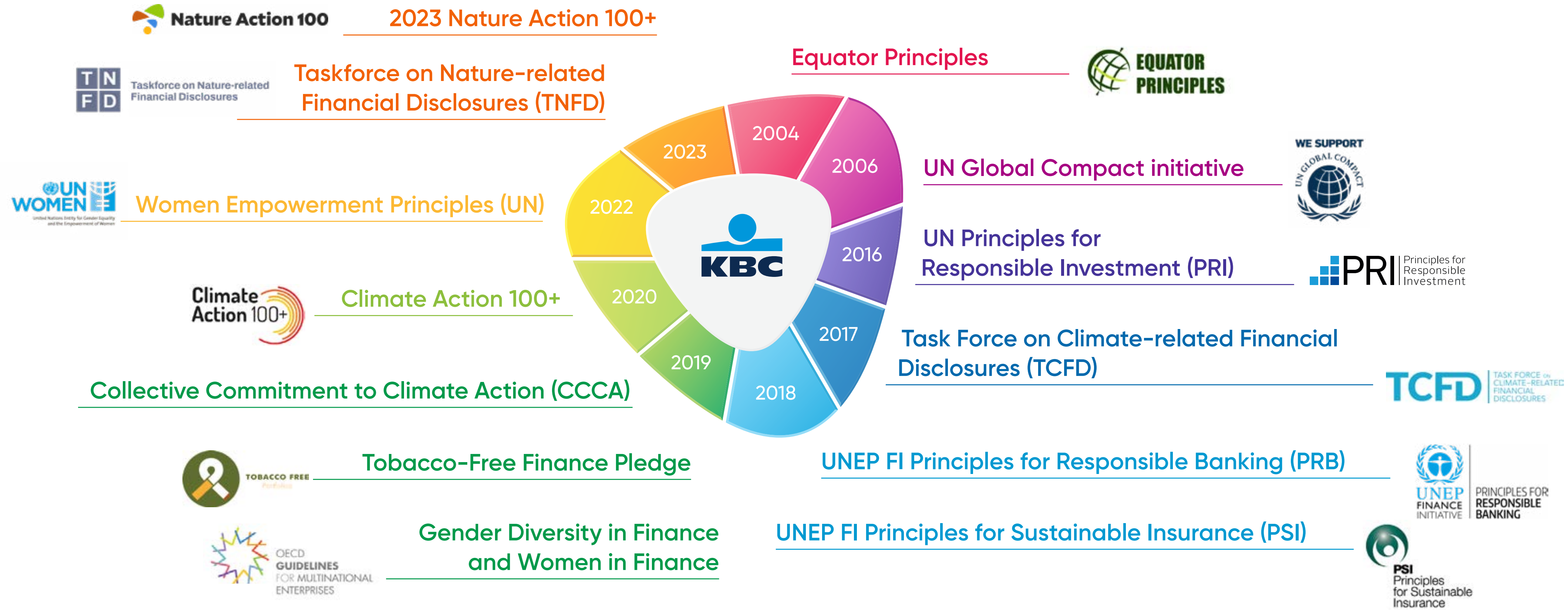
- The **European reporting legislation Corporate Sustainability Reporting Directive (CSRD)** strengthens the rules concerning sustainability disclosures. It obliges large companies and listed small and medium-sized enterprises to include a sustainability statement in their annual report. KBC has set up a separate CSRD programme to deliver the Sustainability Statement as from our 2024 Annual Report onwards.
- The disclosure requirements under the **Sustainable Finance Disclosure Regulation (SFDR)** provide more transparency for investors regarding the investments products we offer.
- The **EU Taxonomy Regulation** defines clear guidelines 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'.
- The European Union is working on a **European Single Access Point (ESAP)**. The goal of ESAP is to ensure that, amongst other information, sustainability-related information about entities and their products will also be centralised and easily electronically accessible to the public.
- At the international level, the **International Financial Reporting standards (IFRS) Foundation** published its first two Sustainability Standards, S1 (general principles) and S2 (climate) and is working on other standards. KBC is following up on the evolution of these standards closely but not applying them at this point in time.
- The **Corporate Sustainability Due Diligence Directive (CSDDD)** contains an obligation to identify and assess adverse human rights and environmental impacts in the supply chain. KBC is following up on this directive closely.

Read more

- More information on the EU Taxonomy and the 'Taxonomy eligibility and alignment' of KBC Group's financial activities
  2024 KBC Group Annual Report: 'Sustainability Statement'
  'Sustainable finance: Our commitment to the environment'
- More information on SFDR regulation
  'Sustainable finance: Responsible investing on behalf of our clients'

Voluntary commitments

KBC Group is also a signatory of various sustainability-related commitments.
Below, we give an overview of the main commitments we have made in preceding years.



Read more

- More information on our voluntary commitments

KBC Group Corporate website

Stakeholder interactions

We engage in dialogue with our stakeholders to closely monitor and strive to live up to their expectations. We do this at group level and in each of our five core countries. We listen to our stakeholders and continuously try to improve our operations and to the extent possible, in line with their needs. We also share our insights on relevant topics and challenges with our stakeholders.

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

The table on this page shows our stakeholder groups, the expectations they raised during our talks and our engagement activities based on their suggestions. The symbol indicates that the members of our Executive Committee and Board of Directors were involved.

Stakeholder groups	Engagement activities	Their expectations
Clients	• 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	A trustworthy partner Respect for privacy and protection against cyber risk Transparency Broad accessibility Top expertise Innovation Simplicity, relevant solution and personal advice
Employees	• 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 progress meetings with all staff • StiPPLE, a digital learning and talent platform for our employees.	Work-life balance Personal and professional development Health and safety Ethical conduct
Investors and core share-holders	• Investor days • Regular roadshows for investors and analysts and dedicated virtual ESG meetings • Annual general meeting • Review by credit rating agencies • Sustainability assessments: S&P Global Corporate Sustainability Assessment, CDP and Sustainalytics • Ad hoc ESG questionnaires by investors	Value creation Long-term business model with clear financial and non-financial targets ESG as part of our strategy Transparency
Suppliers	• ESG questionnaire as an integral part of our supplier assessments • Supporting suppliers willing to make the adjustments needed to comply with the KBC Group 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	Transparency Connect and collaborate to identify opportunities Strengthen long-term relationships Shared vision, strategy and values Shared risk and reward Joint value creation Timely payment Respect contractual agreements
Public authorities	• 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	Compliance with applicable legislation
Society	• Regular (one-on-one) meetings with NGOs • Membership of sustainability network organisations • Membership of local works councils • Research papers and media analysis • External advisory boards advise us on various aspects of our sustainability strategy and challenge us on a wide range of topics. These boards mainly consist of experts from the world of academia.	Local employment Transparency and good communication

Grievance mechanism

We have different channels through which our clients and other stakeholders can voice concerns about our products and services. We aim to address these concerns and consequently improve our products and services:

- **Direct contact**: We recommend that our clients 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 to the clients' potential grievances.
- **Formal complaints channels**: We have formal channels in place in all our core countries through which our clients can raise complaints. 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 immediate action is taken, if necessary. Where needed, Compliance departments will be involved. Moreover, all the complaints we receive are analysed afterwards by the relevant product or service department in association with the Risk and Compliance departments.
- **Sustainability-related requests**: Specific sustainability-related inquiries or complaints are addressed by the Group Corporate Sustainability Department via csr.feedback@kbc.be.

External advisory boards

We regularly meet with our External Sustainability Board, which mainly consists of experts from the world of academia. This board advises us on various aspects of our sustainability strategy and challenges us on a wide range of topics. We see these meetings as a continuous stakeholder dialogue. This enables us to keep our finger on the pulse of what is going on in society. It helps us to determine the topics we should focus on in our sustainability strategy.

Actively engaging with our stakeholders: key interactions in 2024

We engage in dialogue with all our stakeholders on a regular basis. This guides us in shaping and steering our sustainability strategy.

In the spotlight

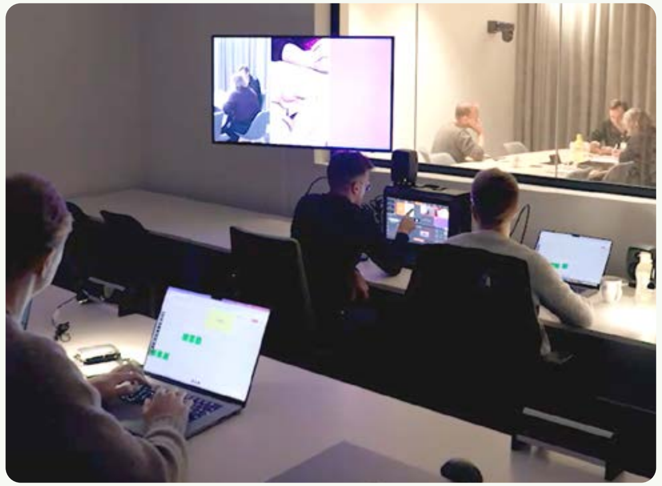
Roundtable on accessibility

Companies that recognise accessibility opportunities promote inclusion and stand out from competitors. KBC invited several stakeholders (academics, interest groups, internal experts, and experts by experience) on this topic for a roundtable to discuss how KBC should consider accessibility in its new communications, products and services. The participants emphasised the importance of clear communication, a long-term strategy and relevant short-term actions. They also underlined that it is crucial to balance commercial and societal interests in all our activities. Finally they stressed that KBC should avoid a one-size-fits-all approach, and instead understand clients' needs across age groups and life milestones as well as design accessible banking experiences while safeguarding privacy rights.

In the spotlight

Accessibility demo day

In November 2024, KBC's UX experts in Belgium organised the Accessibility Demo Day and engaged clients with a disability in user research to gain valuable insights into visual impairments and the challenges faced by customers when using our digital applications. This initiative is part of KBC's ongoing commitment to accessibility and inclusion. By conducting contextual inquiries, KBC continues to enhance its understanding of the specific needs of its users with a disability.



We **engage with our stakeholders** on a continuous basis to understand their views on the **environmental and social challenges** that we face as a society.

In the spotlight

UBB and 24 hours for a sustainable future

UBB is the only bank in Bulgaria to engage stakeholders through sector-specific conferences on "ESG in Bulgarian Economy: Challenges and opportunities". These events analysed ESG challenges and opportunities in key sectors: agriculture, transport, energy, food production and plastic packaging and real estate. Two events focused on upcoming sustainability regulations for corporates and small and medium-sized enterprises. Over 340 representatives from business, government, academia and EFRAG attended.

> I am very happy to have had the opportunity to be part of the 'UBB and 24 Hours for a Sustainable Future' project and to share our experience and best practices in the transition to sustainability, the investments we are making and the reporting we are preparing. I participated in the events for the agriculture sector and the CSRD as a panelist and as a guest for the Food and Packaging sector. I found the project extremely well-timed and useful for the business.

TSVETAN ILIEV
Procurator of Boni Holding

Double materiality assessment

In 2024, KBC conducted a comprehensive double materiality assessment (DMA) in line with European CSRD reporting legislation. This assessment aimed to identify the information required for inclusion in the mandatory Sustainability Statement of the Annual Report from the financial year 2024 onwards. Six sustainability topics were deemed to be material for KBC from an impact and/or financial perspective. These topics now form the foundation for our disclosures and alignment with ESRS (European Sustainability Reporting Standards). They also help shape our strategic focus and sustainability reporting for the future.

The purpose of the DMA was to evaluate the materiality of ESG topics from two perspectives:

- **An 'impact' perspective**, which considers the positive or negative effects of a company and its activities and business relationships on the environment, the people it interacts with, and the communities in which it operates.
- **A 'financial' perspective**, which examines the risks or opportunities that environmental and social issues present for a company's activities and overall value.

We finally **identified six sustainability topics as material for us, considering both their financial and impact importance.**

These sustainability topics often significantly impact both society and the environment. They influence our strategic focus and align with our corporate and sustainability strategy. The topics guide KBC's disclosures under CSRD and help select the appropriate ESRS standards. This ensures comprehensive and aligned sustainability reporting according to the ESRS.

Our reporting on these material topics can be found in:

- **The Sustainability Statement of the KBC Group Annual Report:** This reporting is in compliance with the ESRS standards. Here, we also provide further details on the process and the results of the assessment.
- **This Sustainability Report:** This reporting further elaborates on the material topics, where deemed appropriate, as well as on a set of relevant subtopics. It also includes reporting on topics that were not identified as material from a double materiality perspective but are nonetheless of interest to some of our stakeholders, consistent with topics addressed in previous Sustainability Reports.

Read more

- Detailed process and results of the double materiality assessment
  KBC Group Annual Report 2024: 'Sustainability Statement'
- Our corporate strategy
  KBC Group Annual Report 'Our strategy'
- Our sustainability strategy
  'The cornerstones of our sustainability strategy'

Our **people**

This section outlines how we are creating a working environment that attracts employees and motivates them to stay with us over the long term. We also address the ways in which we ensure a safe, secure and healthy working environment. And we describe our approach to developing our employees' skills, talents and creativity. Finally, we outline how we listen to and interact with our people and how we create a diverse and inclusive business culture.

KBC Group has a total of 40 000 employees. We see our workforce as one of the main stakeholders of our group, our biggest asset and our main driving force. For all of these reasons, we want to create a working environment that attracts high-quality employees while motivating them to stay with KBC over the long term.

To this end, we are making significant investments to create a healthy, comfortable, inclusive and safe working environment. We also want to enable our employees to grow their talents over the course of their careers, from onboarding all the way to retirement. We make sure that we respond to our employees' needs by engaging in open social dialogue and through regular employee engagement surveys.

Our people strategy

Our human resources policy is rooted within our group-wide values and especially our 'PEARL+' culture:

- **Performance**: We strive for excellent results and do what we promise.
- **Empowerment**: We foster the development of individual employees' creativity and talent.
- **Accountability**: We meet our personal responsibilities.
- **Responsiveness**: We anticipate and proactively respond to questions and suggestions.
- **Local embeddedness**: We view the diversity of our teams and clients in our core markets as a strength.
- **'+'** reflects our increased focus on collaboration, on the joint development and smart copying of solutions, initiatives and ideas within the group.

Finally, we encourage all our employees to conduct themselves in a way that is **responsive, respectful and results driven**.

Moreover, the implementation of our people strategy is attuned to local conditions within each of the core markets in which we operate.

In the spotlight

PEARL+ Flame campaign

KBC Belgium and UBB launched a campaign titled 'the PEARL+ Flame', encouraging colleagues to demonstrate how our corporate culture is implemented by sharing pictures and videos on a digital community platform with social interaction. The most outstanding initiatives were recognised and celebrated at the PEARL+ Awards event.

KBC Belgium, CBC, K&H (Hungary) and our Shared Services Centres in Czech Republic and Bulgaria have all received a **Top Employer certificate.**

Positive employee experiences lead to higher engagement

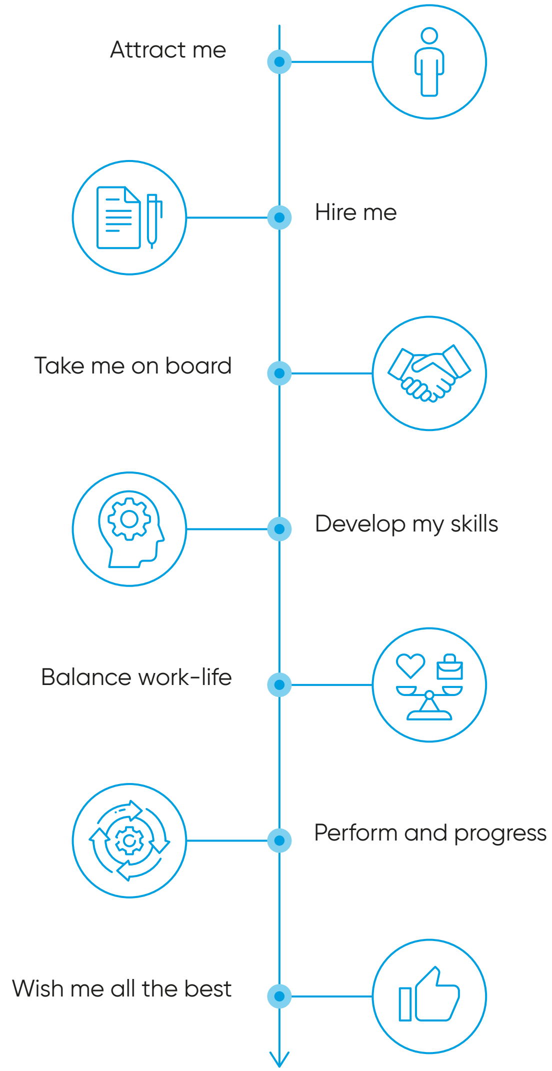
At KBC Group, providing an exceptional client experience is at the centre of our strategy. Clients expect our solutions to be accessible, fast and user-friendly, while also being tailored to their needs and complemented with essential human interaction at critical moments.

Employees have similar expectations, so **we also prioritise delivering an optimal employee experience**. Every colleague is treated as an internal client, as are future employees. Our consistent approach enhances recruitment, keeps colleagues engaged and increases the likelihood of retaining talent.

Our colleagues' needs and experiences vary depending on the stage of their career and their role. **Our objective is to refine our HR (Human Resources) processes and human interactions so that employees experience the pivotal moments in their careers in an exceptional manner.**

The **Employee Experience Lifecycle** in Figure 3.1, with its focus on milestones that matter, illustrates this concept.

Figure 3.1: The Employee Experience Lifecycle at KBC



Read more
- Our PEARL+ business culture and values
KBC Group Annual Report 'Sustainability Statement'
- Detailed people indicators
Sustainability Facts and Figures: 'Employees'

Talent acquisition and onboarding

Recruiting the right employees is crucial in a very competitive labour market. To this end, KBC has invested in its recruitment process.

In Belgium, we created a best-in-class, innovative Talent Acquisition Platform that enables user-friendly, scalable, low-threshold and more efficient recruiting. This results in a higher inflow of applicants and an increased quality of hire. In Hungary, the recruitment process has been made more efficient, with a reduction of three days across the recruitment cycle. At our Shared Service Centres in Czech Republic and Bulgaria, as well as at UBB in Bulgaria, the hiring and onboarding process has been redesigned to optimise and improve the candidate's journey.

Once new employees are on board, several initiatives are in place to ensure that newcomers feel integrated and connected. In Belgium, a new onboarding journey was set up with in-person and digital touchpoints. All newcomers are invited to an in-person Welcome Day at which they receive relevant information and can connect with top management and peers. In Bulgaria, a new, inspirational onboarding and mentoring program was rolled out in 2024.

Developing the talents of our employees

We want to give all employees the space they need to develop their talents and creativity – from day one until the end of their career. KBC has several tools in place to enable the ongoing development of employees' personal and professional skills, to improve performance and to explore their leadership abilities. We also ensure that our employees receive fair compensation for their performance and efforts.

Performance and progression

To ensure that every employee progresses along with their team and in line with our group strategy, **we have a Performance and Progression Management system in place.** Within this system, employees can set dynamic goals for their individual progression and teams can set common goals together.

Performance is measured within a performance and appraisal process that includes objective setting, continuous feedback, self-evaluation and third-party feedback as well as a calibration mechanism for relative performance measurement.

Progression towards goals is reviewed on an ongoing basis. All managers and team members are actively involved in this process. We also make sure our employees have all the tools they need to move towards their goals by providing regular progression dialogues, continuous feedback and coaching sessions.

We ensure that all our employees receive a **fair reward** for their performance and efforts.

Reward

Fair reward is one of the cornerstones of financial wellbeing. We therefore pay all our employees an adequate wage, in line with the minimum wage, as defined by local legislation. We also monitor the competitiveness of our reward package though regular benchmarking.

The remuneration framework for all staff reflects market practices, competitiveness, risks, the long-term objectives of the company and its stakeholders as well as continuously changing regulations.

The KBC Remuneration Policy requires that all remuneration schemes to be aligned to local practices and legislation and compatible with stakeholders' interests and our sustainability strategy.

Our remuneration schemes are gender neutral in order to guarantee equal pay for workers of all genders for equal work of equal value. Remuneration schemes consist of fixed and variable components, based on competencies, job weightings, skills, contribution and performance, with maximum ratios between fixed and variable remuneration set for different salary levels.

Variable remuneration is partly linked to sustainability-related performance in some of our core countries and for certain employee groups, as is the case for our top management and executive committee members (see 'Sustainability governance').

Read more

- More detail on the Remuneration Policy for all our staff
  KBC Group Annual Report: 'Sustainability Statement'

In 2024,
the average number
of learning days per FTE
was **5.17** days.

Continuous learning

Learning platforms

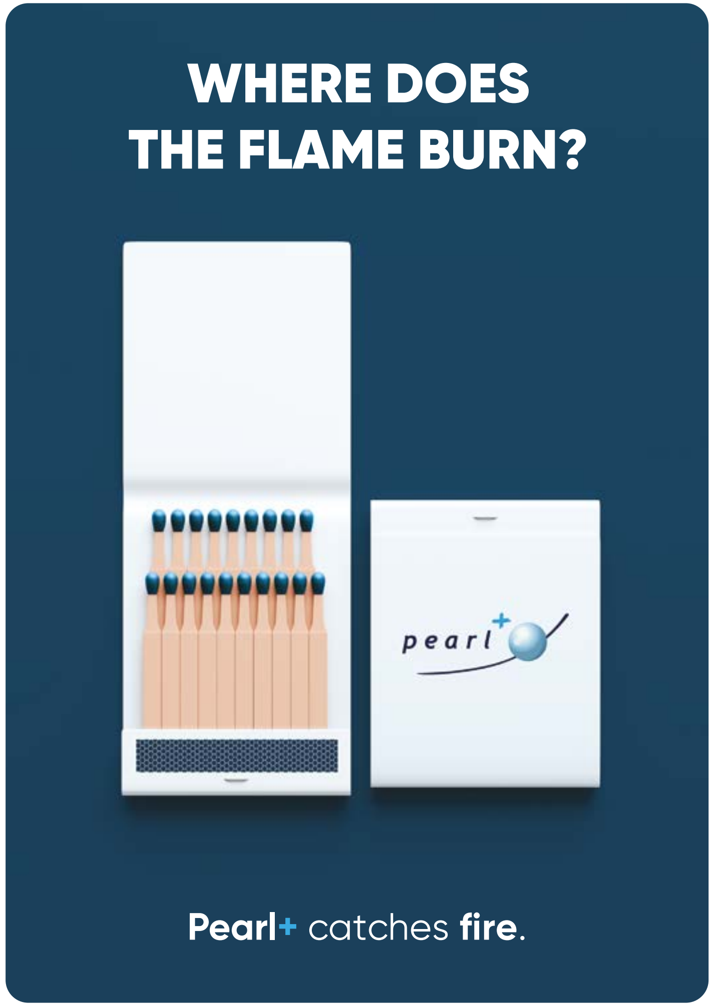
In all our core countries, we have created digital platforms to support our employees to develop their skill sets for their current and future roles and functions. The most advanced of these is called StiPPLE – an acronym for Skills to improve Performance Progression Learning and Employability – and is used in **Belgium**.

The platform provides multiple services:

- **Tracking employees' skills** and setting development targets for these skills, which are generally agreed between the employee and their manager. In 2024 an AI functionality was added to support employees to register skills based on their previous experience.
- **Suggesting and providing learning opportunities** tailored to the individual needs of the employee.
- **Suggesting internal job opportunities** that match our employees' skill profiles based on the proficiency levels of their competencies and development ambitions.
- **Facilitating applications for open positions** by showing how well the employees' skills match with the skills required in the internal vacancy.

In **our other core countries**, we offer similar platforms:

- In the **Czech Republic**, we introduced 'EduKate', a platform for upskilling and reskilling for future competencies. Employees can quickly and efficiently search for and get training through courses such as Data Academy, Digital Skills, AI Academy, etc.
- In **Slovakia**, we updated the 'Retail for the future', programme to enhance retail branch employees' skills and to bring branches and head office into closer connection with each other. The programme includes internships, lectures, joint activities with Digital and Segment departments and training sessions.
- In **Hungary**, a 'Learning Fest' event series was held with 610 participants.



Leadership programmes

We also deploy development programmes for our current and future leaders.

Firstly, there are tailored programmes for top managers to help them develop skills for the ongoing pursuit of KBC's strategy. These programmes are offered through 'KBC University' and are mandatory for all recently appointed top managers. Their focus is the PEARL+ leadership model with specific attention to trust and psychological safety, as well as adaptive and inclusive leadership. They include more detailed information about our overall strategy with a focus on, for example, sustainability, responsible behaviour and artificial intelligence. Additionally and whenever deemed necessary, we organise specific trainings known as 'KBC University Days', for all top managers. In 2024 all our top managers had two days' training on our updated 'S.T.E.M. the Ecosphere' strategy, including sessions on process simplification, generative AI and practical applications of ecosystems.

Secondly, we are actively working on a separate development plan for top talent management, in which we identify our future top managers. An instance of this is 'Top Talent in Action', an action-based learning programme for 20 to 25 top talents from across the group. The focus of the programme is vision, innovation, change, leadership, teamwork and self-awareness. Participants work in self-directing teams on a realistic case, supported by top management. In 2023, the case involved the exploration of sustainable business opportunities. In 2024, it was linked to our updated 'S.T.E.M. the Ecosphere' strategy.

Thirdly, we have created specific leadership training programmes in all countries. In 2024, a new programme for experienced middle managers called 'PEARL+ Academy' was rolled out in Belgium. In the Czech Republic, the 'Next-level Leadership Programme' is now in place for local managers and top talents. Its 2024 focus was cross-team collaboration and team intelligence, the growth mindset and excellence in client-facing communication. In Slovakia, a 'Next-level University' was created. In 2024 it focused on IT, data and client centricity and was targeted to local management.

Sustainability as a hot skill

KBC sees its employees as a crucial element in carrying out its sustainability strategy. To increase the knowledge and skills of our employees on this topic, we have developed several training courses on the subject:

- In 2021 we initiated a **generic course intended for all our employees**. This training focuses on climate change-related issues. The course objective is to raise awareness about the significance of transitioning to a more sustainable economy and highlights key elements of KBC's strategy for achieving this goal. Finally, the course also underscores the responsibility that all employees have in carrying out KBC's sustainability strategy.
- We launched additional **training sessions on climate risks, regulatory reporting requirements and responsible investing areas** in 2022.
- In the last quarter of 2023, we launched **an e-learning programme on the basic understanding of biodiversity, pollution, water and circular economy**, as well as why these topics are important for financial institutions.
- In 2024, new courses were rolled out and every core country has identified staff members requiring next-level training, over and above mandatory basic training. In the Czech Republic, an 'ESG Academy' was launched to help employees better understand environmental, social and governance (ESG) factors and their impact on the banking sector. In Bulgaria, an internal ESG community was established to engage with internal stakeholders on the ESG themes. The aim is to raise awareness, promote education on sustainability issues and confirm the commitment to long-term value creation.

In the spotlight

Embedding climate transition on the front line

In 2022, we developed a **climate business game** to increase the understanding of the climate-related challenges that 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. The climate business game was rolled out across all our core entities. It was organised a total of 43 times across the Group for a variety of audiences, including top management, corporate audit, commercial banking, business managers, credit and risk experts. And in 2024, a total of nine sessions were organised.

KBC values the mental and physical **health and well-being of its employees** highly.

Creating a safe and healthy working environment

We focus on creating and maintaining a working environment where people feel safe, are free to speak up and able to grow. Moreover, we are keen for our employees to enjoy the right work–life balance. We have put in place several measures to achieve this balance, including allowing flexible ways of working.

Health and well-being

KBC has an independent medical prevention department and has set up Occupational Health and Safety Committees (OHSC). Their joint responsibility is to **create a healthy and safe working environment that does not negatively affect the health and well-being of our employees.** In addition, the facilities department ensures that the lighting, air circulation, heating and ergonomics in KBC's buildings and office areas are appropriate.

KBC Belgium has held the ISO 45001 international health and safety certification since 2019. **KBC also puts a lot of emphasis on activity, sports and a healthy lifestyle.** Sports activities and communities are organised and encouraged in all our countries. Hungary holds an annual K&H Sports Day; in Belgium a community called 'Sportify' inspires participation in group activities such as running competitions; while colleagues in Bulgaria participated in the Legion Run (a fundraiser for a foundation).

With respect to the mental health of our employees, we are strongly committed to preventing excessive stress at work, which can cause burnout. We run sensitivity campaigns to make sure our employees and managers are alert to early signs of stress and anxiety and we also encourage them to act immediately when symptoms are observed. Additionally, there are several mental health-related initiatives at local levels.

Well-being is an integral part of our HR strategy and is integrated in its different dimensions throughout the entire employee lifecycle.
In Belgium, we developed a model that encompasses all dimensions of well-being – physical, mental, professional, financial and social. It is supported by a new internal well-being site indicating all the initiatives, information and contact points, per dimension. Information sessions and webinars are regularly organised on themes such as 'Disconnect to connect', 'How to sustainably improve my lifestyle' or 'From loneliness to connection at work'.

In the spotlight

Employee-led initiatives in Hungary

In Hungary, an initiative was begun in 2024 to revise the well-being approach by creating focus groups in some pilot businesses, inviting them to generate ideas on the subject. In the first half of 2024 up to 70% of the targeted employees were reached through communication, event participation and idea collection. In the second half of 2024 and based on the received inputs, the focus became learning about physical and mental health as well as on community building (e.g. colleagues with special hobbies, information sharing sessions with local managers). In 2025, the successful approach derived from the pilot will be rolled out to the whole company.

In the spotlight

Healthy Compass for a Better Life

In Bulgaria, the first issue of a publication called '*Healthy! Compass for a Better Life*' was released. It provided up-to-date information on the opportunities available to employees to maintain their health and spirit. The publication included content on dealing with stress and professional burnout, building psychological resilience, allergies and respiratory health as well as health insurance.

KBC offers flexible working options and digital tools to support employees.

Offering flexible working conditions

Over the past years, KBC has increasingly introduced more new ways of working in response to increased demand for flexible working conditions. For example, we now offer more options for part-time working, working from home or working flexible hours. By concentrating on integrating digital collaboration methods, we have been able to increase flexibility without compromising team functioning or the quality of our service delivery to our clients.

We also provide tools and services that allow our employees to use their resources as efficiently as possible. For example, the 'My Kate' chatbot assists our employees in some of our core countries with their own HR-related topics and administration. It also assists them in their daily administration tasks. In 2024, My Kate became more proactive, for example, through an increased number of personalised notifications to guide managers and employees through their HR processes.

Offboarding and end-of-career schemes

Being involved in the careers of our employees means that we also work on smoothing the transition towards the end of our colleagues' employment at KBC.

We also want to provide our employees with the opportunity to grow and develop their talents, even towards the end of their careers. For example, in Belgium and the Czech Republic, we have end-of-career schemes in place that encourage older employees to remain engaged in the labour market, as well as providing them with innovative career pathways.

In the spotlight

Preparing our employees for a smooth retirement transition

In Belgium, employees at the end of their careers can choose to work at a lower rate of employment. The 'Minerva programme' also offers employees with a few years of service left before retirement the opportunity to share their experience beyond KBC, without losing their employee status. The programme celebrated its tenth anniversary this year. In 2024, the pension journey was further optimised with a total of 600 personal pension conversations held and specific information days attended by 241 soon-to-retire colleagues.

In the spotlight

Empowering careers with the 55-plus programme

In the Czech Republic, our employees enrolled in the '55-plus Programme' to pursue their career to the benefit of non-profit organisations and public benefit institutions as well as mentoring younger colleagues through intergenerational dialogue.

Engaging with our employees

We want to be in touch with the sentiments, needs and views of our employees, and to adapt our organisation accordingly. We carefully listen to our employees by regularly conducting employee engagement surveys and investing in regular social dialogue with employee representatives.

Employee engagement surveys

KBC conducts a biannual employee engagement survey in all its core countries to consult our employees on topics such as:

- The engagement they feel with the organisation. Engagement is based on pride in working for the company, motivation to do one's job well and commitment to KBC.
- The ways in which employees view their career opportunities and opportunities for personal development within the organisation.
- How colleagues experience digital transformation and the way it impacts their jobs.

Overall, the results of the surveys show that 74% of our employees feel engaged with KBC. The engagement rate is in line with previous years and indicates an engaged workforce. Employees are proud of KBC's innovative approach and its stability as an organisation and an employer. Furthermore, **the survey results are used to decide on further actions to improve our employees' work experience and their engagement with the company.**

Connection is an important element as it is a driver of engagement. We measure connection in our Employee Engagement Survey in different dimensions: connection with direct and indirect colleagues, with the direct line manager and with KBC as a company.

For detailed results of the survey, we refer to our 'Sustainability Facts and Figures'.

74% of our employees feel **engaged** with KBC.

At group level, **87%** of our employees are covered by **collective bargaining agreements.**

Social dialogue

We regularly engage in constructive dialogue with our employees and our formal employee representation groups. On a related note, we fully support the freedom of association and the right to collective bargaining. The goal of these dialogues is to balance the interests of KBC and its employees. Examples of issues that may be discussed are reward, employment conditions, reorganisation activities and well-being.

As a group-wide practice, the dialogues are generally initiated on an individual - country or legal - entity level. Discussion topics may for this reason differ per core country, as they may focus on particular local social issues. The dialogues are also shaped according to the local practices and laws of each country. Once a year, the European Works Council brings together the employee representatives from all core countries and top management. In these meetings, topics of cross-border importance are discussed. As such, we ensure that there is a forum for discussing the impact of decision-making at group level.

Most employees are covered by collective bargaining agreements and formal employee representation. At group level, around 87% of our employees are covered by collective bargaining agreements. Formal employee representation is in place for 88% of our employees.

The proportion of employees covered by such agreements differs per country.

Diversity and inclusion

We want to create a diverse and inclusive working environment. Our diversity approach is strongly rooted in the value of respect. This means that we treat all our people equally in all circumstances and that we want every employee to feel recognised, empowered and to have equal opportunities. Our approach towards these values is outlined in more detail in our Diversity and Inclusion Policy. Within this policy, our focus is particularly on gender diversity and on colleagues with physical disabilities. Additionally, each business or country may add other diversity areas, depending on their context.

Our policy aims to eliminate discrimination (including harassment) and to promote equal opportunities. The policy prohibits all discrimination and unequal treatment, regardless of whether it is directly or indirectly based on race, ethnicity, gender, nationality, marital status, sexual orientation, age, family status, education, disability or religion.

A zero-tolerance policy is applied to cases of flagrantly disrespectful behaviour towards a colleague such as insults, undermining integrity or dignity, bullying, harassing or discriminating against colleagues.

Colleagues are encouraged to report any suspicion of actual or potential wrongdoing, which will then lead to an independent, confidential and impartial investigation. **With this policy we strive to create a corporate culture in which an open mindset prevails and where respect and responsible behaviour are key values**. Throughout KBC, all managers are requested to make a general commitment to the following principles: respect as a foundation and equal opportunities for all employees. We report on the evolution regarding diversity and inclusion to the Executive Committee and the Board of Directors on an annual basis.

Read more

- More details on our diversity approach
  KBC Group Diversity and Inclusion Policy

Our workforce is well balanced, composing 57% women and 43% men.

Gender diversity

Within our Diversity and Inclusion Policy, we have adopted a specific focus on gender diversity and equality. **Currently, the workforce is well balanced, comprising 57% women and 43% men. However, women remain underrepresented in the higher echelons of our organisation, especially top management.** Over the long term, we aim to achieve a gender distribution at leadership level that reflects the diversity of our general workforce. In Belgium, we have adopted gender representation targets for middle managers in leadership positions. These targets are monitored by the respective management committees and once a year by the Group Executive Committee. To achieve those targets, the percentage of new appointments is closely monitored.

We aim to further improve the gender distribution within our leadership in three ways:

- Develop the skills of our female colleagues and attract and encourage women with the right skills and ambition levels.
- Encourage top management to formulate ambition levels and action plans regarding women in managerial positions.
- Adapt and support HR processes and practices, for example, by publishing gender-neutral job vacancies.

Additionally, with a view to supporting gender diversity in the higher echelons of our organisation, we have set a goal of having one female and one male candidate for every new top management nomination, provided they have equivalent qualifications.

Equal pay

We aim to create gender equality when it comes to the rewards and compensation our employees receive. **We prioritise equal pay for equal work, ensuring that there is fairness in compensation across all roles and career levels.**

We also actively measure gender pay. This helps us find and address any structural barriers that hinder gender equity. We measure the gender pay gap in two ways:

- **The unadjusted gender pay gap:** This represents the raw difference in average pay between male and female employees. It is calculated as the difference of average pay levels in hourly total salary between female and male employees, expressed as percentage of the average pay level of male employees. For KBC Group in 2024 this is 31.2%.
  This basic calculation highlights the gender pay gap to some extent, however, it does not account for factors like salary differences across countries, different salary packages, local economic context, job roles or experience.
- **The adjusted gender pay gap:** As KBC operates in different core countries with different salaries (in absolute figures) and different composition of workforce in terms of gender, the calculation of a gender pay gap at group level does not consider the influence of these differences.
  Also, other gender-neutral and objective factors should be considered to get a better view on the pay gap.

Therefore, we calculate an adjusted pay gap, following a weighted average methodology. All employees are divided into subgroups according to these three parameters: country, Hay Job Evaluation Methodology level and managerial responsibility. According to our analysis, these are the factors that explain the pay gap, to a significant degree. We believe that this approach provides more insight into the gender pay gap. **The adjusted gender pay according to the above-mentioned method is 3.2 %.**

Further data analysis will be done per country and subgroup to detect other objective gender-neutral factors which can explain the remaining pay gap. Where necessary, actions will be taken to reduce it further.

Parental leave and family care

We have several policies and support mechanisms in place for (recent) parents. Depending on the country, this includes:

- Parental leave
- Childcare options
- Lactation facilities
- Flexible working options
- Programmes for female colleagues returning from parental leave.

Our local parental leave and family care policies meet the legal standards in all our core countries. In some countries we go beyond what is required by law. More detailed information on, for example, the number of weeks of parental leave and workplace flexibility options for parents is provided in our 'Sustainability Facts and Figures'.

In the spotlight

Supporting parents' return to work

In the Czech Republic there is an academy for parents that provides support in the form of six workshops for colleagues planning to return to work after parental leave. An academy for fathers was created in 2024, offering four workshops on flexibility, communication, vision and innovation. No solution has yet been found for the issue of kindergartens in the Czech Republic, where there is often no daytime pre-school provision available to parents. For this reason, we began operating our own kindergartens in 2017 and have this year opened a new kindergarten at the Prague head office with capacity for 44 children.

Employing people with disabilities

We are also committed to the inclusion of our colleagues with disabilities. In 2024, a new chapter on 'Disability Inclusion' was added in the Diversity and Inclusion Policy, making this focus area of the policy more tangible. The aim is to accommodate the specific needs of colleagues with physical disabilities to enable their equal participation in the workplace by offering suitable tools and assistance where it is reasonable and practicable to do so.

The principles of the policy address: an accessible workplace (digitally and physically), a supporting role for HR at moments that matter (such as recruitment, onboarding, mutation and integration into the team), the integration of the topic within well-being provisions and raising awareness about disability inclusion amongst all staff.

Unconscious bias

We recognise the negative impact of unconscious bias on collaboration and innovation. To address this, we offer training about unconscious bias through e-learnings and workshops for all our employees. In the spirit of leading by example, our top managers and colleagues in leadership roles are also obliged to take the e-learning module on unconscious bias. This empowers our workforce to recognise and challenge biases, fostering a shift from unconscious bias towards conscious inclusion.

Read more

- More information on gender pay KBC Group Annual Report 'Sustainability Statement'

Network organisations on diversity and inclusion

There are several networks and employee-led groups within KBC that aim to promote diversity and inclusion within the organisation. The groups offer employees a safe environment to support one another and focus on various aspects of inclusion within the company, including gender, disabilities, age diversity, cultural background, LGBTQIA+, parenthood and inclusive leadership.

These networks allow our employees to connect and share experiences around these topics. They do so, for example, by organising workshops, informal meetings and webinars. Once a year, they gather at a virtual event to connect and share best practices.

The local networks on diversity and inclusion are sponsored by a local Board member. In addition, two Executive Committee members are members of the International Steering Committee for Diversity Rocks. Within the Steering Committee, ideas and best practices from all local initiatives are shared. At local level, events and initiatives are undertaken to promote the topic.

In the spotlight

'Coming out at work' by the Open@Work and Proud@KBC networks

In Belgium, the Open@Work and Proud@KBC networks jointly organised an event focused on LGBTQIA+ inclusion in the workplace that specifically addressed the topic of 'Coming out at work'. This event featured keynote speeches from our CEO, Johan Thijs, and our CRO, Christine Van Rijsseghem. They articulated KBC's perspective on diversity and LGBTQIA+ inclusion at the workplace, emphasising the importance of the value of respect.

In the spotlight

K&H's First Diversity Week

K&H organised its first K&H Diversity Week. It was an event featuring presentations (on ageism and equal opportunities), a panel discussion (with female leaders), a games night (social and quiz night) and a movie night with the aim of bringing the topic closer to our colleagues.

Inclusive panels

In Belgium, we have signed the Inclusive Panels Charter, which encourages companies to consider the balance of gender, generations and participants from different backgrounds to be included in panel discussions. This helps ensure rich and open debates that generate innovative ideas.

Read more

- The key behaviours expected from all our employees
  KBC Group Code of Conduct for Employees
- The way we approach Diversity and Inclusion at KBC
  KBC Group Diversity and Inclusion Policy

Team Blue in action

In the spotlight

Team Blue loves your dreams

We honour our societal role by encouraging local community involvement, adding purpose to our initiatives accordingly. In September 2024, we launched a groupwide Team Blue Challenge titled 'Team Blue loves your dreams', which consisted of two parts. The first part focuses on realising dreams by inviting colleagues to support non-profit organisations through volunteering. The second part is planned for 2025 and will concentrate on protecting dreams by encouraging employees to take first aid courses and donate blood and plasma. This initiative aligns with KBC's overarching purpose of realising and protecting the dreams of our clients.

In the spotlight

Actions against loneliness

KBC Belgium is the main partner of 'The Warmste Week', the most renowned solidarity campaign in Flanders. In addition to providing financial support, our employees and insurance agents enthusiastically participated by selling tens of thousands of pins in bank branches and insurance agencies, all in support of heartwarming charities. In 2024, the initiative focused on actions against loneliness.

In the spotlight

KBC's record-breaking support for cancer research

KBC is the main sponsor of 'The 1 000 kilometres for *Kom op tegen Kanker*', a social-sport fundraising event dedicated to raising money for cancer research. The 2024 edition set a new record with 1 251 cycling teams and a total of seven million euros raised for cancer research. KBC was proudly represented by 24 cycling teams made up of 140 cycling colleagues.

In the spotlight

Whoever helps wins

In the Czech Republic, we run the 'Whoever helps wins' campaign, which motivates employees to engage in social responsibility. Participants receive financial contributions, days off, and most importantly, the satisfaction of contributing to the community in which they live. The campaign encompasses a variety of actions, such as actively supporting non-profit organisations, teaching financial and digital literacy and donating blood. Additionally, in the 'Cycle to work' campaign, 291 employees in 80 teams participated. For every kilometre cycled, we donated money to produce special bicycles for disabled children and to purchase bicycles for children in foster care.

In the spotlight

Commitment to nature conservation

In Slovakia, 234 employees participated in the large-scale event 'Our City' and contributed to improving 15 Slovak towns and localities. Volunteers helped to save old castles, refresh schools and community spaces and clean parks, woods and rivers. In addition to that event, dozens of colleagues from ČSOB planted trees in the National Park High Tatras, cleaned water reservoirs directly from the boat and took part in many other small-scale events.

In the spotlight

'Mentor the young' programme

UBB is a key partner in the 'Mentor the young' programme, a free, three-month mentoring initiative for young people aged 18–25 who are paired with mentors with at least five years of professional experience. The programme aims to foster positive change in the personal, career and entrepreneurial lives of young people in Bulgaria.

In the spotlight

K&H Animal Friendly Groves programme

The K&H Animal Friendly Groves programme has been implemented in the schoolyards of 130 educational institutions, where 555 trees and 1 110 shrubs were planted, creating biodiversity-friendly green areas for animals. These areas were enhanced with bird boxes, feeders, watering places and hedgehog burrows.

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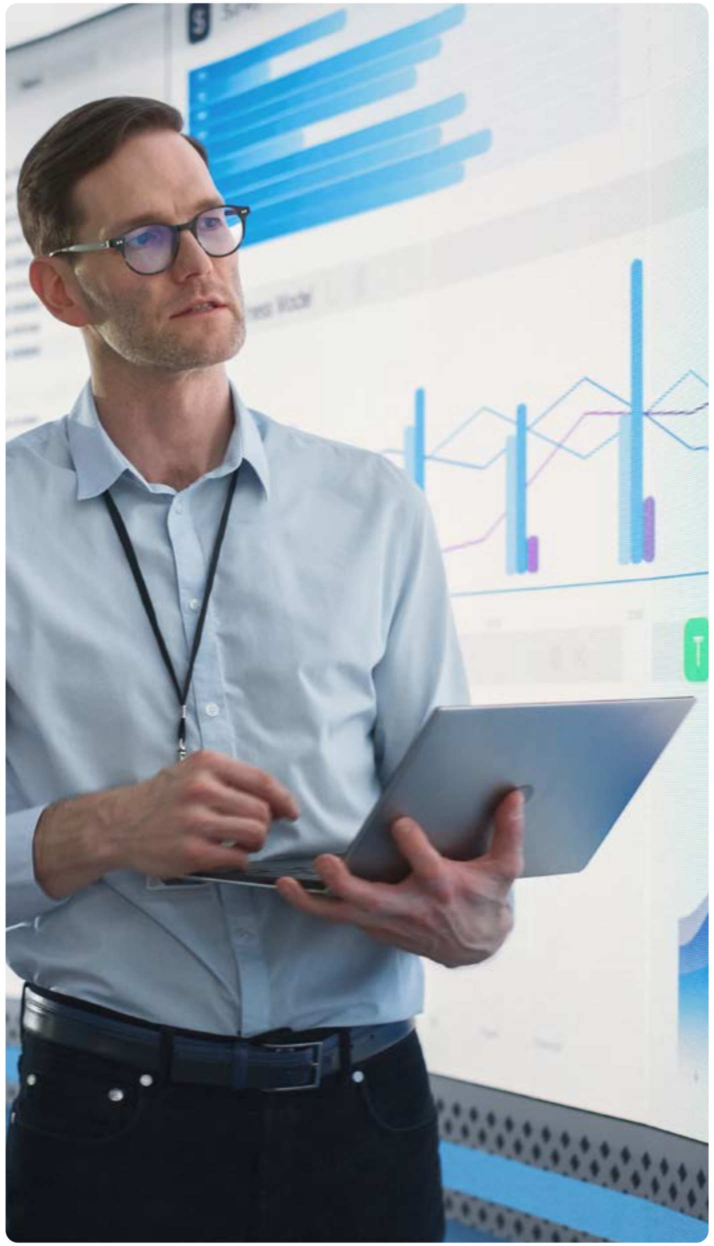
PSI Sustainable Insurance Progress Statement

Our responsibility

This section outlines our approach to conducting business activities responsibly. It details why responsible behaviour underpins our sustainability strategy and how this is implemented across our organisation. We address our methods for mitigating cyber risk, managing information risk, and ensuring data protection and privacy. Additionally, we discuss our corporate policies and codes of conduct.

It is crucial for us that we act in a responsible and ethical way to gain and keep the trust of our stakeholders. We see this trust as the foundation of our existence and our 'social license to operate.' To this end, we genuinely care about and encourage the responsible behaviour of all our employees. We also act according to strict business ethics by diligently following (local) laws and regulations and respecting our additional corporate policies. We are especially committed to respecting human rights across all our activities. Finally, our rapidly evolving digital world brings its own share of challenges. We proactively deal with cyber and information security threats. We also strictly respect the privacy of our stakeholders and deal with personal data in a lawful and transparent manner.



Responsible behaviour

We truly consider the responsible behaviour of our employees to be the foundation of everything we do. Individual integrity, competence, open communication and a sound risk awareness form the cornerstones of responsible behaviour. Responsible behaviour is also the foundation of an effective and credible sustainability strategy. This, of course, goes further than merely following applicable rules, regulations and corporate policies.

The way we view and define responsible behaviour is strongly rooted in our corporate culture and values. This drives us to behave in ways that are:

- **Respectful**: We treat everyone equally. We are transparent. We trust others and appreciate them for who they are and what they do.
- **Responsive**: We are open to different ideas and we respond to suggestions and questions spontaneously and positively.
- **Result-driven**: We do what we promise and meet our objectives. We deliver quality and do so on time and in a cost-effective way.

The way in which we expect our employees to behave responsibly is outlined in our Code of Conduct for employees. Our employees regularly receive mandatory training on the KBC Group Code of Conduct. Moreover, we have drafted a **'My Responsible Behaviour Compass,'** which outlines basic principles of common sense regarding responsible behaviour. It addresses the risks, standards,

Read more

- Our PEARL+ corporate culture and values

'Our people'
KBC Group Annual Report 'Our business model: What makes us who we are'

policies, processes and structures to maintain KBC's high standards on responsible behaviour. The compass is easily accessible to KBC staff in all local languages. Both documents also address how to act responsibly in response to the dilemmas that we face every day in our line of business.

Awareness training

We have put in place several initiatives to raise awareness of responsible behaviour, both at the group and local levels. We have been providing an obligatory online training module on responsible behaviour since 2020. The training is also a part of the onboarding programme for new employees.

> Top management is primarily responsible for creating the right environment, nurturing the right behaviour in the organisation and actively shaping the collective attitudes within KBC. At the same time, all employees are accountable for behaving responsibly in all circumstances and in line with KBC values.

JOHAN THIJS
CEO KBC Group

To keep awareness on responsible behaviour among our employees high on the agenda, a mandatory webinar on responsible behaviour was launched in September 2023. The webinar dealt with the importance of business ethics and responsible behaviour within financial institutions. Building further on these initiatives, an internal, group-wide website was launched in October 2024. The website centralises all available information on responsible behaviour and business ethics. It is available at the group and local levels.

Dilemma training

As a financial institution, we inevitably face dilemmas and complex decisions on a daily basis. **For that reason, all our senior managers follow a dilemma training session within the framework of our senior management development programme.** The training supports senior managers on how to discuss dilemmas or complex decision-making with their staff members.
The training sessions have resulted in the development of the **'KBC Decision Wheel.'** The wheel provides a roadmap for our employees to follow when facing difficult decisions.

In the spotlight

Increasing employee awareness and engagement

In Bulgaria, we organised a series of workshops for employees titled 'SurfTalks' and 'Surf O'clock'. The workshops were given by expert guest lecturers and covered a broad range of topics. Some of the subjects included innovations in ESG, while others focused on areas such as phishing, generative AI and Microsoft 365 Copilot. In total, over 2 000 employees participated in these workshops, boosting sustainability awareness.

Business ethics

At KBC, we strictly follow our corporate policies and guidelines to ensure ethical business, ethical behaviour, transparency, discretion and privacy. KBC's Corporate Compliance Division monitors how KBC's corporate policies and guidelines are implemented. The division proactively takes actions to maintain compliance with the laws and regulations in the markets and countries where we operate. This section provides detail about a selection of these policies. All further information related to our policies, guidelines and codes of conduct can be found on our corporate website.

Whistleblowing and speaking up

We encourage our employees to speak up and report actual or potential misconduct. The way in which our employees can do this is detailed in our policy for the protection of whistleblowers, which forms a part of our KBC Group Code of Conduct for employees. Our employees can report (potential) misconduct either using the intranet or through a dedicated contact point (reporting@kbc.be). They are actively encouraged to do so through information campaigns and mandatory 'Ethics and fraud' training. Our employees are also encouraged to report products or processes that appear unethical, unfair or contradictory to our values (business.ethics@kbc.be).

KBC assigned the local compliance departments to receive and follow up on whistleblowing reports. They investigate each case and evaluate whether there are incriminating and exculpatory elements. Without disclosing confidential information, they report to local and group management on the number and nature of these cases. This year, 25 cases were reported to group management.

Furthermore, we have a reporting tool in place that allows employees to anonymously report all forms of misconduct, including discrimination and retaliation against employees. The tool is available in all of KBC's core countries.

Read more

- Our policies guidelines and codes of conduct

  KBC corporate website: business ethics

Trustworthy artificial intelligence (AI)

At KBC, we regularly use AI tools to work with large amounts of data on our clients. This brings with it ethical concerns, such as the potential for bias in decision-making, the privacy and security of personal data, transparency in AI operations, and ensuring accountability for AI-driven outcomes.

The pioneering **European legislative framework, the AI Act**, aims to address such ethical concerns by establishing stringent guidelines and standards for AI development and deployment. This act will foster innovation while safeguarding fundamental rights and promoting trust in AI systems.

To align with the AI Act, **KBC has adopted a trusted AI framework to ensure that the output of our AI models aligns with the company's values and principles of responsible behaviour.**

> At KBC, we understand how crucial ethical AI is in today's world. AI systems play a big role in areas like healthcare and finance. It is therefore essential that these technologies are transparent, fair, and free from bias.

MICHAEL WITTENBURG
Senior General Manager Compliance KBC Group

This framework covers **five key dimensions**.

01 Data protection and privacy
We ensure GDPR compliance and privacy by assessing whether AI models are developed within approved environments. We also verify the legal bases and constraints for their development and deployment and examine their use beyond intended purposes. In this, we particularly focus on individual decision-making processes.

02 Diversity, fairness and non-discrimination
We focus on preventing unfair treatment, discrimination and bias by rigorously evaluating the quality of training data and addressing potential harms. We pay particular attention to issues related to dynamic pricing and group categorization.

03 Accountability and professional responsibility
We ensure the professionalism of our models by ensuring high-quality training data, thorough documentation and continuous monitoring – all supported by a robust accountability framework for business operations.

04 Safety and security
We focus on preventing security issues by identifying technical vulnerabilities and ensuring model robustness, paying special attention to interaction with external data and models.

05 Transparency, explainability, and human control
We stress transparency and explainability of the output of the model, especially for automated decisions and complex models in highly regulated environments. We do so especially when the models incorporate generative AI or large language models.

The framework is based on a questionnaire that probes for specific risks associated with its five dimensions. If a risk is detected, a formal risk and impact assessment is conducted with mandatory advice from specialists, such as Legal and Compliance. We have integrated the frameworks into the data literacy training available to all staff. This ensures that staff are aware of the framework requirements and its implementing rules.

This comprehensive approach ensures that KBC's AI models are trustworthy and aligned with ethical standards, promoting responsible and equitable AI use within the company.

This framework is currently applied to all models used within our Belgian entity as well as head office departments and shared services. The tool is also being piloted in Czech Republic. In 2025, we will further investigate the implementation of the framework in our other core countries.

Anti-money laundering

We have established a comprehensive Anti-Money Laundering policy to combat money laundering, the funding of terrorism and the violations of human rights, including the human trafficking activities that are often associated with these activities. We monitor compliance using an AI platform that was developed in-house to detect illegal activity that might be linked to money laundering. We also comply with regulatory obligations to report suspicious activities linked to money laundering.

In addition, **all our employees, including senior managers, receive training that details their duties regarding anti-money laundering.** These training courses take place online or face-to-face. Real case studies are explored in these training sessions.

Discai: Fighting financial crime for a better society

Across the globe, money laundering forms a threat to financial systems and societal well-being. It is estimated that 1 to 2 trillion euros are laundered annually, which is equivalent to 2–5% of global gross domestic product. This means that money laundering activities deprive societies of resources that are crucial for education, healthcare and sustainable development. Traditional methods of detecting and combatting money laundering activities have proven insufficient to address the sophisticated techniques used by modern criminals.

Discai, a 100% subsidiary of KBC Group, leverages cutting-edge AI technologies to more accurately and efficiently detect money laundering activities. Discai's main offer is an innovative, AI-based Know Your Transaction (KYT), Anti-Money Laundering (AML) solution. This application was first deployed within KBC and its group entities and has significantly improved our ability to detect illicit transactions, while at the same time reducing inefficiencies.

Discai now markets this KYT AML solution to financial institutions worldwide. The solution seamlessly integrates with existing rule-based systems. As such, Discai enables the global financial sector to better address money laundering and its societal consequences.

Currently, Discai's solution is operational across five European countries, where it scans nearly 14 million clients for potential money laundering activities. Beyond anti-money laundering, Discai is diversifying its portfolio to include solutions targeting other types of financial crime, further aligning with KBC's ESG goals. By driving innovation and extending its reach, Discai underpins its commitment to building a fairer, more sustainable global financial system.

> We are very proud to be ranked 25th worldwide on the 2024 Financial Crime and Compliance50 list by Chartis Research. This prestigious research organisation recognises the global top 50 companies that are leading the fight against money laundering, fraud and financial crime. We are also thrilled to announce that Discai has also received the 'Data Science as a Service' Award, another significant distinction from Chartis Research. As a globally recognized authority in risk technology, Chartis Research is known for its rigorous methodologies and independent analysis, making this ranking a significant acknowledgment of our commitment to combating financial crime.

FABRICE DEPREZ
CEO Discai

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PRB Responsible Banking Progress Statement
PSI Sustainable Insurance Progress Statement

Responsible taxpayer

Our KBC Tax strategy ensures that KBC Group acts as a responsible taxpayer. The strategy is rooted in our Responsible Behaviour philosophy and acts according to the following values:

- Accurate tax compliance
- Responsible tax risk management
- Legitimate tax planning based on sound business reasons
- Full tax transparency
- Independent tax function from the business.

Consequently, our employees are not permitted to provide any kind of advice or assistance to clients in terms of tax avoidance or the violation of regulations.

Penalties for violations for tax abuse and illegal tax evasion can be severe. KBC supports its employees by providing a training module on the tax prevention policy for bank experts. In 2024, 97% of the target group completed this course successfully.

Public policy engagement

KBC Group Corporate Public Affairs Policy strictly prohibits any type of political involvement and expression of political convictions. This rule applies to all our staff members in the KBC Group and is guided by our KBC Group Code of Conduct for employees. KBC also simply rejects any requests for financial or other type of contributions to political parties, government organisations, politicians or campaign events. The highest level of direct responsibility for key public policy issues lies with our Executive Committee.

Read more

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

KBC Group Annual Report: 'Financial Statements'

KBC Group has participated in the UN Global Compact corporate responsibility initiative since 2006.

Human Rights

KBC is committed to respecting human rights. Our aim is to reduce any potentially negative impact on society through our own operations and in our value chain. To this end, we follow the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

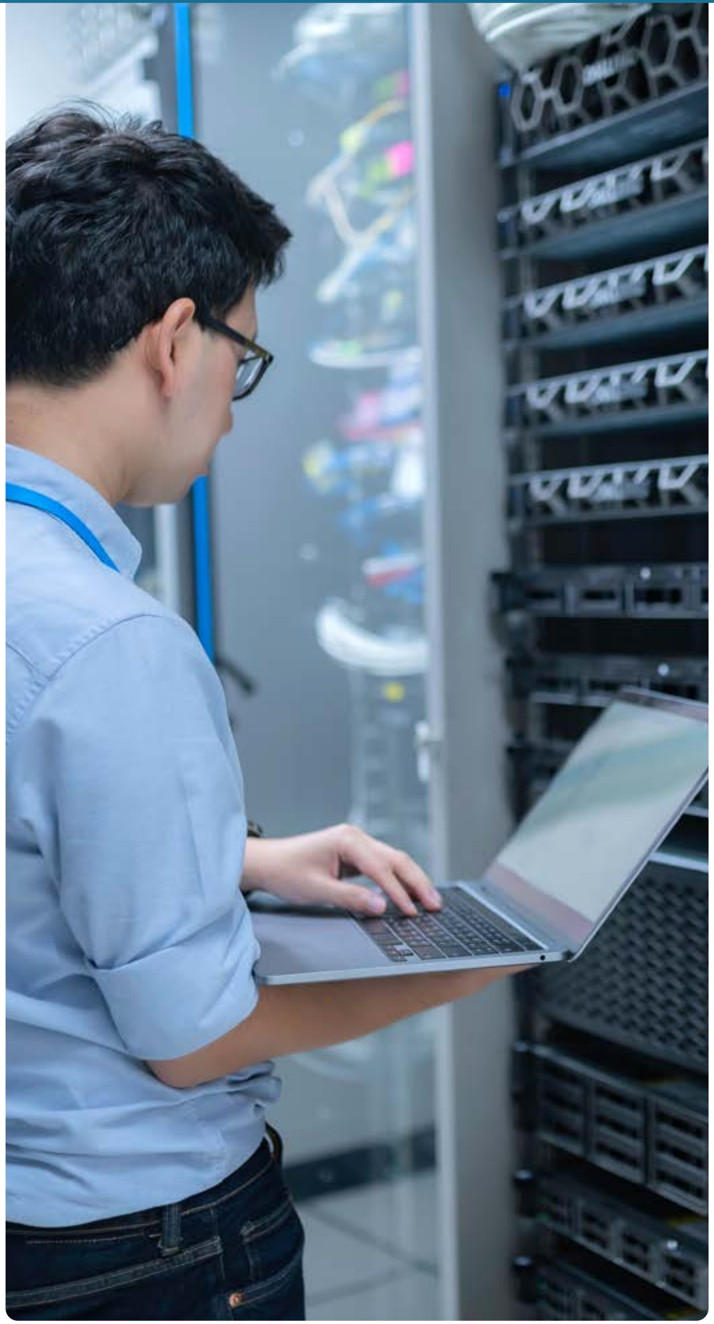
Furthermore, in 2006, **KBC pledged to adhere to the principles of the UN Global Compact**, the world's largest corporate responsibility initiative. We keep our stakeholders updated on our progress related to these commitments. Our annual Communication on Progress can be found on the UN Global Compact website.

We aim to cease any human rights violations by:

- Formalising our KBC Group Human Rights Policy. We also regularly update this policy.
- Implementing specific policies and due diligence processes on human rights.
- Adopting zero-tolerance policies to circumvent any plausible controversial activities.
- Improving the implementation of the UN Global Compact Principles in our daily operations.

Read more

- KBC's approach to human rights
  KBC Group Annual Report 'Sustainability Statement'
- KBC Group UN Global Compact Communication on Progress
  UN Global Compact website



Information security and cyber risk

Digital technologies play a major role in our organisation. They help us to efficiently run our business and connect with our clients. Yet, digitalisation results in greater exposure to potential cyber-attacks. Unfortunately, cyberattackers are more experienced than ever when it comes to detecting the weaknesses of an ICT system. This means that we must always be one step ahead of them. Our focus at KBC is to ensure that our clients and our entities are protected against cybercrime. We use a variety of proactive security controls to stop all cyber-attacks before they can cause any harm to our ICT systems.

Our main priority is to protect our clients' data and our ICT systems. We also aim to avoid any breaches that can lead to legal, reputational and financial harm. We do so by installing highly secure and reliable ICT systems and maintaining robust data protection procedures. We also consistently monitor our systems and the environment.

Predictions indicate that cyber threats will remain a major risk for KBC. Information security, including cybercrime fraud, has for that reason been identified as a top risk within the group. As such, the Risk and Compliance Committee and Board of Directors very closely monitor this risk.

In 2024, KBC Group experienced several cyber incidents, mainly driven by geopolitical tensions. None of these incidents caused major damage to our systems or had a serious impact on our client service. This is mainly the result of our mature internal controls, strong detection mechanisms and swift management response.

KBC Group also has a comprehensive insurance programme to mitigate the possible financial damage of a potential cyber-attack.

Information risk management

KBC has installed a Competence Centre for Information Risk Management (IRM). Its main goal is to protect KBC against threats to data and information. This includes cybercrimes, information security risks, information technology risks and disruptions to business continuity. All of these threats may lead to a loss of integrity, loss of confidentiality and unplanned unavailability.

The group IRM department reports regularly and directly to the Executive Committee, the Board of Directors and the Risk and Compliance Committee.

Additionally, **we apply a robust information security programme consisting of strict information security governance and solid prevention and control mechanisms.** This programme's security standards are based on the ISO 27001 and comply with regulations including those of the European Banking Authority (EBA).

Read more

- More information on KBC's information risk management

KBC Group Information Security Strategy

KBC Group Annual Report 'How do we manage our risks?'

Control monitoring and review

We continuously monitor the efficiency of our information security controls. In this regard, we also perform deep analyses, especially hard testing such as ethical hacking, incident readiness drills and vulnerability scans. We take immediate risk mitigation measures if we detect any defect or shortcoming in the system. Additionally, internal and external auditors regularly control and assess the implementation of these surveillance mechanisms.

Culture and awareness

Given the importance and potential severity of IT security risks, **we continue to focus on awareness of the issue among all our employees.** We do so by:

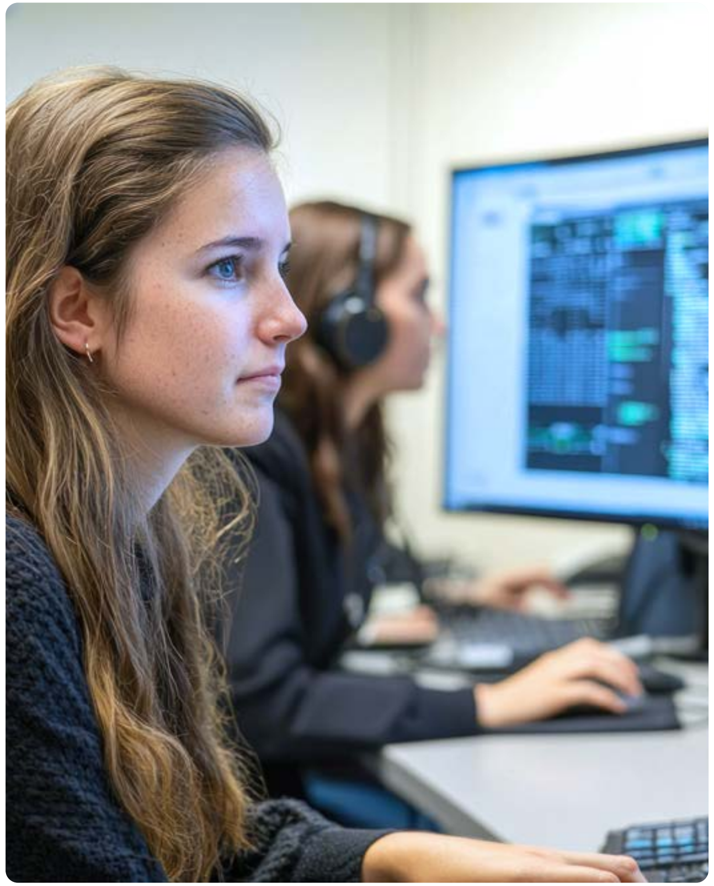
- Organising mandatory cybersecurity training sessions for all employees.
- Organising periodic awareness campaigns. For example, in 2024, we organised 'Security On', which educated our employees on how to behave in a cyber-secure way.
- Performing group-wide simulation tests of phishing, smishing (SMS phishing) and vishing (voice phishing). Our employees are assessed on their performance in these simulations. Managers are made aware of the results of their teams. Colleagues who repeatedly fail the tests are offered additional training to improve their skills in this area.
- Encouraging our employees to attend and participate in events, activities and education sessions during international 'Cybersecurity Month' in October. In 2024, employees from all entities participated in topic-specific webinars such as ethical hacking, client fraud, cyber threat landscape and deepfakes.
- Organising regular training courses and workshops for software developers on secure coding and for all IT personnel on various cyber and information security topics.

We also continue to organise activities in order to raise cyber risk awareness among our clients. This includes phishing, smishing, how to protect their computer systems against online threats and general tips on how to act in a cyber-secure way.

In the spotlight

Combating online fraud and cybercrime in the Czech Republic

Nearly a quarter of a million Czech crowns are stolen every hour in the Czech Republic through online fraud. There has been a 50-fold increase in the number of such scams since 2020. For this reason, ČSOB now collaborates with the Czech Police to develop education activities aimed at preventing such crimes. This initiative includes programmes for schools and senior citizens, as well as presentations at events. In the first six months of the collaboration, we educated over half a million people on how to protect themselves from cyber fraud. We estimate that this initiative protected over 1.85 billion crowns of our clients' money.



Privacy and data protection

Processing private data is part of our daily business. We respect the privacy of all our stakeholders and comply with the General Data Protection Regulation (GDPR). This allows us to ensure that we process personal data in a lawful and transparent way.

We process and protect large volumes of (personal) data every day using AI and smart data analysis technologies. This makes it possible to offer our clients the right solutions. Yet, using such amounts of data also obliges us to be accountable for doing so in a responsible way. To this end, **KBC strictly follows the GDPR guidelines and our own privacy policy across all services and in every new service that we launch.** Our privacy policies are publicly available on our communication channels in each of our core countries, such as our local websites and mobile applications. The privacy policies for our Belgian retail clients, for example, are available for consultation on www.kbc.be.

We guarantee the following data protection principles:

- **Purpose limitation**: We use data solely for the purpose for which they are collected.
- **Data minimisation**: We only collect the data we need.
- **Transparency**: We are fully transparent regarding the data we collect and how we use it.

Moreover, by following our privacy policy, we demonstrate our commitment to:

- **Accuracy principle**: Keeping personal data accurate and up to date.
- **Integrity and confidentiality principle**: Securing data against unauthorised access, loss or damage.
- **Storage limitation**: Destroying the data once they are no longer needed.

Additionally, our clients can decide themselves what we are allowed to do with their data. We transparently communicate to our clients through an unambiguous privacy overview. They can also adjust their choices at any time.

Read more

- More information on privacy and data protection at KBC

KBC Group Annual Report: Sustainability Statement

Finally, we have several systems and mechanisms in place that ensure that data are handled correctly and responsibly throughout the group. This includes:

- **New and Active Products Process (NAPP)**: Any new service, product or change we launch needs to go through the NAPP. The goal is to evaluate risks and provide advice for improvement before the launch of the product or service. NAPP explicitly considers GDPR and other privacy rules.
- **Cloud Enablement Forum for Third Parties**: When data are exchanged with third parties (e.g. through a cloud), we control data security and GDPR compliance through a 'cloud enablement forum'. The forum evaluates all the risks before exchanging data with third parties with whom sensitive data will be exchanged, and proposes necessary risk mitigating measures. In addition, we set contractual agreements with these third parties and a Data Processing Agreement to ensure diligent personal data processing on their side.
- **Data Privacy Training for our Employees**: KBC organises a set of mandatory training courses for all employees on privacy and the cautious handling of personal data. The content and detail of the training depend on the jobs and specific situations of our employees. The training content is periodically reviewed and updated when necessary, with employees being required to complete the training on a regular basis.
- **Data breach notification procedure:** Employees are informed on what to do in case of a data breach or when unsure whether a potential data breach has occurred. Mandatory training sessions and an internal webpage detailing the data breach notification procedure are available. A dedicated contact point (Data Protection Officer) is available to all our employees to report potential data breaches. Within KBC Group data breaches can be reported via dataprotection@kbc.be.
- **Code of Conduct**: Our KBC Code of Conduct explicitly mentions that any type of privacy infringement is absolutely prohibited. We remind our employees to be cautious about this subject with periodic awareness campaigns. We regularly monitor our systems to detect any potential breaches. In the event of an infringement, e.g. unauthorised consultation of clients' data, we take immediate internal and remedial actions to protect the client.

Sustainable **finance**

This section outlines our approach to addressing key sustainability topics within our core business. It covers our Sustainability Policy Framework, including new and updated policies, our strategy for sustainable investing and our commitment to social impact. We also detail our Sustainable Finance Programme with a particular emphasis on our environmental commitments. Our reporting aligns with the four pillars of the TCFD framework. For the first time, this section also includes information about nature and other environment-related topics, disclosed in alignment with the TNFD framework.

Our approach to sustainable finance

We want to contribute to sustainable societies through our main activities: financing, insuring and investing. We offer our clients business solutions that cater for societal needs in our four focus areas: financial literacy, health and longevity, entrepreneurship and environmental responsibility. Furthermore, we want to increase the sustainability of our own operations. This section of the Sustainability Report details our approach to sustainable finance, which is strongly rooted in our overall sustainability strategy. It explains how we respond to our main environmental, social and governance (ESG) topics.

This chapter consists of four parts, each addressing a part of our approach to sustainable finance.

- **Our sustainability policies**: We have a set of sustainability policies in place that define how we include sustainability in all our business activities. We aim to gradually restrict the most harmful activities by implementing these policies.
- **Sustainable investing**: Sustainability plays an important role in our investments. This is true for our own investments and the investments we make for clients. Responsible investing is our first offer to our clients and forms the bulk of our own investment portfolio.
- **Our social impact**: We want to increase the positive societal impact of our main activities. We also aim to increase the affordability and accessibility of our products and services. Finally, we support financial inclusion through microfinance and microinsurance through our partnership with BRS (Belgian Raifeissen Foundation).
- **Our environmental impact**: We are working on our environmental impact within the framework of our **Sustainable Finance Programme**. In the final part of this chapter, we report on this programme in depth. This section also includes our TCFD (Task Force on Climate-related Financial Disclosures) report, in which we focus on our direct and indirect climate-related impact. Since 2023, we have also made progress towards aligning our disclosures with the TNFD (Taskforce on Nature-related Financial Disclosures) recommendations.

Figure 5.1: Our approach to sustainable finance

Our approach to sustainable finance

Our sustainability policies
- Applicable to business activities
- Strict exclusion criteria
- Updated regularly
- Externally challenged

Sustainable investing
- Own investments and investments for our clients
- Strict sustainability criteria
- Focus on positive impact
- Independent assessment of our methodology

Social impact
- Financing with social impact
- Accessibility and affordability of products and services
- Financial literacy
- Microfinance and microinsurance

Environmental impact
- Focus on climate and other environmental impacts
- Own environmental footprint
- Indirect environmental impact
- Measuring climate impact of our portfolios and climate targets

Stimulating sustainability through our main activities

In 2024, we again supported our clients in their sustainability transitions through our various core activities: lending, insurance, advisory services and asset management. Table 5.1 shows an overview of a variety of sustainable finance solutions we offered at year-end 2024.[1] In the remainder of the chapter, we discuss some of these products and solutions in greater depth and give a more detailed breakdown, where relevant.

Table 5.1: Sustainable business in our core activities (KBC Group, millions of euros)

		2024	2023	2022
Sustainable investing[1]				
Responsible investing on behalf of our clients	Responsible Investing funds (direct client money)[2]	50 800	40 700	32 300
Our social impact[1]				
Financing contributing to social objectives	Granted amount	7 396	7 401	7 356
BRS Microfinance Coop	Loans to microfinance institutions and investments in microfinance funds (cooperative share capital)	12 (22)	11 (22)	10 (22)
Our environmental impact				
Financing contributing to environmental objectives[3]	Total volumes	25 474	19 281	14 285

[1] End-of-year data
[2] KBC Asset Management's current responsible investing framework is a KBC in-house framework that is proven and has been subjected to external testing. KBC Asset Management is continuing to align this framework with new EU regulations such as SFDR and MiFID. All Responsible Investing fund products are either Article 8 or Article 9 funds under the SFDR.
[3] The volumes in this table are based on asset/activity specific data. Further details can be found in Table 5.3. We began reporting based on EU Taxonomy alignment in 2023. We report on our EU Taxonomy financing in Table 5.5 , and will fine-tune this reporting in the years ahead.

[1] We are 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. We note that terminology used here, such as 'green' and 'sustainable,' is not meant to suggest (full) alignment with the EU Taxonomy.

Our sustainability policies

We have stringent sustainability policies in place for all our business activities and have brought them together within our sustainability framework. This framework helps us identify potentially controversial activities and other areas of concern. We will either not engage in these activities or do so only under stringent criteria. These policies help us to restrict activities with a harmful impact on the environment, human rights and other important issues. We also want to use the framework to control and effectively manage reputational and litigation risks. We update our sustainability policies at least once every two years, supported by the independent experts of our External Sustainability Board.

Application of KBC's Sustainability Framework

In our Sustainability Policy Framework, we set out the sustainability policies that apply to our range of business activities. It includes the fundamental exclusions that we apply to our core and supporting activities. For particular business lines, specific additional exclusions and restrictions are in place, which are based on the ESG screening of our counterparties' activities.

We have a strict due diligence process in place to monitor compliance with our sustainability framework. In the event of an infringement of its policies, KBC imposes specific conditions on the existing credit or insurance relationships and advisory services. For further reading on the application of KBC's Sustainability Framework, including due diligence and remedial action, we refer to the KBC Group Sustainability Policy Framework.

The KBC Group Sustainability Policy Framework gives a comprehensive overview of our sustainability policies for our business operations and how they are applied across our various activities. It also includes more information on the due diligence process and remedial actions in place.

Read more

- Full overview of the KBC sustainability policies
  KBC Group Sustainability Policy Framework
- Our corporate policies guidelines and codes of conduct
  KBC corporate website: business ethics

Expert advice on sustainability-related matters

For lending, insurance and advisory services, our due diligence process includes the option of requesting expert advice on sustainability-related matters for individual cases. In certain policy domains, this advice is obligatory prior to any business transaction. Up to 2022, such advice was always provided centrally, but from 2023, part of the expert advice function on lending shifted to the local country level. In practical terms, this means that advice requests related to our sustainability policies are processed locally, provided that the credit decision itself is also taken on the local level. **This delegation increases local awareness of sustainability matters and ensures that policy advice is provided based on a sound knowledge of the local reality.**

A monitoring system put in place at group level shows that since the partial shift to the local level, quality and consistency of advice has remained constant. In 2024, we assessed 263 referrals of which 30 were rejected and 31 were approved subject to strict additional conditions. A total of 202 were positively assessed, as they were deemed to be in line with policies. Of these advice requests, 106 were provided at a local level and 157 at group level. For a detailed breakdown of the advice provided, please refer to the 'Sustainability Facts and Figures'.

Updated and new sustainability policies

In 2024, we reviewed parts of our sustainability policies in the light of evolving societal views and expectations.

Specifically, we updated:

- **Our defence sector policy:** The goal of this update was to adapt to the changing geopolitical environment and enable more adequate support of Western defence capacity. However, strict criteria remain applicable. We do not support, for example, companies involved in controversial weapons, as this remains a fundamental exclusion implemented via the KBC Blacklist. We also only support companies having at least 80% of their arms-related sales to armies or police forces belonging to NATO countries or Ukraine.
- **Our energy policy:** The aim of this update was to facilitate even broader financing of the much-needed energy transition. To this end, we provide financing for renewable energy projects, even to companies still involved in coal-related activities. In such cases strict conditions nevertheless apply, including full ring-fencing of the renewable energy project from the company's other activities.
- **Our biodiversity policy:** We have updated our biodiversity policy to align with Europe's latest legislative developments on forest commodities. We have specific rules in place to ensure that we only finance producers and traders of certain forest commodities with activities outside the EU (i.e. those not covered by EU regulations), if their supply chain complies with internationally recognised certification schemes.

Full details on these and other policies can be found in our Sustainability Policy Framework.

Sustainable investing

Sustainability plays an important role in how we manage our clients' and our own investments. We have a long history of responsible investing on behalf of our clients, for whom Responsible Investing (RI) funds have become the preferred solution. Sustainability is also becoming increasingly important with respect to our own investments.

Responsible investing is the first proposition we bring to our clients. After all, as a financial institution, we have an exemplary role to play. We owe that to the world and to both present and future society.

ISMAIL FOUDA, RESPONSIBLE INVESTING EXPERT at KBC Asset Management

Responsible investing on behalf of our clients

We see RI funds as our first offer to our clients and the preferred investment solution. We actively promote them among our clients across all sales channels. In this way, we aim to enable our clients to invest in companies and countries that recognise and act on their social and environmental responsibility.

KBC has been a pioneer in the field of responsible investing for over 30 years and the importance of responsible investing to our business continues to grow. We offer RI funds in all our core countries.

We offer **three types of RI funds**, each with their own specific characteristics and criteria:

- **Responsible funds** invest in companies or countries that take environmental and social factors into account and that have climate targets in place.
- **ECO-thematic funds** invest in companies that 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.

We aim to continue to grow the responsible investing share of our investments in the future. Our ambition is for RI funds to reach at least 55% of direct client money and 65% of total annual fund production by 2030.

By 2030, we also want to reduce the carbon intensity of the corporate investees in Responsible funds by 50% compared to the end-of-2019 reference values. **Additionally, we have introduced a relative greenhouse gas (GHG) intensity target for corporate investees at the management level of each individual Responsible fund in 2024. The GHG intensity of an individual Responsible fund must always be 15% lower than the current GHG intensity of its market benchmark.** Both the target of a 50% reduction by 2030 and the relative target as compared to the current market benchmark are monitored. The more stringent of the two targets will be applied. We refer to the part on 'Climate-related impact of our asset management portfolio' for more details on the methodology we use to track our progress.

Read more

- Climate-related impact of our asset management portfolio
  'Metrics and targets: investment portfolio assessment'
- Targets at the management level of each RI fund
  ESG carbon intensity and sustainable development targets per fund
- More information on the actual emission levels for each fund
  KBC Fund finder

Target

Responsible Investing (RI) funds (end-of-year data)

Indicator	Baseline 2021	2023	2024	2025 Target	2030 Target
RI funds in % of direct client money	33%	41%	44%	45%	55%
RI funds in % of total annual fund production (gross sales)	55%	35%	51%	-	65%

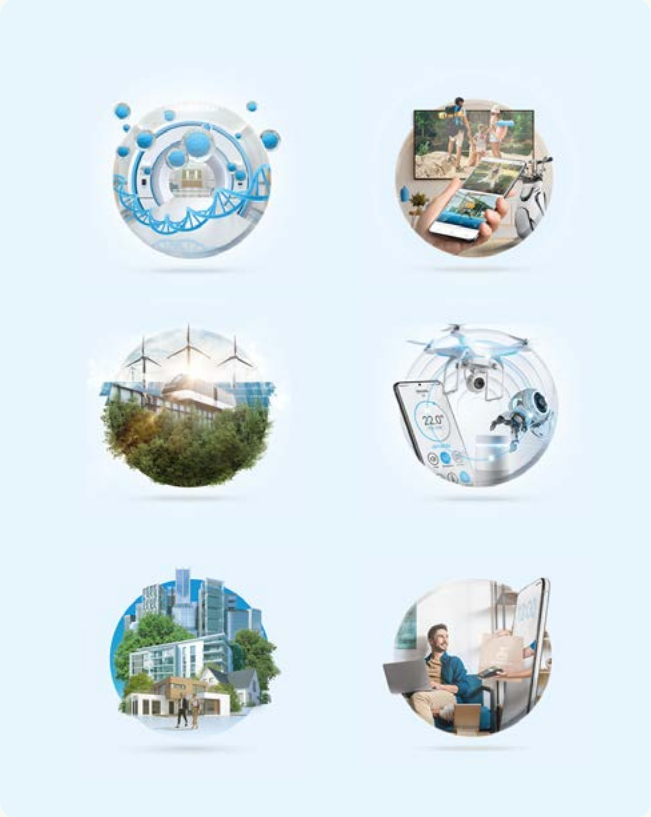
In the spotlight

Promoting responsible investing through our digital channels

We actively promote RI funds and responsible investing among our clients through our digital channels. By leveraging these platforms, we aim to increase awareness and integration of sustainable investment options.

In Slovakia, we offer the innovative investing concept ‘Funds for your world’ in the ČSOB SmartBanking app. The platform provides investors with access to nine RI funds, including five thematic funds. Currently, over half of our fund investors incorporate responsible investments into their portfolios.

In Belgium, we enriched our digital channels with the responsible investing dashboard in 2024. The dashboard gives an indication to clients of how many sustainable investments they have in their portfolio and what they can do if they want investments that are more sustainable. The dashboard also provides an overview of the sustainable and responsible products offered by KBC as well as their sustainability characteristics.



Regulatory framework

Our RI funds all qualify as Article 8 or Article 9 funds under the Sustainable Finance Disclosure Regulation (SFDR). The 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[2] to help guide investors.

Our 'RI funds' qualify as Article 8 funds. These funds promote environmental and/or social characteristics. These funds pursue clear objectives with respect to, for example, carbon intensity and are managed accordingly. Moreover, KBC Asset Management has specific objectives in place for these funds. These funds must:

- Promote the integration of sustainability into the policy decisions of issuers (i.e. 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 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.

KBC's 'ECO-thematic funds' and 'Impact Investing funds' qualify as Article 9 funds. In this category, we select companies making tangible environmental contributions, such as towards climate transition. These include, for example, companies operating in areas such as alternative energy and efficient energy use or companies that make a positive impact on society or the environment through their products and/or services.

In line with the disclosure requirements under the SFDR, we also disclose how we integrate sustainability risks into investment decisions and financial advice. We also explain how we consider principal adverse impacts. Please refer to the KBC Asset Management (AM) Statement on sustainability risks and adverse effects on sustainability and the Principle adverse sustainability impacts statement.

In the spotlight

Successful fundraising for the KBC Climate Technologies Fund of Funds

KBC Securities Investment Services successfully raised funds for their second private equity fund, the KBC Climate Technologies Fund of Funds. The total fund size is 47.3 million euros, with 112 clients contributing 42.3 million euros and the remainder invested by KBC Group.

The Fund of Funds invests in European ClimateTech funds (i.e. funds investing in companies developing and commercialising climate technology solutions across different domains). It will be diversified in terms of geography, stage (i.e. growth stage or early stage) as well as domains, which will include energy transition, food tech, smart logistics, sustainable materials, agri-tech and circular economy. The goal is to reduce GHG emissions to meet European Green Deal targets.

[2] 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.

Exclusion criteria

We have strict exclusion criteria in place for both our conventional funds and our RI funds. More information on the exclusion policies for our conventional funds is available in the KBC Group Sustainability Policy Framework 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 and fossil fuels. In addition, we apply a norm-based policy that excludes companies involved in severe controversies relating to environmental and social or governance issues. **In 2024 we updated the exclusion policy for RI funds with a new biodiversity policy.** The policy ensures that companies with serious land use and biodiversity controversies are excluded. The same applies to companies whose activities have a negative impact on biodiversity and which do not take sufficient measures to reduce their impact. More information on these policies can be found on KBC Belgium's commercial website.

Finally, **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. KBC Group is a signatory to this label.

Positive criteria

In addition to the exclusion criteria as set out above, we want to have a positive impact through our RI funds by investing in companies and countries that score well on sustainability. To this end, we have three types of RI funds, each with their own specific characteristics and criteria.

During the annual update of the responsible investing methodology in 2024, we also raised the bar for labelling companies as sustainable. Companies are no longer assessed on their policies, products and services via a net alignment score. Instead, they will be labelled as sustainable only if at least 20% of their turnover can be linked to sustainable activities.[3]

In the spotlight

Increasing awareness of responsible investing in Bulgaria

In Bulgaria, UBB Asset Management is working hard to enhance awareness of responsible investing among UBB's employees and clients. This initiative is carried out through various channels.

For its employees, UBB has developed a series of video podcasts as well as monthly blog articles and updates on RI funds. The primary objective of these podcasts is to discuss RI funds in a clear and accessible manner. Topics covered include the types of RI funds distributed by UBB, the exclusion policies in place, how these funds differ from conventional ones and their performance.

For its clients, UBB Asset Management organised a digital awareness campaign on responsible investing. This campaign incorporated social media posts and blogs as well as online educational materials such as articles and videos to effectively disseminate information and educate clients on the importance and benefits of responsible investing.

[3] Activities are labelled sustainable based on the legal framework provided by SFDR and on data from third party information providers. More information can be found here.

92%

of assets of Pensioenfonds KBC classify as **Article 8 or 9 funds**

Independent expertise through the Responsible Investing Advisory Board

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

Increasing the sustainability performance of our investee companies

KBC AM wants to increase the sustainability performance of its investee companies. There are two main ways in which we aim to do so:

- **Proxy Voting**: Sustainability forms an integral part of our proxy voting policy. As an asset manager, we use proxy voting to represent our clients who invest in companies through our equity funds and mixed funds with equity positions at shareholder meetings. We believe that incorporating sustainability into our proxy voting policy is necessary to act in the long-term interests of our clients and will benefit our investee companies. In 2024, KBC AM voted on nearly 18 000 resolutions at 1 420 shareholder meetings using the Proxy Voting and Engagement Policy.
- **Engagement**: KBC AM continuously interacts with investee companies, with sustainability issues forming an important part of these interactions. KBC AM engages in both collective and individual engagement. Collective engagement sees us participating in initiatives such as Climate Action 100+ or collective engagement initiatives by Sustainalytics. Also, in 2023, KBC AM signed Nature Action 100, a global investor engagement initiative focusing on driving greater corporate ambition and action to reverse nature and biodiversity loss. KBC AM undertakes individual engagement by entering into direct dialogue with companies or country policy makers on ESG issues.

Sustainability in own investments

Sustainability is also gaining importance in the way we manage our own investments. This is true both for our own investments managed by Group Treasury and the investments of *Pensioenfonds KBC*.

Sustainable investment principles of Group Treasury

We follow strict ethical restrictions regarding our own investments. As a basic rule, KBC Group does not invest for its own account in financial instruments that are issued by 'excluded counterparties'. This applies, for example, to counterparties from the public KBC Blacklist,

Read more

- Rules for proxy voting and engagement
  'KBC Asset Management Proxy Voting and Engagement Policy'

the internal human rights offenders list or the internal controversial regimes list. Counterparties involved in thermal coal or tobacco are also excluded. For more information, we refer to the KBC Group Investment Policy.

Furthermore, all of the exclusions that are applicable to RI funds also apply to corporate investments done by KBC Group for its own account. For example, we have exclusions in place for activities relating to fossil fuels, controversial and conventional weapons, gambling, adult entertainment, fur and specialty leather.

As a result, KBC's own investments also benefit from the solid expertise and governance structure that apply to our RI funds. This includes the permanent external challenging of our policies and asset selection by the Responsible Investing 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.

We have also set targets on the Scope 1 and 2 emission intensity of the combined equity and corporate bond portfolio of KBC Insurance's own investments. For more information on our progress on these targets, please refer to the 'Metrics and targets' part of this section.

Moreover, in 2024, we calculated the GHG emission intensity of the own sovereign bond portfolio of KBC Bank for the first time. For more details, refer to the 'Metrics and targets' part of this section.

Sustainable investment principles of *Pensioenfonds KBC*

Sustainability is also integrated into the way in which the pension funds from *Pensioenfonds KBC* are managed. This pension fund manages the supplementary pensions of our Belgium-based staff and is by far the most important pension provision in this form within KBC Group. Currently, the Statement of Investment Principles of these pension funds include:

- A zero-tolerance policy of certain non-sustainable companies (e.g. blacklisted companies, worst human rights offenders and companies with a significant involvement in the tobacco industry, coal-related business and gambling).
- An increasing focus on RI funds.
- A long-term goal to achieve a climate-neutral investment portfolio.

Pensioenfonds KBC has 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.

Furthermore, since 2024, *Pensioenfonds KBC* also applies the responsible investment methodology to its LDI portfolio.[4] Consequently, **a total of 92% of the assets of *Pensioenfonds KBC* currently have an Article 8 or 9 qualification.**

In the spotlight

KBC Insurance invests in energy-efficient apartments in Leuven

KBC Insurance has invested in a highly sustainable apartment block consisting of 51 units in Leuven. The project is part of the redevelopment of a former hospital site into a new sustainable urban district. This energy-efficient building is connected to a geothermal network and features advanced insulation, heat pumps, solar panels and LED lighting. The building also offers commercial spaces and communal areas, promoting high-quality and sustainable residential living.

[4] The primary goal of a Liability Driven Investment (LDI) bond portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities.

Read more

- Climate-related impact of our own investments

'Metrics and targets: investment portfolio assessment'

Our commitment concerning our social impact

We want to increase our positive societal impact through our core activities. We do so by financing, insuring and giving advice on projects that create positive societal impact. This includes education, basic infrastructure, essential services, healthcare and employment. Finally, we want to increase our positive social impact by supporting financial inclusion through microfinance and microinsurance through our unique partnership with BRS.

> We have implemented the Comprehensive Medical Assistance by DZI in our company. Doing so has improved our social policy as well as employee satisfaction levels. Moreover, by taking care of our employees in this way, we ensure that they can be productive and effective both on the personal and professional front.

GABRIELA DISANSKA
Human Resources Manager Cremio EAD

Social impact financing

Table 5.2: Social impact financing (KBC Group, millions of euros granted amount, end-of-year data)

	2024	2023	2022
Healthcare and senior living sectors	6 168	6 233	6 202
Education sector	1 228	1 167	1 154
Total	7 396	7 400	7 356

Financing, insuring and supporting social sectors

Supporting sectors with a positive societal impact is at the heart of all our core activities. As one of our four focus areas, health and longevity is an integral part of these initiatives:

- **Insurance**: We protect our clients from the financial consequences of healthcare risks through the insurance products we provide.
- **Financing**: We are an important financier of different social sectors, such as healthcare, senior living, education, basic infrastructure and affordable housing. At the end of 2024, the financing we granted to the healthcare and senior living sectors amounted to 6.17 billion euros. Financing granted to the education sector amounted to 1.23 billion euros.
- **Advice**: We have dedicated departments that specialise in helping social profit institutions and local authorities to navigate their finances. This includes giving advice on payments, asset management and financing solutions.

In the spotlight

Supporting the construction of a hospital in Vratsa

In 2024, UBB secured funding of 10 million euros for the construction of a new hospital in the town of Vratsa. This facility will feature 193 hospital beds across 11 medical departments. This represents approximately 50% of the required healthcare infrastructure in the Vratsa district and about 22% for the North-West Region of Bulgaria. The project is financed in accordance with the Equator Principles.

Read more

- Our commitment concerning our social impact 'Sustainability Facts and Figures'

In the spotlight

Webinars on aggression against healthcare workers

Aggression against medical staff and care employees is rapidly increasing. Therefore, KBC Insurance, KBC Mediservice, KBC Social Profit and non-profit organisation PREBES jointly organised webinars on aggression in the healthcare sector. Attendees included prevention advisors, general practitioners, dentists, surgeons as well as clients active in healthcare and welfare. The webinars provided valuable insights and garnered significant interest.

In the spotlight

Financing seven schools for 3 000 pupils in Flanders

KBC played a central role in successfully arranging the financing for the school cluster GO!2, which is a DBFM (Design, Build, Finance, Maintenance) project of seven schools in different regions in Belgium. The schools will accommodate 3 000 pupils across 30 000m^2 of new buildings.

The project has been classified under Category C of the Equator Principles, indicating minimal environmental or social risks. Additionally, five out of the seven schools in the school cluster GO!2 are classified as 'towards green', due to their high energy-efficiency performance.

In the spotlight

Social loan to support individuals in need

ČSOB CZ has approved a 20-year social loan amounting to 42 million Czech koruna for the charity 'Ceska Lipa.' The charity is dedicated to supporting individuals in need and improving living conditions and support services for vulnerable and socially excluded groups of population. The primary objective of this loan is to finance the acquisition of a property that can serve as a social shelter for women, men or families with dependent children. The project includes the property's renovation to achieve an EPC B rating, as well as the provision of essential equipment for the shelter.

In the spotlight

Adapting insurance policies to meet changing client needs

KBC Insurance in Belgium adapted its policies in order to be able to offer insurance to some clients with pre-existing medical conditions. Clients with certain pre-existing conditions requesting hospitalisation insurance now have the option of insuring such conditions at a limited additional cost. For insurance guaranteed income, we converted our policy for certain conditions from exclusion to an additional premium or a more refined and narrowed exclusion, sometimes combined with an additional premium.

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**: We offer special accounts with banking services at no cost or at a low cost to less-advantaged clients in almost all our core countries. We have also developed tools that help our clients manage their finances while also improving their financial health.
- **Clients who are in financial distress**: We actively monitor clients at risk of financial distress through dedicated teams, specific assessments and early warning systems. This enables us to prevent over-indebtedness by quickly communicating with clients and offering tailored repayment solutions. For example, in Belgium, our teams receive intensive training to better understand client needs and provide responsive support for emerging financial risks.
- **The senior population**: We support our senior clients in navigating the challenges of an increasingly digital world. For instance, we run educational activities and offer coaching to non-digital clients at our branches.
- **Clients with a disability**: We are consistently working to improve access for those with a disability or long-term health condition. We have strategies and action plans in place in almost all our core countries to provide a full range of services specifically aimed at these clients. For example, we implement accessible ATM solutions tailored to support visually and hearing-impaired clients. In Hungary, our ATMs provide accessible features for cash withdrawals. In the Czech Republic, we offer voice control and an online transcript service to ensure independent transactions for all clients.

Alongside our own bank and insurance products and services, **we offer non-financial solutions in our mobile apps. 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 via Kate Coins in Belgium.
- **Facilitate everyday payments**, for example, by providing a service in our banking app to automatically pay parking fees.
- **Support business activities**.

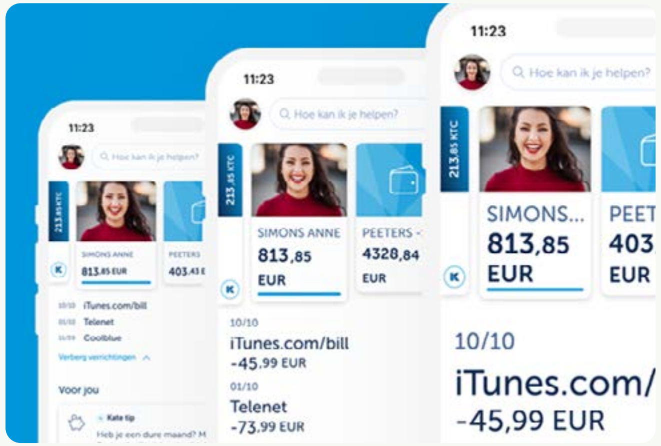
Adapted bank cards for visually impaired clients

In Slovakia, we offer visually impaired clients the option of bank cards with a cutout since 1 October 2024. This makes it easier for our visually impaired clients to recognise and find their bank card.

In the spotlight

KBC's commitment to enhancing accessibility

KBC has implemented several measures to improve accessibility. For instance, in February 2024, KBC introduced larger font sizes within the KBC/CBC Mobile app on iPhone. Additionally, visually impaired clients can request account statements in braille, and card readers with large buttons are available to facilitate easier use. Also, KBC's website now includes a Digital accessibility statement.



In the spotlight

Pay with Voice through Kate

In July 2024, UBB introduced the service "Pay with Voice through Kate." The service is available to mobile users and marks a notable development in the Bulgarian banking sector. Kate is the first AI digital financial assistant in Bulgaria and the only one capable of facilitating voice-initiated financial transfers. In September 2024, UBB further updated Kate with the service 'Blink P2P', which enables making payments by phone number. This technology has recently become available in Bulgaria and provides an innovative and accessible method for clients to perform their most frequent transfers.

In the spotlight

Affordable banking for senior clients

ČSOB CZ offers several advantages tailored to its senior clients. For example, clients aged 65 and above can benefit from various discounted fees. These include the sending of account statements by mail at a reduced tariff and free one-time and standing orders placed at branches.

The bank also maintains a free information line for seniors, with clients aged 70 and above being redirected more quickly to specially trained operators.

Since 2017, more than

5 000 lessons

have been given

to nearly

87 000 students

in Belgium.

Financial literacy

We believe it is our responsibility to contribute to improving the general public's understanding of financial concepts and products. For that reason we focus on:

- **Financial advice and clear communication**: We aim to offer clear and transparent advice on our products and services, so that our clients can make responsible decisions.
- **Financial behaviour**: We clearly inform our clients about how we use the data that we collect through our online services. In this way, they can decide which information they are willing to share. For more information on our privacy and data management, please see the 'Our responsibility' section in this report.
- **Financial education**: We aim to combat financial illiteracy from an early age onwards. We offer different educational activities to support people to develop good money habits. In doing so, we seek to prevent behaviours that could lead to financial difficulties. In Belgium and Czech Republic, our Team Blue colleagues contribute to this goal through teaching programme initiatives such as 'Get a Teacher', in which they provide financial education sessions to teenagers. These programmes are designed to strengthen financial resilience among younger generations by covering essential topics such as budget management, loans, insurance, saving and investments.

> As a teacher, the first thing that comes to mind is 'energy.' It's the energy from the team supporting you with quality course packs and feedback. It's the energy from students who benefit from our knowledge and tools. It's the energy from the teacher who finds in 'Get-a-teacher' a partner for delivering accurate financial information. This energy radiates after a lesson and carries into your daily KBC job. More sustainable than solar panels or windmills: KBC 'Get-a-teacher' energy.

STEVE HILLEN
Credit Decision-Maker at KBC Bank & Insurance

In the spotlight

Connecting with pupils from Molenbeek

The Financial Institutions Group department of KBC organised two events centred around the theme of 'Giving back to the community.' They invited students from a nearby school in Molenbeek, a municipality in Brussels, to visit our headquarters in Belgium. Molenbeek experiences several socio-economic challenges. The goal of this initiative was to foster a closer relationship with the community. By introducing our company and its operations, we aim to inspire the students and potentially ignite their interest in KBC as a future employer.

In the spotlight

K&H Ready, Steady, Money! Celebrates 15 Years with record participation

The K&H 'Ready, Steady, Money!' programme celebrated its 15th anniversary. The goal of the programme is to enhance the financial knowledge of primary and secondary school students in a fun and competitive way. Over the past 14 years, around 90 000 students from more than 2 000 schools have participated. The programme's popularity has grown significantly, with entries increasing nearly forty-fold. In the 2023–24 school year, over 12 000 students entered the programme, setting a new record. A novel feature of this year's competition is the 'K&H TikTok Money Teacher' title, which saw participants create a 30-second video on safe banking and upload it to TikTok.

In the spotlight

Inspiring financial literacy at Zlín Film Festival 2024

At the Zlín Film Festival 2024, ČSOB CZ introduced children, parents and grandparents to financial literacy, online safety and sustainability. A total of 4 266 children participated in activities and educational programs, including financial literacy tests, online safety lessons and environmental education. Additionally, 150 children attended classic financial literacy training for school classes.

Financial literacy on mortgage loans

KBC wants to play a key role in helping young adults pursue their dream of homeownership. However, we conducted a study in Belgium that indicated that young people consider mortgages to be complex and difficult to understand. Consequently, they may make uninformed choices and might end up in financial difficulties due to not being able to repay their mortgage loans.

We want to do business in a responsible way. **We therefore strongly focus on providing the adequate support, so that young adults can make well-informed choices when considering the purchase of a new, and often their first, home.** That is why we want to primarily play an important educative role in developing the skills and attitudes of young adults with respect to mortgage loans. Through education, we aim to demystify the topic and give them the tools to make the right financial decisions for their specific situations.

In line with the requirements of the UNEP FI (United Nations Environmental Programme Finance Initiative) Principles for Responsible Banking, **KBC has set two interlinked targets to drive positive outcomes for young adults while avoiding negative impacts (scope KBC Belgium).** This year, we are reporting for the first time on the progress made toward these two targets:

- **To increase our positive impact**, we have set a target of improving the financial skills and attitudes to mortgages of more than 35 000 young adults by 2030. In 2024, we reached 823 young adults through our KBC Inspiration Nights. This result is just one part of our broader efforts. Our primary focus this year has been on content creation and planning for the years ahead. As we move into 2025, we are keen to publish a variety of content to further enhance our reach and impact.
- **To limit our potential negative impact**, we want to support young adults in making informed choices and as such prevent them from getting into a situation of over-indebtedness. Our aim in this is to perform at least 50% better than our peers in the relative share of young adults who are unable to repay their mortgage loans.

Targets

Financial literacy of young adults on mortgages in Belgium

Indicator	Target (by 2030)	2024
Number of young adults reached (increasing our positive impact)	35 000	823
Performance of KBC in the relative share of young adults in a situation of over-indebtedness compared to our peers (limiting our negative impact)	Minimum 50% better than our peers	68.5%

In the spotlight

KBC Inspiration Nights: simplifying the home-buying process

In 2024, KBC Belgium organised a series of seven inspiration nights about the home-buying process for its retail clients. The events took place in various locations across Flanders. They were aimed at demystifying the home-buying process and providing clients with relevant information on purchasing a house. Several partners provided information on the different aspects of buying a home: finding a home, understanding regulations, renovating within budget, selecting contractors and managing energy consumption.

Social bond

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

Our first social bond was launched in 2022. The bond was worth 750 million euros and was used for investments in healthcare. In 2023, we again launched a social bond worth 750 million euros. This bond was used for investments in schools and hospitals and has a maturity of eight years.

To ensure transparency, we have a webpage dedicated to our social bond on our corporate website, including information on our social bond issue and framework.

In the years ahead, we will continue to focus on funding projects in the following areas: access to essential services (such as education, healthcare, sport and culture), affordable housing, job creation and SME (small and medium-sized enterprises) financing.

Supporting start-ups and scale-ups

Entrepreneurship is one of our key focus areas, with a particular focus on start-ups and scale-ups (entrepreneurs and companies). We support them through our award-winning Start it @KBC accelerator programmes in Belgium, Hungary and Czech Republic. Within these ecosystems, we provide product development, leadership, go-to-market and financing support. We organise workshops and offer mentoring and co-working.

Our international start-up ecosystem supports a wide range of starting businesses with an increasing focus on environmentally sustainable businesses.

The 'Start it' ecosystem also has dedicated programmes to help women go into business. These address some of the challenges women face when setting up a company. At Start it @KBC in Belgium, in particular, this topic has been a focus for several years, and a target is already in place on female entrepreneurship.

Target

Female entrepreneurship at Start it @KBC in Belgium

Indicator	Target	2024	2023	2022
Female entrepreneurs selected[1] (in % of total entrepreneurs)	50%	39%	35%	34%

[1] Number of start-ups with minimum one female co-founder at the October pitch session.

A decade of entrepreneurship in Belgium

This year was a special year for the Start it @KBC community in Belgium as they celebrated their 10th anniversary. Here is a list of what they have achieved in the decade up to 2024.

10th anniversary

1628 start-ups and scale-ups
of which 64% are still active

7 Start it offices across Belgium

33 years old
average age of the founders

80% of the start-ups
have integrated sustainability in their mission and operations

39% of female founders
(vs 22% at the beginning)

11 405 jobs generated

> Countless young start-ups now embrace sustainability at their core, embedding it in both mission and operations. A vital shift shaping today's entrepreneurial landscape.

LODE UYTTERSCHAUT
Founder, Start it @KBC

Read more

- More information on Start it communities

Start it @KBC
Start it @CBC
Start it @K&H
Start it @CSOB

Financial inclusion and impact investing

KBC wants to play a role in ensuring access to basic financial services for people around the globe. We do so through our unique partnership with the Belgian Raiffeisen Foundation (BRS). BRS aims to supply basic financial services, such as microfinance and microinsurance, and as such to sustainably improve the quality of life for all. BRS consists of two organisations: BRS vzw and BRS Microfinance Coop.

BRS vzw: supporting microfinance and microinsurance institutions

BRS vzw's mission is to support rural entrepreneurs and farmers in the Global South and to give them the opportunity to improve their lives in a sustainable manner in the process. It mainly does so by working with and supporting local cooperative microfinance institutions (MFIs) in Africa, Latin America and Asia. These MFIs offer financial services, such as microcredits and microinsurance, and organise access to education and healthcare for their clients.

BRS vzw focuses on giving advice, coaching and training to these MFIs. The training courses are given by experienced active and retired KBC bankers and insurers who volunteer their time to share their knowledge. They do this through KBC4BRS, KBC's employee involvement programme.

The training centres around topics such as agrifinance, cooperative governance, bank-insurance and back-office support on risk management, human resources, cyber risk, digitalisation, client-centricity and internal controls. In 2024, 71 KBC colleagues shared their time and knowledge as BRS volunteers.

BRS thoroughly screens the financial and social qualities of its MFI-partners to ensure financial and social returns for all stakeholders involved. BRS uses a tool it specifically developed for this purpose, which is also downloadable for free via its specialised website Microfact.org.

BRS also uses the internationally accepted tools Cerise+SPTF (Social Performance Task Force) to assess the social performance of MFIs. BRS pays special attention to client value, prevention of over-indebtedness, transparency and responsible pricing.

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

Discover BRS Annual Review for 2024, highlighting significant achievements in promoting sustainable local development and financial inclusion through microfinance and microinsurance initiatives.

Read more

- More information on the operations of BRS

BRS website

"When BRS called me for a foreign assignment, I immediately said yes. I went to Ethiopia and to Uganda to support two microfinance institutions. Both organisations were at a tipping point towards mobile banking, and aware that they were making themselves vulnerable to hackers by doing so. I supported the organisations in doing security checks of their systems. Both weeks were very intensive, but working with such energetic and enthusiastic people made it all worth it. We are now looking for a scalable way to help more organisations. It is not feasible to always be on site, so we are thinking about a remote support model.

BERT BLEUKX
Safe Product Manager at KBC and participant of KBC4BRS

BRS Microfinance Coop: deploying capital and supplying financial services

BRS Microfinance Coop 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. Since 2023, BRS Microfinance Coop has been focusing on providing loans to individual MFIs that also make use of the coaching services of BRS vzw.

In 2024, the outstanding loan portfolio in individual MFIs was 2.5 million euros. Moreover, BRS Microfinance Coop's participations in microfinance funds was a total of 9.1 million euros comparatively. At the end of the year, the outstanding share capital of BRS Microfinance Coop amounted to 22 million euros, of which KBC contributed 34.9%.

For more details about the activities and the investment policies of BRS vzw and BRS Microfinance Coop, please refer to the BRS website.

In the spotlight

Microfinance Lunch Break: news from the world of microfinance and microinsurance

BRS regularly organises Microfinance Lunch Breaks centred around different themes from the world of microfinance and microinsurance. In 2024, for example, a session was organised on how digital inclusion can be used to create jobs and reduce poverty. At the event, guest speakers, who are all experts in their fields, share their insights on these topics. The events are open to anyone who is interested, with a special focus on participants from the financial world, NGO employees, students and government employees.

Our commitment to the environment

Environmental responsibility is one of the four areas we focus on as part of our sustainability strategy. We are working on our environmental impact within the framework of our Sustainable Finance Programme. The programme spans a range of themes such as climate change, biodiversity, circularity, pollution and water. In this section we delve into this programme in more depth, and into the actions that we are taking to realise our commitment to the environment. Consequently, this section includes our TCFD (Task Force on Climate-related Financial Disclosures) report, addressing our direct and indirect climate impact. It also features a first version of our TNFD (Taskforce on Nature-related Financial Disclosures)[5] report, which details our direct and indirect nature impacts. We plan to gradually develop our TNFD reporting over the coming years.

[5] KBC is an early adopter of the TNFD recommendations and guidelines that were published in September 2023.

In the spotlight

Growing focus on water in our sustainability approach

Water is starting to play an increasingly important role in our sustainability strategy. Issues related to water can vary and generally fall into three categories: water stress (such as droughts), flooding and water-quality issues (e.g. due to wastewater from cities, industries or agriculture).

We work on these issues in different ways. In Belgium, for instance, our insurance products support clients by compensating them for damage caused by excess or scarcity of water, within the coverage limits. As prevention is better than cure, KBC is also analysing possibilities to incentivise policyholders to take climate adaptation measures that could prevent water-related damages from occurring in the first place.

Also, KBC uses maps indicating the likelihood of buildings and land being flooded (by rainfall, flooding from rivers and other sources). These maps now guide KBC's decisions on insuring new construction projects and contribute to increasing our policy holders' awareness of water-related issues.

For farmers and horticulturalists, KBC Belgium offers 'multi-peril crop insurance', covering damage to crops caused by hail, storms, frost, snow pressure, rain and drought, among other factors.

KBC also works on the flood and drought resilience of its own properties and operations. This includes installing systems for rainwater collection, buffering and reuse. Several KBC buildings, for example, use collected rainwater to flush toilets.

A brief history of the Sustainable Finance Programme

The Sustainable Finance Programme was launched in September 2019 as part of our role as a signatory of the Collective Commitment to Climate Action (CCCA). The aim of setting up the programme was to bring together all the relevant expertise within KBC Group to work on climate-related challenges and opportunities. As a part of this commitment, we set decarbonisation targets for the sectors that cover the majority of our lending portfolio as well as related GHG emissions. We report on these targets and our progress on achieving them in the part on 'Our indirect environmental impact'.

In March 2023, the CCCA was retired, after being superseded by the Net-Zero Banking Alliance (NZBA). We have carefully reviewed the initiative and will continue to do so going forward. Yet, 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 of '1.5°C' or 'net-zero' alignment. This is especially the case for the feasibility, inclusiveness and impacts of the short-term, intermediary (i.e. 2030) net-zero targets. KBC has a responsibility to ensure that its climate action remains in tune with its important role in continuing to support a just and equitable transition in its core markets. This means that, in addition to climate-related

We are a part of **financial industry associations** **in all our core countries.** By actively putting environmental issues on the agenda, we aim to agree on joint action within the financial sector.

aspects, we need to consider aspects such as the social impact of the transition, energy security and government support.

Given the above, a well-founded, practical and immediately actionable net-zero commitment seems out of reach, for now. We will therefore continue to work on the commitments we made under the CCCA initiative. We report on how we do this throughout this chapter. Read more on our stance on net zero, which was approved by KBC Group's Executive Committee on our corporate website.

Our approach to the Sustainable Finance Programme

We considered both environmental and financial materiality to determine the focus of the Sustainable Finance Programme and its actions. This means that we are committed to managing both our company's impact on the environment and the impact of environmental issues on our company:

- **Environmental materiality**: We aim to manage the direct and indirect impact of our company on the environment. We want to limit the negative impact of our activities on the environment and increase our positive impact. Our approach is to adopt environmental actions, policies and climate-related targets for parts of our loan, investment and insurance portfolios.
- **Financial materiality**[6]: We want to manage the impact of environmental issues on our company. To this end, we closely monitor environmental impacts, risks and opportunities, and take appropriate actions to manage them effectively.

[6] 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.

Read more

- More details on financial materiality
  'Product development'
  'Risk management'
  KBC Group Risk Report
- More information on our targets and our progress on these targets
  'Our indirect environmental impact'
- More details on CCCA and our stance on Net Zero
  Corporate website

Working together with all stakeholders

We believe that active collaboration with all stakeholders is necessary to successfully address climate change and other sustainability-related challenges. That is why we work jointly with our clients, other financial institutions and authorities. KBC is also a signatory of various voluntary sustainability-related commitments. For more information on how we collaborate with our clients on sustainability-related issues, we refer to the part on 'Customer engagement'. More information on the rest of our stakeholder engagement strategy can be found in the 'Our sustainability strategy' part of this report.

Measuring and reporting on our environmental footprint

We measure our own operational footprint and the indirect impact of our portfolios. We further elaborate on this in the parts on 'Our own environmental footprint' and 'The indirect environmental impact of our portfolios' sections of this report. We also refer to the 'Sustainability Facts and Figures'.

Work in progress

Our approach to environmental sustainability continues to be a work in progress. For example, over the years, we have widened our initial focus on climate-related issues to encompass other environmental topics. This 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. Please note that KBC has been working on these themes outside of the scope of the Sustainable Finance Programme for a significant amount of time already, for example, through our sustainability policies.

Our own environmental footprint

We are committed to limiting the direct environmental impact of our own operations. Since 2015, we have been diligently measuring our environmental footprint to better understand and mitigate our impact. Over the years, we have set ambitious targets for reducing our footprint and achieved significant reductions in our GHG emissions. Since 2021, our goal has been to reach net climate neutrality in our own operations.

Mapping our environmental footprint

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. These calculations provide insight into and help identify the main sources of our direct impact on the climate. They are at the basis of our own footprint target setting.

Our calculations include:

- **Scope 1**: Direct emissions from fuel combustion and refrigerant gases in our office buildings and from our company-owned car fleet (including private use).
- **Scope 2**: Indirect emissions from purchased energy (electricity, heat, cooling and steam consumption).
- **Scope 3**: Indirect emissions from business and commuter travel, as well as emissions from sources over which we have direct operational control (such as paper and water consumption and waste generation).

The system boundaries for our target scope are determined by operational control and aligned with the financial consolidation scope of KBC Group. **This scope differs from our total calculated GHG Inventory as reported in the Sustainability Statement of the Annual Report.** More details on the methodology and differences in scope can be found in the Sustainability Facts and Figures.

Beginning in 2024, our environmental footprint calculations will be verified through the assurance of our Sustainability Statement in the Annual Report. Please refer to the assurance statement in our Annual Report.

Read more

- More details on the methodology of our own environmental footprint
  Sustainability Facts and Figures: 'Environmental data and emissions'
- Assurance statement on our own environmental footprint
  KBC Group Annual Report

In 2024, **100%** of our purchased electricity came from **renewable sources.**

In 2024, we began reusing residual heat from the server room in our headquarter buildings in Prague, Czech Republic with the help of a heat pump installation. This results in annual savings of 1.4 GWh, which corresponds to annual reductions of 256 tons of CO_2 emissions.

JOSEF ŠEDIVÝ
Executive Director Facilities Management CSOB Czech Republic

Biodiversity impact

In 2023, we also assessed our potential impact on biodiversity. We did so by mapping whether our offices in our core countries are located in biodiversity-sensitive areas. Based on this exercise, we drew two main conclusions.

First, **none of our buildings are located in strictly protected areas** (IUCN category IV and above). Second, only 3.6% of our buildings are located in protected landscapes that include urbanised areas, such as Birds Directive areas. These buildings have all the necessary permits in accordance with local and European legislation. Based on best available expert knowledge, **the nature of our bank-insurance activities does not negatively impact these protected areas**.

Actions to reduce our climate impact

Central to our strategy on our own environmental footprint is our commitment to reducing our negative impact while simultaneously enhancing our positive contributions. **As a first step, we aim to reduce our negative environmental impact. To achieve this, we set group-wide reduction targets** in 2016. We have tightened these over the years. The targets were set based on climate science and are aligned with the Paris Agreement goal of limiting global warming to maximally 1.5°C by the end of the century.

We first identified our main impact sources by **measuring** our environmental footprint. Next, each core country developed an action plan to **reduce** GHG emissions from their operations. These plans were then turned into internal reduction targets at the country level and a group-wide target. We track the implementation of these plans and our progress annually.

Some of the practical steps we took to move towards these targets included:

- Implementing an ISO 14001 environmental management system in all core countries to manage and reduce our direct environmental impact.
- Reducing our energy need and transitioning to renewable energy, both self-generated and purchased energy.
- Leveraging renovations and relocations to reduce our environmental impact and adopt environmentally friendly alternatives.
- Supporting the shift to greener employee mobility by implementing a teleworking policy in all our core countries, incentivising use of (electric) bicycles for commuting, promoting public transport for business travel, and supporting the transition to a greener and electric car fleet.
- Reducing waste production, paper and water consumption.

In the spotlight

Adopting sustainable alternatives during relocations and renovations

In 2024, we undertook five major renovation projects, relocated three existing branches and opened six new branches in Flanders, Belgium. We used these renovations and relocations as the ideal opportunity to reduce our own environmental footprint. For example, we improved the building shell and replaced installations with fossil-free alternatives. We also designed new sites to be fossil-fuel free and equipped with the latest technology. This approach resulted in total savings of approximately 350 000 kWh of gas, corresponding to an annual reduction of 65 tonnes of CO_2 emissions.

Moreover, we accelerated the deployment of digital meters in our bank branches. This allowed us to monitor our consumption and detect energy leakages more efficiently.

Within a few years, we are facing the upcoming replacement of our two data centres in Belgium. We also see this as an opportunity to achieve a lower environmental footprint. We will replace our existing data centres with two new, state-of-the-art data centres. The building plans are designed to maximise energy efficiency, minimise environmental impact and facilitate additional environmental measures. For example, the technical installations will be cooled with collected rainwater instead of potable water. We also plan to reuse residual heat to warm nearby buildings, and to use building materials such as recycled steel and concrete with lower embodied carbon. Furthermore, we aim to implement a landscaping concept with minimal paving and with special attention for opportunities to increasing biodiversity on our premises.

The design of the new data centre in Heist-op-den-Berg, created by BAUT architects & Engineers.

A second crucial aspect of our strategy is to amplify our positive contributions. For instance, we aim to make a significant positive difference through initiatives like recycling and circularity.

In the spotlight

Reuse of materials in our office refurbishments

During the refurbishment of two of our head offices in Belgium, we placed significant emphasis on the reuse of materials. Entire walls, glass partitions and doors were repurposed. The majority of the carpet was given a second life as second-hand carpet, with the remainder being processed into raw material for other applications. Desks and chairs were also reused wherever possible.

In the spotlight

Promoting the circular economy by reusing assets

In the Czech Republic, we developed an application called Famee to sell unused assets such as IT equipment and furniture to employees within the ČSOB Group. This prevents these assets of being disposed of or stored without clear future use.

The application was created with the cooperation of Facility Management and the Property department. This approach supports the circular economy by ensuring that assets are reused for the benefit of employees.

Targets

Own environmental footprint

Indicator[1]	Targets	2015 Baseline[2]	2024	2023	2022[2]
Total CO_2e emissions from own operations in tonnes CO_2e (% change)	-80% by 2030	170 735	53 934 (-68%)	55 377 (-68%)	55 417 (-68%)
Renewable electricity in % of purchased electricity	100% by 2030	-	100%	100%	100%
Carbon credits purchased (in % of remaining GHG emissions)	Net climate neutrality as of 2021	-	100%	100%	100%

[1] These indicators refer to our own environmental footprint target scope, which is different from our total calculated GHG Inventory (see 'Mapping our environmental footprint')

[2] The 2015 base year and 2022 data were both recalculated in 2023, in line with our internal restatement policy. This recalculation was prompted by two important changes, as compared to previous years:
- Private use of KBC's own company fleet by our employees is included from 2023 onwards.
- Structural changes in the reporting organisation (i.e. the disinvestment of KBC Bank Ireland).

The targets (expressed in percentages) were unchanged in relation to the restated baseline.

Biodiversity impact

From this year onwards, we have action plans in place to reduce the biodiversity impact of the largest office buildings in our core countries. These plans aim to enhance natural habitats on our premises and increase our employees' interaction with nature.

In the spotlight

Actions to enhance biodiversity in and around our headquarters

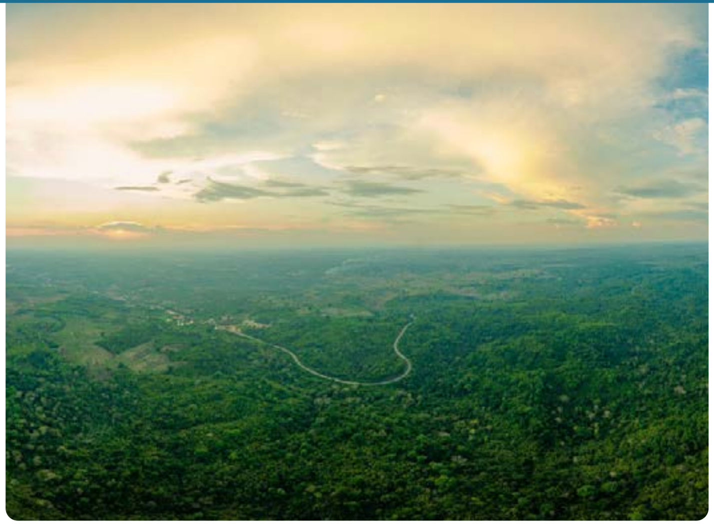
Our existing NHQ headquarter building in Prague, Czech Republic was designed to be integrated into its environment. The design of the building fully traces the relief of the slope on which it is placed. As such, it gently blends into its surroundings. The building was also built with specific attention for biodiversity. Its 4 500m^2 green roof with flower meadows and native bushes and trees was elected 'Green Roof of the Year' in the Czech Republic. Moreover, the roofs and facades of the building are designed to form a habitat for insects and birds. The garden of the building is one of the few green spots in the wider surroundings. It is open to be used and enjoyed by the local community for different activities.

The new headquarters SHQ in Prague was also built with specific attention for biodiversity. The building was awarded the Platinum LEED Standard. Both the roof and surroundings of the building have been sown with meadow flowers. A large green roof measuring 10 000 m^2 is an attractive habitat for many species of invertebrates and birds.

Both buildings feature in the biodiversity conservation plan of ČSOB CZ. The plan includes a detailed ecological study of the areas in which we have sites. It also includes educational activities such as seminars, expert walks, and volunteer days that involve both ČSOB employees and local people.

Our headquarters in Slovakia are located in the Zuckermandel district in Bratislava.
The building and its garden were designed to enhance biodiversity. For example, the building is equipped with a green roof of 2 166 m^2. The green roof area is a mix of alpine style plants and stonecrops (sedum) providing plenty of food for bees that are located in three different beehives on the same roof, as well as other pollinators and insects.

The garden and the roof are also managed in a nature-friendly way. We apply practices such as selective mowing, chemical-free plant protection and manual weeding. As a result of these actions, we received the Breeam Excellent certification for our Slovakian headquarters.



Offset

Since 2021, the last step in our direct footprint approach has been the offsetting of our direct footprint emissions that cannot yet be eliminated. In this way, we aim to achieve net climate neutrality with respect to our own footprint. We have done so by investing in high-quality climate projects. We are aware that there may potentially be flaws in the ways that carbon credits are measured. However, we still think it is important to support high-quality projects that aim to protect carbon storage or increase sequestration.

To this end, we selected high quality projects certified under internationally recognised standards. Moreover, we specifically chose to invest in projects that address climate change, whilst simultaneously ensuring additional benefits for local communities and biodiversity conservation. All the projects also have a clear link to our sustainability strategy. Please note that our due diligence process is aimed at selecting projects with a demonstrated real-world impact, but that ultimately this process relies on information supplied by third parties and is dependent on the availability of credits within those projects.

The chosen projects are aimed at broadening the range of ecosystems by investing in the protection of tropical rainforests as well as mangroves and peat swamp forests.

The Amazon – Earth's largest tropical rainforest
Tropical rainforests are home to many species and store large amounts of carbon. The Envira Amazonia Project in Brazil will reduce deforestation and mitigate the associated greenhouse gas emissions, as well as 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.

Peat swamps – Major global carbon reservoirs
The Katingan Mentaya Project is the world's largest forest-based avoided emissions initiative, located in Central Kalimantan, Indonesia. Spanning 149 800 hectares of peatland, the project aims to prevent emissions by protecting and restoring the area, which is a critical carbon sink. Without the project, this area would have been converted to industrial plantations, releasing vast amounts of carbon. Situated in a Key Biodiversity Area, the project is home to many species, including critically endangered orangutans and proboscis monkeys, as well as many species that only occur in Indonesia.

Mangroves – All-round provider of ecosystem services
Mangrove forests provide many valuable ecosystem services that contribute to human well-being. They store carbon, protect coasts from storms and form a nursery for many fish species. This project will afforest and reforest 226 000 hectares of degraded tidal wetlands in Pakistan's Indus Delta Area. This will have important climate benefits, contribute to the conservation and restoration of biodiversity and protect coastal areas.

Keo Seima – A biodiversity hotspot
The Keo Seima Wildlife Sanctuary is home to the highest number of species recorded in any protected area in Cambodia. Forest clearing for agriculture and the extraction of resources from the area has accelerated in recent years. This is due to improved road access, population growth and the limited recognition of the value of biodiversity and environmental services. The project thus aims to alleviate deforestation by taking a holistic approach to tackling the multiple root causes.

Read more

- More information on our carbon offsetting programme
  KBC Group Annual Report: 'Sustainability Statement'

Our indirect environmental impact

In this part, we report our achievements regarding our indirect environmental impact, which is the focus of our Sustainable Finance Programme. We also outline our vision of our future work in a constantly changing world.

We believe that a transparent disclosure strategy supports a sound sustainability approach. This section is therefore structured according to the four pillars of the TCFD and TNFD recommendations: governance, strategy, risk management and metrics and targets. In this way, we aim to provide all stakeholders with clear insights into all the relevant aspects of our broader sustainability approach.

Our contribution to environmental objectives

We contribute to environmental objectives through the services and products we offer. In this part, we give an overview of how we do this.

Lending

Table 5.3 provides a summary of the amounts of our loan portfolios that contribute to renewable energy, mortgages for energy-efficient housing and low-carbon vehicles. To reflect trends with previous reports, this table uses the definitions we have used in past reporting. These are not aligned with EU Taxonomy criteria, but do give an accurate picture of the trends in sustainable lending in our portfolios over the years. Our EU Taxonomy reporting is explained in detail later in this section.

Table 5.3: Overview of KBC Group's lending portfolio contributing to environmental objectives, per type of financed activity or asset (KBC Group, millions of euros)

	2024	2023	2022
Renewable energy and biofuel sector (granted amount)	3 181	2 565	2 255[1]
Mortgages for energy-efficient housing (outstanding amount)[2]	21 036	15 210	11 711
Financing for low-carbon vehicles (outstanding amount)[3]	1 257	714[4]	319

[1] End-of-year data
[2] Includes data for 2024 and 2023 of Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia. The 2022 data do not include KBC Bank Bulgaria EAD. The reported amounts correspond to dwellings with EPC (Energy Performance Certificate) A and B labels, considered as energy-efficient housing. The data are based on actual EPC labels or on approximation when no labels are available.
[3] Includes data on financial leasing, loans and operational leasing for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50g CO_2/km and in alignment with substantial contribution criteria of the EU taxonomy, such as bicycles, motorbikes, passenger cars and light commercial vehicles).
[4] Figure has been adjusted as a result of a recalculation.

In addition to the volumes reported in Table 5.3, we also support our clients with **Sustainability-linked loans (SLLs)**. These loans grant a margin adjustment of the loan's interest rate if sustainability goals are met. If these goals are not met, a margin increase will be charged. The goals can be related to both environmental and social objectives. They are pre-determined and translated into clear Key Performance Indicators (KPIs). SLLs can be both bilateral as well as syndicated loans. These types of loans are enjoying growing success. KBC supports its clients in formulating ambitious KPIs that contribute effectively to their sustainable transition.

Table 5.4: Sustainability-linked loans (KBC Group, millions of euros, gross carrying amount)

	2024	2023[1]
Sustainability-linked loans	1 200	927

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.

Finally, in Table 5.5 we list the loan volumes that we can align to a certain extent with **EU Taxonomy criteria**.

In this table, we also summarise the loans we have provided that meet the criteria of sustainable frameworks from other external parties such as the European Investment Bank, Loan Market Association (LMA) or local governments. Please note that the volumes we report in this table may partially overlap with those

Read more

- More detailed figures on our contribution to environmental objectives

Sustainability Facts and Figures: 'Sustainable finance'

reported in Table 5.3 as different methodologies were used. However, not all volumes reported in Table 5.3 are aligned with the EU Taxonomy criteria and are for that reason only partly included in Table 5.5.

Table 5.5: Loans aligned to the EU Taxonomy criteria and to criteria of other external frameworks (KBC Group, millions of euros, gross carrying amount)

	2024	2023[1]
Mandatory EU Taxonomy reporting[2]	**1 028**[3]	**406**[3]
Voluntary EU Taxonomy reporting[2]	**4 029**	**3 750**
EU Taxonomy-aligned loans to non-CSRD companies and SPVs and subsidiaries of CSRD companies[4]	1 587	1 371
Estimated EU Taxonomy alignment of our Belgian and Bulgarian mortgage portfolio	2 442	2 379
Others	**8 901**	**3 055**
Loans only complying with the Substantial Contribution criteria of the EU Taxonomy	8 052	2 597
Loans that comply with other third-party sustainability frameworks	849	458

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.
[2] Mandatory and Voluntary EU Taxonomy reporting are based on end-of-year figures. All other figures are based on 30 September figures.
[3] Mandatory EU Taxonomy reporting is based on turnover KPI published by the CSRD counterparties.
[4] Only the SPVs and subsidiaries of CSRD companies that are not consolidated by the CSRD company are included here.

We identify three different categories in this table:

- **Mandatory EU Taxonomy reporting:** This includes mainly the EU Taxonomy reporting volumes based on turnover KPI published by Corporate Sustainability Reporting Directive (CSRD) companies. It also includes the loans we offer for assets and activities that fully meet the criteria of the EU Taxonomy. Where these are offered to corporate clients, Special Purpose Vehicles (SPV's) or subsidiaries of our counterparties covered by the CSRD, we include them in our Green Asset Ratio (GAR). These loans are assessed per individual case against the technical EU Taxonomy criteria. The client needs to provide the documentation for this assessment. We also report these numbers in our Annual Report. Retail loans offered to households, such as mortgage loans and low-emission car loans that fully meet the criteria of the EU taxonomy, may in the future be included in this 'Mandatory EU Taxonomy reporting'. However, unlike some financial institutions active in other European countries, we are currently not granted access to all the necessary documentation for every loan required for our Mandatory EU Taxonomy reporting.
- **Voluntary EU Taxonomy reporting**:
  - We also **offer loans that fully meet the criteria of the EU Taxonomy to corporate clients that have no CSRD obligations**. Moreover, here we also include project finance and SPVs for renewable energy projects. Taxonomy legislation requires us to make a distinction between counterparties subject and not subject to CSRD disclosure obligations. We have strictly adhered to this definition, excluding SPVs and subsidiaries of CSRD counterparties that are not consolidated by the CSRD counterparty from our mandatory reporting. These SPVs and subsidiaries are instead reported in this voluntary section of our report.
  - This category also includes **mortgage loans that meet the criteria of the EU Taxonomy, but where we do not have access to all the required documentation for each individual file.** Here, we used reliable proxies and estimates to calculate the share of our mortgage portfolio that complies with EU Taxonomy criteria. For example, we used rules of thumb to determine whether the financed houses are considered new constructions[7] or acquisitions of an existing house.[8] This allowed us to check the Substantial Contribution criteria for energy performance for these portfolios.

[7] Reference to activity 7.1 'Construction of new buildings' as described in the EU Taxonomy Compass.
[8] Reference to activity 7.7 'Acquisition and ownership of buildings' as described in the EU Taxonomy Compass.

Read more

- More information on mandatory Taxonomy reporting at KBC

KBC Group Annual Report: 'Sustainability Statement'

An example of how we verify 'Do No Significant Harm' criteria is our use of available flood maps to exclude houses in flood-prone areas. We used proxies to estimate the Taxonomy Alignment of our mortgage portfolio in Bulgaria and Belgium. We are currently working on collecting all the relevant information in the Czech Republic, Slovakia and Hungary in an effort to report similar proxies in future reports. For more details on the proxies and estimates applied for Belgium and Bulgaria, we refer to the 'Methodologies Explained' report.

- **Others**: We also contribute to our clients' environmental objectives in various other ways. In Table 5.5 these are compiled under the heading 'Others'. We differentiate diverse types of loans in this section:
  - **Loans for which we were only able to verify the Substantial Contribution criteria of the EU Taxonomy:** For a portion of our portfolio, we have data that proves compliance with the Substantial Contribution criteria of the EU Taxonomy, but lack data that proves compliance with the 'Do No Significant Harm' and 'Minimum Social Safeguard' criteria. For example, our portfolio of electric and hybrid vehicles emitting less than 50g CO_2e/km lacks information on tyre fitment and circular material use, preventing inclusion in mandatory EU Taxonomy reports. Consequently, we report them here. **There has been significant growth in this type of financing.** This is mainly due to better estimates of our real estate portfolio's alignment with these criteria, increased financing of renewable energy projects and increased financing and leasing of electric vehicles.
  - **Loans that comply with other third-party sustainability frameworks:** We also offer loans that comply with other reliable third-party sustainability frameworks. This includes frameworks from the European Investment Bank, LMA 'green' criteria and local government schemes. **We have seen a significant increase in these loans.** This is due to the increasing availability of national frameworks and subsidy schemes in our core countries. Additionally, we now report financing for buildings with BREEAM 'outstanding' and 'excellent' certifications.[9]

[9] Certificates issued starting from 2016 for newly constructed buildings.

Green Asset Ratio

In our Annual Report we report in more details on our mandatory Taxonomy eligibility percentages and our GAR, i.e. the Taxonomy alignment percentages for the assets of our credit institutions.

The Taxonomy alignment percentage is 0.5% (0.2% in 2023) based on the counterparties' turnover KPIs. The difference between the 2024 and 2023 figure mainly results from following two reasons: on the one hand, subsidiaries and SPVs of CSRD companies are now considered as CSRD company (whereas they were not last year), and on the other hand, there is more (qualitative) information available from our counterparties. This percentage remains low due to the limited availability of data and the asymmetric definitions of the green asset ratio numerator and denominator. For instance, in the numerator business counterparties are limited to companies subject to CSRD, whereas the denominator must also include counterparties that are not subject to CSRD. The denominator also contains a number of other assets that are not eligible, such as derivatives, cash and goodwill.

If we include both our mandatory and voluntary (as reported in Table 5.5) taxonomy-aligned volumes the outcome is an aligned percentage of 2.4%.

Green Bond, Sustainability Bond and Social Bond Investments of KBC Bank

KBC Bank supports green and/or social investments of Supranational, Sovereign and Agency (SSAs), Financial Institutions (FIs) as well as corporates by investing in their Green Bonds, Sustainability Bonds and Social Bonds.[10] These are all aligned with the International Capital Market Association (ICMA) Principles. Aside from investing in these Green, Sustainability and Social Bonds ourselves, we also offer advisory services to our clients in relation to the issuance of sustainable bond financing in line with these guiding market principles and best market practice.

Table 5.6: Green Bond, Sustainability Bond and Social Bond investments (KBC Bank NV, all subsidiaries, millions of euros)

	2024	2023
Own investments in Green Bonds[2] and Sustainability Bonds[3] issued by SSAs, FIs and corporates (nominal value)	1 588	1 476[1]
Own investments in Social Bonds[4] issued by SSAs and FIs (nominal value)	540	

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.
[2] Green Bonds (bonds of which the proceeds are used to (re)finance green assets or projects) in line with the ICMA Green Bond Principles.
[3] Sustainability Bonds (bonds of which the proceeds are used to finance or re-finance a combination of green and social assets or projects) in line with the ICMA Green Bond Principles, ICMA Social Bond Principles as well as the Sustainability Bond Guidelines.
[4] We are reporting our Social Bonds for the first time this year. Social Bonds exclusively fund social assets or projects, in line with ICMA Social Bond Principles.

In the spotlight

Supporting our clients through sustainable advisory services

In 2024, CTP, a European real estate developer, owner and manager of industrial and logistic properties, issued a 750-million-euro Green Bond. KBC Bank NV acted as joint lead manager for this bond issue, assisting CTP in raising green financing in the European bond market. The Green Bond issue experienced strong demand from investors. The net proceeds of the issue are intended to finance or refinance a portfolio of eligible assets as outlined in CTP's Green Bond Framework, which was assessed by Sustainalytics as being credible, impactful and in line with the four core components of the ICMA Green Bond Principles. The issuance of a green bond by CTP reflects the alignment between its business operations and its sustainable commitments and values.

[10] For the own investments of KBC Insurance, we refer to the part on 'Investment portfolio assessment.'

Insurance

In 2024, we again calculated the alignment of our non-life insurance portfolio with the EU Taxonomy criteria for climate change adaptation, as in 2023. Currently, 43 million euros of the gross written premium (GWP) complies with these stringent criteria. Throughout 2024 we extensively analysed the EU Taxonomy's technical screening criteria for non-life insurance. We aimed to deepen our understanding and assess our initial interpretation of the criteria critically. As a result, we fine-tuned our internal methodology and assessed our insurance portfolios against this new benchmark. We now report taxonomy alignment for KBC Insurance's 'Corporate fire and other damage to property' portfolio in Belgium. In addition, we have performed a gap analysis and will work to align the insurance portfolio with the EU Taxonomy criteria in all our core countries.

Table 5.7: GWP aligned to the EU Taxonomy criteria for climate adaptation (KBC Insurance NV, millions of euros)

	2024[3]	2023[1]
Taxonomy-aligned premium (GWP)[2]	43	156

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.
[2] GWP includes the total amount of premiums recognised for the whole period of coverage, provided by the insurance contract, regardless of the fact that such premiums may relate in whole or in part to a later financial year or accounting period and irrespective of premium payment conditions (e.g. monthly versus quarterly versus yearly premium payments).
[3] Based on the experience gained through last year's reporting and after a thorough assessment of our initial interpretation of the EU Taxonomy in the course of 2024, we further fine-tuned our approach with regards to both taxonomy-eligibility and -alignment. As a result of the latter, whereas we reported taxonomy-alignment related to all segments of KBC Insurance's 'Fire and other damage to property' insurance portfolio, we now limit this specifically to the corporate segment.

Governance

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

Strategy

The strategy of our Sustainable Finance Programme is embedded within our overall sustainability strategy to the fullest possible extent. For further reading on our overarching sustainability strategy we refer to the section on 'Our sustainability strategy'. Our Sustainable Finance strategy also has some specific actions:

- **White Paper approach**: In large part, our environmental strategic initiatives focus on the sectors and product lines that have the largest environmental impact. For each of these sectors we developed White Papers in which we assess the impacts, dependencies and associated risks and opportunities of different environmental challenges. In addition, we analyse certain sustainability-related themes across sectors, known as thematic White Papers. Examples include our White Papers on deforestation or plastic pollution. For further details, see the White Papers section later in this document.
- **Customer engagement**: Customer engagement is a central part of our sustainability strategy because we believe we can only achieve change in collaboration with our clients. While climate has been the main sustainability topic in discussions with them, other environmental topics such as the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems are gaining attention.
- **Product development and service offering**: We want to incorporate environment-related opportunities as much as possible into our core products, such as bonds, loans, investments and insurance contracts. Alongside this, we support our clients in their sustainability transition through various services. For example, we provide advice and support concerning renewable energy solutions and on necessary renovations to buildings and houses.
- **Internal Carbon Pricing**: We have developed an approach that includes the estimated costs of emissions in the internal accounting of companies and organisations. We refer to this methodology as Internal Carbon Pricing.

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

Read more

- More information on mandatory Taxonomy reporting at KBC

  KBC Group Annual Report: 'Sustainability Statement'
- Overview of our sustainability governance

  'Sustainability governance'

White Paper approach

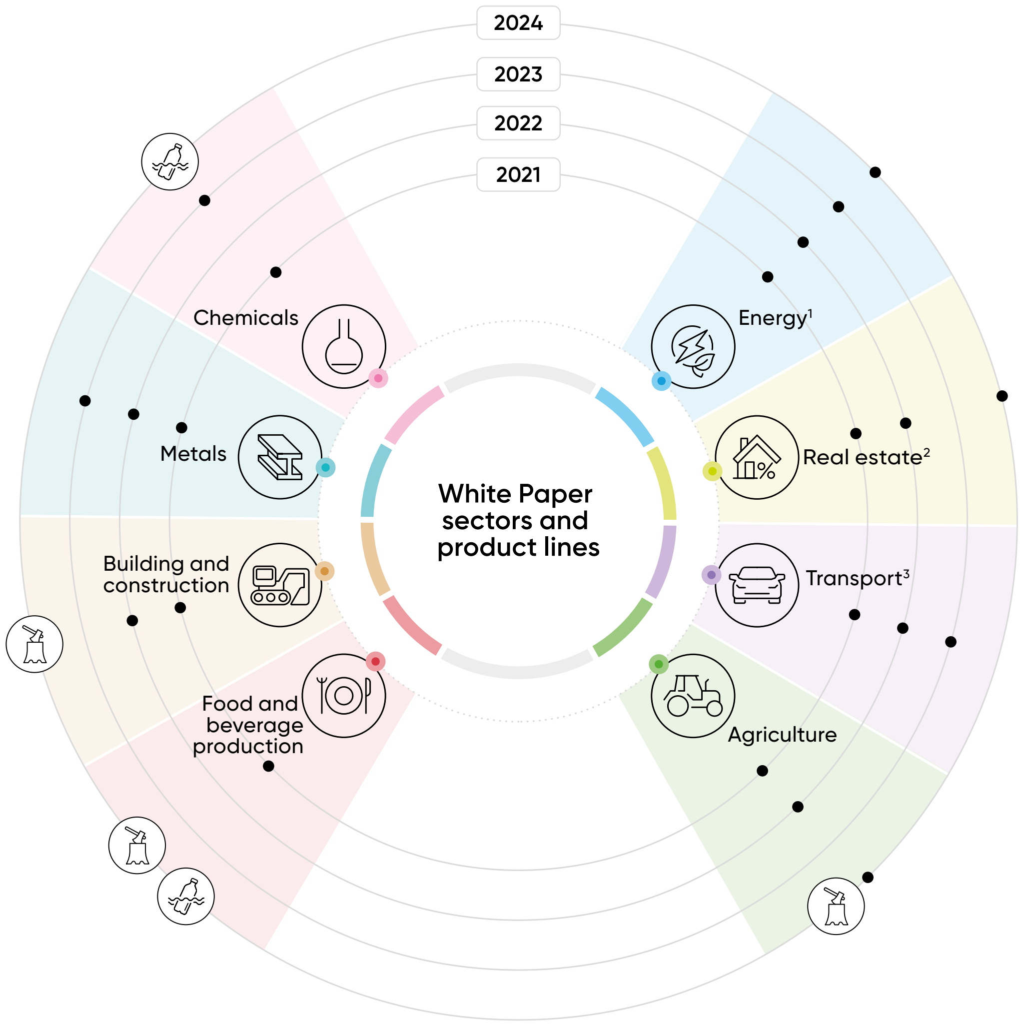
Every year, we produce several sustainability-related analyses that we refer to as 'White Papers'. Initially, our White Papers focused on the most material and carbon-intensive sectors.[11]

We write White Papers in response to relevant developments affecting the sector. Such developments may lead to a decision to update an existing White Paper or initiate a new one, for example, upon the development of new or amended sustainability-related legislation or technological advancements. Other reasons may relate to changing market dynamics, new opportunities, an increase in physical and transitional risks or changes in relevant disclosure requirements. The Internal Sustainability Board chooses which White Papers will be drawn up.

In 2024, we also produced White Papers on cross-sectoral environmental themes: deforestation and plastic packaging. These were chosen because of their significant impact on multiple sectors.

Figure 5.2 gives a schematic overview of the White Paper cycle since the first White Paper analyses in 2021.

Figure 5.2: Overview of White Paper updates



1 Energy production, oil and gas, biofuels, transmission and distribution
2 The Real Estate White Paper mainly focuses on mortgages, income-producing commercial real estate (CRE) (for third parties or within a group of enterprises), social housing (classified as CRE), REITS (Real Estate Investment Trusts) and corporate based lending for general purposes in the income-producing CRE sector. Owner-occupied real estate by companies in sectors outside of the income-producing CRE sector, financing of land, pure development and construction of buildings and real estate services are not covered by this White Paper.
3 Automotive and vehicle financing, aviation and shipping ((maritime transportation and other shipping-related activities).

11 Our criteria for selecting these sectors are based on the materiality analysis methodology specified in the TCFD recommendations. In short, we have chosen these sectors and product lines because they have granted loan volumes that represent more than 5% of all our industrial loans. We have also chosen them because they are important from the perspective of GHG emissions and have a significant impact on climate change.

Read more

- More details on loan volumes and financed GHG emissions for these sectors and product lines

'Metric and targets'
'Sustainability Facts and Figures'

The initial focus of the White Papers was on climate change. Since 2023, however, the scope has also included a focus on other environmental objectives: biodiversity, pollution, water and circularity. This underlines the growing importance we are attributing to these topics and provides the necessary foundation for our current CSRD and subsequent TNFD and other reporting.

All White Paper analyses focus on our credit business, advisory services and (if material) insurance activities. They also factor in the specific contexts in our core countries.[12] To that end, the relevant local departments work closely together with their respective central departments. Finally, based on these analyses, the White Papers potentially propose (changes to) policies, actions and targets.

The two thematic White Papers that were written in 2024 had specific focal points:

- **Deforestation:** This White Paper examines the impact of the **EU Deforestation Regulation and the risk of deforestation on our clients on a global scale.** It also zooms in on the potential opportunities of Deforestation and Conversion Free commodities. Food and beverage producers are most impacted by these topics. Besides, building and construction and traders of these commodities are also affected. More detailed information on this theme has therefore been included in the part on the food and beverages sector.
- **Plastic Packaging:** This White Paper zooms in on **the various legislative initiatives being rolled out by the EU with the aim of reducing plastic pollution.** It also focuses on the risks and opportunities these initiatives might entail for our clients. The chemical sector and the food and beverages retail sectors are most impacted by this theme and are therefore at the centre of this White Paper. More information on this theme can be found in the part on the chemicals sector.

Customer engagement: large, midcap, SME and retail clients

We have had an active customer engagement strategy in place since 2020. Initially, this strategy focused on larger, mid-cap clients in Belgium. We gradually expanded this scope to all our core countries and to smaller clients, to include SMEs (small and medium-sized enterprises) as well. We also aim to be a partner in the sustainability transitions of our retail clients. Detailed information on our approach for this client segment is available throughout this report.

The primary goal of our customer engagement strategy, is to be a partner in our clients' sustainability transition and to encourage them to take necessary steps to make their businesses more sustainable. The main way in which we do this is through conversations with our clients. Additionally, we engage with and inspire our clients on sustainability topics through webinars, testimonials on our website, award-winning mobile app, training and events.

[12] In line with the White Paper approach, core countries for which a specific sector is considered not material or relevant are not included in the analysis.

Read more

- More details on the results and conclusions of the various White Papers

'Metrics and targets'

In the spotlight

Sustainability Academy Platform and Transformator Programme for SMEs

UBB partnered with SIS (Social Innovation Solutions, an international networking platform), the Coca-Cola Foundation and Cleantech Bulgaria to develop sustainability programs for SMEs. In 2024, the partnership launched two initiatives:

- **Sustainability Academy Platform:** The Academy is the first self-paced e-learning platform in Bulgaria and the Balkan region dedicated to sustainability for SMEs. It offers courses on topics such as sustainability, sustainable finance, circular economy and sustainable strategies.

- **TRANSFORMATOR programme:** The programme is a free two-month intensive programme for SMEs and NGOs that want to integrate sustainability into their business models. It offers tailored workshops, bootcamps, assignments and mentorship. The first round included eleven participants and featured UBB sustainability managers as mentors.

Initially, our customer engagement strategy focused mostly on climate change. Now, it focuses on a much wider range of topics, including, for example, circularity, deforestation and plastics, depending on the sector. The topics can also relate to sustainability reporting, subsidies and regulation, such as CSRD, the EU Taxonomy or the EU Deforestation Regulation. In doing so, we aim to help our clients gain an understanding of what these regulations are, their importance and how they should be applied.

We want to offer tailored solutions and expert advice in our interactions with our clients. To do so, we work with partners such as Encon in Belgium to assist our corporate clients. However, we also aim to support our SME clients in their sustainability transition with our own solutions, such as Green0meter in Czech Republic and ecoWise in Belgium.

- In 2023, KBC acquired a 50% stake in **Green0meter**, a digital ESG advisory that had previously participated in the Czech 'Start it @ČSOB' programme. Green0meter's vision is to help businesses with their sustainable transition using data and artificial intelligence. To this end, it offers a technological platform with an offering that includes carbon footprint calculation for companies' Scope 1, 2 and 3 emissions. From this basis, it provides companies with individualised ESG reports, advice on how to improve the sustainability of their business and financing options tailored to the business' processes and needs. For the moment, the tailored Green0meter proposition is offered to ČSOB's corporate and SME clients only. We are continuing our work on improving the offer of digital ESG advisory on the Green0meter platform and to make the tool accessible to smaller corporate clients. Additionally, we are introducing Green0meter in some of our other core markets.

- In 2023, KBC Belgium launched its subsidiary, **ecoWise**. The company provides independent advice to SMEs and agricultural clients in Flanders on their sustainability transitions. It does so with a specific focus on energy efficiency and renewable energy. EcoWise's energy consultants are spread across the Flanders region. They give tailored advice to their clients on the energy use of the company, ways to reduce energy consumption and the options for incorporating renewable energy solutions to meet their remaining energy needs. Since its launch, ecoWise has already issued over 400 advice reports.

We regularly train our relationship managers to increase their awareness about ESG topics and their knowledge of sustainability-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.

We also make use of our bilateral client conversations to gather environmentally relevant data. Our work is increasingly structured through the use of surveys and ESG assessments. Carbon-footprint calculators deliver valuable insights and help in defining positive, climate-related investments. Based on insights derived from the White Papers, we set up more extensive surveys for specific sectors or collect additional data on specific metrics.

> In the past six months, I have observed a significant shift in companies' perceptions of ESG topics and CSRD reporting. Companies are now reflecting on these subjects and becoming far more interested in them. Our client discussions have also become more professional and in-depth. They perceive our advice positively and see it as something that differentiates us from other banks.

GABRIELA BIZOŇOVÁ
ESG specialist for ČSOB Slovakia

This year we organised two series of dialogues in the framework of the White Papers on deforestation and plastic packaging. In the first series, we discussed deforestation with clients and sector organisations from the food and beverages sector. The second series focused on plastic packaging manufacturers and users (such as large supermarket retailers and food producers) and the themes of circularity and plastic waste.

In the spotlight

Green0meter expands to Slovakia

In 2024, Green0meter was also launched as a pilot project in Slovakia. The pilot involved offering 150 selected clients an opportunity to try the Green0meter platform, including a code for free calculation of their Scope 1 and 2 emissions. These clients were specifically selected based on their engagement with ESG topics and their relationship with the bank, ensuring a robust evaluation of the product. The product received considerable interest, resulting in ten clients registering for the full platform. Since the pilot, we have been incorporating feedback and making necessary adjustments to prepare the product for a full roll-out at the beginning of 2025.

In the spotlight

Unique advisory services

In Slovakia we are the only bank to have developed a dedicated advisory service on the CSRD directive for our clients. This service is available to our corporate clients who are required to disclose under this directive, as well as companies that will voluntarily report. The goal of this service is to assist clients throughout the entire CSRD reporting process. Additionally, clients may request support for specific parts of the process. All consultants are financial specialists who have been officially accredited as ESG analysts.

Since launching our customer engagement strategy, we have conducted **thousands** of conversations.

We have conducted thousands of customer engagement conversations since launching our customer engagement strategy. These interactions are now becoming increasingly targeted towards specific sectors or segments and on specific topics. Additionally, we continue to reach out to and provide incentives for clients in various ways, such as through ESG webinars, tailored advice and carbon footprint calculators. We have also set targets and measure achievements, including those related to financing green or 'towards green' assets. Moreover, through KPIs, our banking, insurance and Asset Management business colleagues are incentivised to support as many clients as possible in their sustainability transition.

In the spotlight

KBC Inspiration Nights for sustainable businesses

Five KBC Inspiration Nights took place for small entrepreneurs at various locations in Flanders. The ambition was to inspire the participants about the relevance of doing business sustainably. The speakers offered a recognisable and inspiring perspective on the relevance of this topic for small or middle-sized entrepreneurs.

Product development

Climate change and the other environmental objectives defined in the EU Taxonomy carry several risks but also many opportunities. **We believe that we have an important role to play in seizing and managing these opportunities.**

As part of our White Paper approach, we have identified several opportunities to accelerate the transition. Furthermore, we have set internal volume targets for some of these opportunities as a part of our annual budget cycle. In Table 5.8, we provide an overview of the main opportunities identified, and 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 5.8: Climate- and other environmental objective-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, SME 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 and insuring sustainable buildings and home renovations • 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 and electrification for long-haul transport • Use of recycled plastics and batteries for the remanufacturing of vehicles	
Agriculture	• Bioenergy from agri-food waste resources • Energy efficiency and renewables • Precision farming	
Food and beverages	• Energy-efficient production • Bio-based water remediation techniques • Optimising the resource use with circularity • Higher recycled content of plastic packaging	
Building and construction	• Bio-based and carbon-negative building materials • Modular constructions • Electrification of machinery • Upcycling of demolition waste	
Metals	• Electric arc furnaces for steel production • Green hydrogen as an energy source • Upcycling of steel and aluminium in scrap waste • Recollection of electric vehicles batteries for recycling of precious metals (e.g. rare earths, lithium)	
Chemicals	• Green hydrogen as a feedstock and as an energy source • Higher share of recycled plastics through effective recollection systems and the application of chemical recycling • Utilise circular molecules in the product portfolios • Safer alternative chemicals to PFAS	

Read more

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

In the spotlight

Fourth successful Green Bond issuance

KBC continues to be committed to increasing its positive impact on society and the environment. We believe that issuing green bonds will contribute to the development of a sustainable financial market and to diversify our investor base. In 2023, we updated our Green Bond Framework to include revised eligibility criteria and asset selection processes. These updates are in alignment with the ICMA Green Bond Principles 2021. Additionally, we are taking steps to further align the framework with the criteria for environmentally sustainable economic activities, as outlined in the EU Taxonomy Climate Delegated Act (June 2021).

In 2024, KBC Group successfully approached the market with a new eight year 750-million-euro Green Bond issuance. This marks the first issuance under our updated green bond framework. Proceeds will be used across to the following categories: energy efficient buildings, renewable energy transactions and clean transportation. More than 100 different investors participated in this issuance, which will enable KBC to continue to actively support the financing of environmentally sustainable economic activities.

Internal carbon pricing

We have developed a tool to consider the theoretical costs of carbon emissions in our decision making in 2021. We refer to this methodology as Internal Carbon Pricing (ICP).

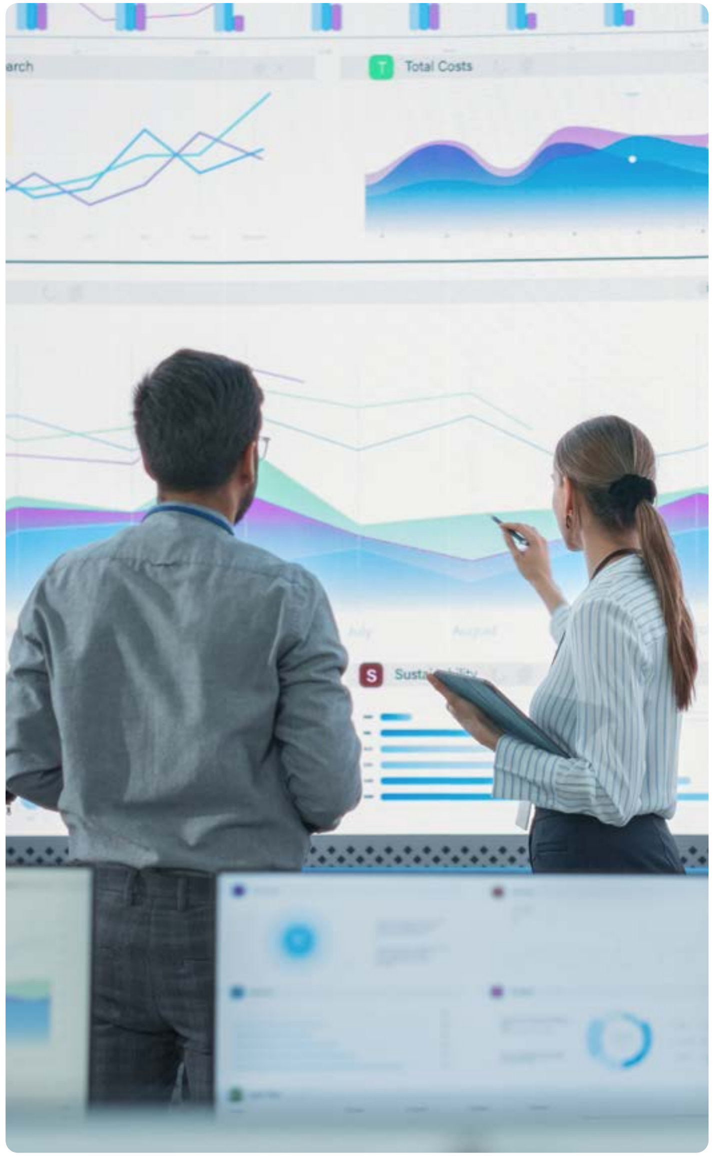
The tool is meant to support decision makers to assess, for instance, credit proposals in carbon-emitting sectors such as the energy, chemicals, metals, building materials and car manufacturing sectors. In this way, it allows the identification of opportunities and risks related to carbon emissions within the context of requests for credits. **We currently mainly use the ICP tool in the context of larger credit files.**

However, we are continuously exploring potential other use cases for our ICP. For example, our colleagues in Business Unit Belgium currently have a CO_2 pilot running that is based on ICP. It involves using estimated counterparty greenhouse gas emissions and KBC's ICP to test the sensitivity of a company's earnings. The outcome could potentially serve as a catalyst for further financial analyses, and provide the basis for deciding if the results of this sensitivity analysis could be used to initiate discussions with clients. The pilot analysis will also focus on companies that are active in the most carbon-intensive industries. By the end of 2025, internal carbon pricing should be included as an indicator in the SME credit decision process for Business Unit Belgium.

Read more

- More details on our internal carbon price

KBC Group Annual Report: 'Sustainability Statement'



Risk management

The effects of climate change and other evolutions in the context of ESG are becoming increasingly visible. The expectations and mindsets of our stakeholders are changing accordingly. If not addressed, environmental 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 could impact clients as well as financial institutions. For these reasons, 'Climate and other environmental risk' has been reconfirmed as a top risk for KBC in 2024. We cover our risk approach in-depth in our Risk Report. In this section, we provide a summary of our approach.

We distinguish between two types of environmental risks, as defined by the TCFD and the TNFD.

- **Transition risks** arise from disruptions and shifts associated with the transition to a low-carbon, climate-resilient or environmentally sustainable economy. Examples include policy changes (e.g. the imposition of carbon-pricing mechanisms, energy efficiency requirements or encouragement of sustainable use of environmental resources), technological changes/ progress (e.g. the replacement of old technology by cleaner technology), behavioural changes (e.g. consumers or investors shifting towards more sustainable products and services) and increased litigation risk.
- **Physical risks** refer to potential financial implications from physical phenomena associated with both (chronic) climate or environmental trends such as changing weather patterns, rising sea levels, increasing temperatures, biodiversity loss, resource scarcity, reduced water availability and changes in water and soil productivity, as well as (acute) extreme weather events, such as storms, floods, fires or heatwaves, which may disrupt operations, value chains or damage property.

Additionally, climate and other environmental risks such as biodiversity loss, water stress, pollution and waste management are heavily interlinked. For example, biodiversity loss may be accelerated by the adverse effects of climate change. At the same time, it can also have a re-enforcing effect on climate change. Moreover, these risks can also significantly affect financial institutions' balance sheets through their clients and investments, in other ways. That is why we are increasingly taking these other environmental risks into account in our risk analyses.

Read more

- More details on KBC's risk and capital management, including linked to ESG-related risks
KBC Group Risk Report
- More details on KBC's sustainability framework
KBC Group Sustainability Policy Framework
- Overview of KBC business ethics related corporate policies
'Business ethics'
- More details on our sustainability and climate-related governance
'Sustainability governance'

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. It specifies the roles and responsibilities regarding risk management for all risks to which KBC is exposed and includes ESG risks.

Moreover, the risk function is actively represented on the main sustainability committees at the group and local level. For further reading on this, we refer to the 'Sustainability governance' part of this report.

Integration into risk management frameworks and processes

The **KBC Enterprise Risk Management Framework, approved by the Board of Directors,** sets a strict governance and clear rules and procedures on how risk management should be performed throughout the Group by defining consistent and group-wide standards for risk management. It covers all risks to which KBC is exposed. This includes ESG risks, which are firmly embedded in KBC's overarching risk management processes.

ESG risks are identified in our risk taxonomy as key risks related to KBC's business environment. ESG risks are considered to be 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, operational and reputational risk. As such, we do not categorise ESG risks as standalone risk types.

Risk assessment methodologies for climate risk are much more 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. Many social and governance risks are already being continuously and properly managed, monitored and reported within KBC. In particular, processes are in place regarding anti-money laundering, anti-corruption, data protection, cyber security and consumer protection, among others.

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 (0-to-3-year horizon), medium (3-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 brief overview of the most important approaches. For more details, we refer to our Risk Report.

- The **Environmental Risk Impact Map (ERIM) is the main internal risk identification process for identifying and assessing the materiality of several environmental risks within KBC Group (including the risks associated with climate change, biodiversity loss, water stress, pollution and non-circularity)**. The ERIM identifies, for different time horizons and different scenarios, the main environmental physical and transition risk drivers impacting KBC's business and portfolios. Risk impacts are estimated separately for all traditional risk types. The ERIM is annually reviewed at the level of KBC Group, but separate maps are also in place for the banking, insurance and asset management activities. Additionally, further breakdowns are performed for our core countries, given that the materiality of environmental-related risks can vary across different jurisdictions (transition risks) and locations (physical risks).

- In 2024, we carried out a **pilot risk-identification exercise on social risks** to identify the most material social risks for KBC Group.
- Climate and other environmental risks, 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.
- 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 environmental risk drivers within our White Paper sectors. Where relevant, we provide more details on this in the part on the 'White Paper sectors'.
- Physical risk assessments have been performed for several acute and chronic physical hazards (e.g. flood, drought, heat stress, wildfires). The assessments were geographically tailored to the territories of the five KBC core countries (Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria). In particular, flood risk was assessed by estimating the impact of flood risk on KBC's mortgage and property insurance portfolios. More information can be found in the 2024 Risk Report.
- A **key tool for detecting the ESG risks in the corporate and SME loan portfolios is the Environmental and Social Heatmap**. It provides a qualitative score for environmental as well as social risks at sector level. For material credit files in sectors with a high-risk score (based on the Heatmap), a dedicated **ESG assessment** is performed at counterparty level. In 2024, we expanded this assessment by consulting external databases for high reputational and litigation risks associated with large clients active in such sectors.
- 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 **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.
- Finally, ESG risk signals and a set of climate-related key risk indicators are regularly reported to the Group Executive Committee, the Risk and Compliance Committee and Board of Directors via the Integrated Risk Report.

Risk measurement, scenario analysis and stress testing

Tools and methodologies

We make use of a series of methodologies to strengthen our ability to identify, measure and analyse ESG-related risks. The results of these exercises provide further insights into the impact of ESG risks on our business model, as well as the impact of our lending, investment and insurance activities on the environment. Integrating these methodologies enables us to gradually improve credit and insurance underwriting and investment policies and supports us in engaging with our clients. For more information, please refer to the part on 'Metrics and targets' in this section and our Risk Report.

Stress testing

We apply stress tests and sensitivity analyses to our lending, insurance and investment activities. The results of these tests enable 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. In 2024, we executed a dedicated, internal climate stress test, considering both transition and physical risk scenarios. We also consider other ESG drivers, such as operational risk losses due to possible cyber hacking. More insights can be found in our Risk Report.

Setting and cascading risk appetite

KBC's tolerance for risk is captured as 'risk appetite' and is explicitly described in the 'Risk Appetite Statement', which enables the Group to implement its corporate strategy within a clear risk playing field.

ESG has been included in our Risk Appetite Statement at the highest level via a specific ESG risk appetite objective. When considering climate and other ESG risks in our risk appetite process, we focus on short-term impacts as well as extended time horizons in order to safeguard KBC's long-term sustainability.

KBC's risk appetite is supported by our group-wide policies and sustainability targets. These policies define our risk playing field for our lending, investing, insurance and advisory services, and are translated in underlying standards such as the Credit Risk Standards for Responsible and Sustainable Lending and the Group Investment Policy.

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

Risk analysis, monitoring, reporting and follow-up

Indicators for climate-related risks and opportunities are integrated into the KBC Sustainability Dashboard. Given that ESG risks are well integrated into ICAAP/ILAAP/ORSA[13] and related analyses, these risks are already extensively addressed in these reports.

In support of our risk appetite process (see above) and as part of our internal monitoring, we introduced a set of climate-related key risk indicators. These are defined for the most material transition and physical risks, as defined in the ERIM, covering a large part of KBC's activities and portfolios. These are included in a Climate Risk Dashboard, which is presented to the Board of Directors every six months. The Dashboard is continuously evolving in tandem with improvements in data availability and quality.

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

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

Since December 2022, the European Banking Authority (EBA) templates for Pillar 3 disclosures on ESG risk are included in the Risk Report. To ensure the implementation of the CSRD, a dedicated CSRD Program has been put in place.

Also, regarding the SFDR, KBC (and particularly KBC Asset Management) is implementing the various disclosure requirements (pertaining to entities, services and product levels).

[13] The Internal Capital Adequacy Assessment Process (ICAAP) and 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 summarised in Capital and Liquidity Adequacy Statements. These documents are input into ECB's Supervisory Review and Evaluation Process. A similar document is created for KBC Insurance, commonly known as the Own Risk and Solvency Assessment (ORSA).

Metrics and targets

We gather climate-relevant data to monitor and steer the climate performance of our portfolios. We also use them to set targets and to meet the reporting requirements of regulators and supervisors. This section provides an overview of the outputs and targets that are already in place, as well as the methodologies used. Firstly, we discuss our lending business, specifically for our White Paper sectors. Secondly, we discuss our approach for determining the climate performance of our investment portfolios. Lastly, we report on the climate impact of our insurance underwriting business.

We use a variety of methodologies to track the climate-related impact on and of our portfolios. All our tools support us in a variety of ways to report as correctly as possible the climate-related impact of our portfolios. Their combined use allows us to set targets for and to increase the sustainability of our portfolios.

For our **loan portfolios**, we use:

- **PACTA** (Paris Agreement Capital Transition Assessment)
- **Internally developed physical and transition risk models**
- **PCAF** (Partnership for Carbon Accounting Financials) and
- **ENCORE** (Exploring Natural Capital Opportunities, Risks and Exposure).

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

In our **insurance business**, we use the currently available **PCAF Standard – Part C. At the moment, their preliminary standard for insurance-associated emissions is available for only two segments: commercial lines and personal motor lines**.

Finally, we want to point out **that the calculations in this chapter should be interpreted with caution and are mostly intended to provide a high-level insight into our environmental impact.** This is due to:

- The gap that still exists in the requisite climate-related data and the data available with respect to our clients. Therefore, our calculations for certain parts of our portfolio are based on the use of proxies and estimations.
- Some of the methodologies used are still in an early stage of development.

We have a dedicated Data and Metrics Project to deal with challenges regarding the availability of correct and usable data. This is necessary since collecting the needed 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. Most of these clients do not yet have basic, climate-related data or calculations of their GHG emissions available. Moreover, there are currently no regulations, or only limited ones, mandating the collection and availability of these data. Larger companies are often already required to disclose non-financial data and are consequently able to share climate-related data more easily. Yet, overall, there is still a long way to go in improving data gathering on climate and nature related issues.

Within the Data and Metrics Project we aim to identify the data that need to be collected. In a subsequent step, we want to integrate the gathering of these data in all relevant processes in our core countries. **To further expand our ESG data ecosystem, this year we invested in four main areas:**

- Acquisition of additional external data sources.
- Implementation tools to calculate and report on relevant ESG metrics.
- Introduction of Artificial Intelligence (AI) techniques for collecting and structuring ESG data.
- Standardisation of data feeds across our group. This investment is aimed at improving the re-usability of ESG data across different reports and to support diverse reporting requirements.

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. We have been applying this methodology to estimate the financed emissions of our entire portfolio since 2021. In this section we build on our first Climate Report, in which we set and communicated sectoral climate targets for our lending activities. We also give an update of the financed emissions from our loan and lease portfolio, and report on our 2024 progress, in comparison to the targets set in our Climate Report. Finally, for the first time in 2024, we performed a high-level biodiversity impact and dependency materiality assessment. In this section, we report on the results of this assessment as a part of our first TNFD report.

Climate impact assessment

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 the Scope 3 GHG emissions associated with our lending activities (known as 'financed emissions').

In this section of our report, however, 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.

For further reading on our financed emission calculation approach, please refer to the Sustainability Statement in the Annual Report. The overview of these financed emissions is based on the PCAF Global Standard and is not comparable to similar information in some of the other reports released by KBC (such as EBA Pillar 3 reporting), due to differences in scope and calculation methods.

This is our fourth consecutive year of reporting on the financed emissions of our loan portfolio. The reporting scope for the financed emissions is identical to that of the previous year. In addition to the evolution of the lending portfolios, we also strive to make our calculations as accurate as possible, by investing in improving data quality, and by updating emission factors and proxies to align with market evolutions. These different elements are reflected in the actual calculated 2024 financed emissions. Additionally, the utility of financed emission calculations extends beyond disclosure purposes. For instance, the evolution of the emission intensity of our loan portfolio is monitored as part of our general credit risk management practice (more information is available in the KBC Group Risk Report).

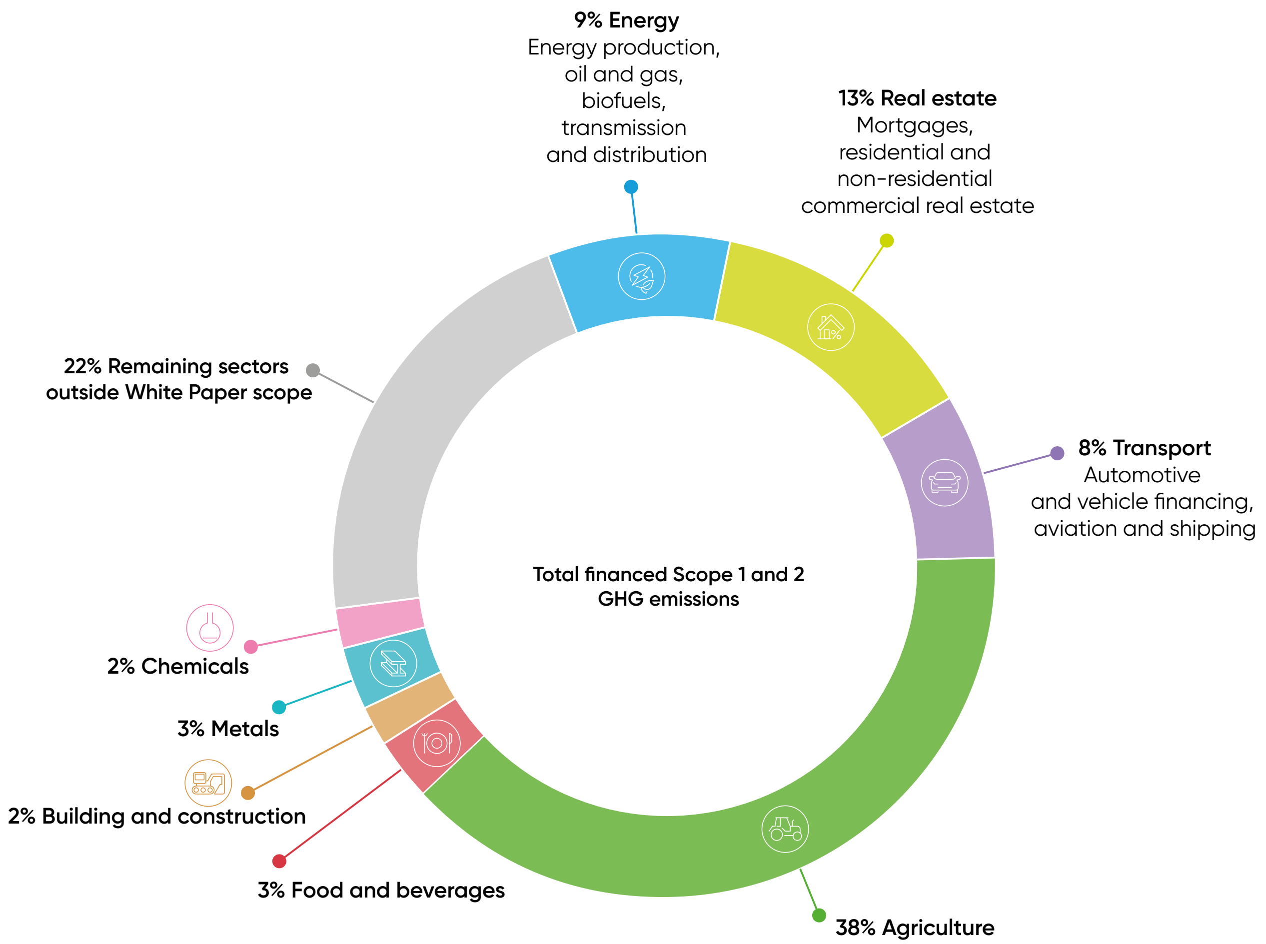
We aim to continuously improve the quality of the calculations that enable transparent reporting on the estimated indirect climate impact associated with our lending business. We set up an internal recalculation policy to prepare us for future dynamics in financed emission calculations. These dynamics can be related to evolutions in company consolidation, or methodological changes in underlying data. More information on our recalculation policy is available in the Sustainability Statement in the Annual Report.

Starting in 2024, the calculations of the financed emissions of our loan portfolio were verified through the assurance of our Sustainability Statement in the Annual Report.

Figure 5.3 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).

Figure 5.3: Financed Scope 1 and 2 GHG emissions expressed as a percentage of KBC Group's total financed Scope 1 and 2 GHG emissions.

Most material climate-sensitive sectors and product lines (White Papers). Overview of the financed emissions distribution includes our clients' Scope 1 and 2 emissions). Loan book data is as per the end of September 2024. 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 deviate from the sum of all categories due to rounding. More details are available in the Sustainability Facts and Figures.



Nature impact assessment

In preparation of our TNFD reporting, we have performed a first high-level biodiversity impact and dependency assessment of our corporate lending portfolio using the ENCORE methodology (Exploring Natural Capital Opportunities, Risks and Exposure) in 2024.[14] ENCORE is considered an industry standard. It sets out how the economy – sectors, subsectors and production processes – depends on and impacts nature. For each production process, this methodology classifies the identified nature impact drivers and ecosystem services from low to very high materiality in terms of respectively impact and dependency.

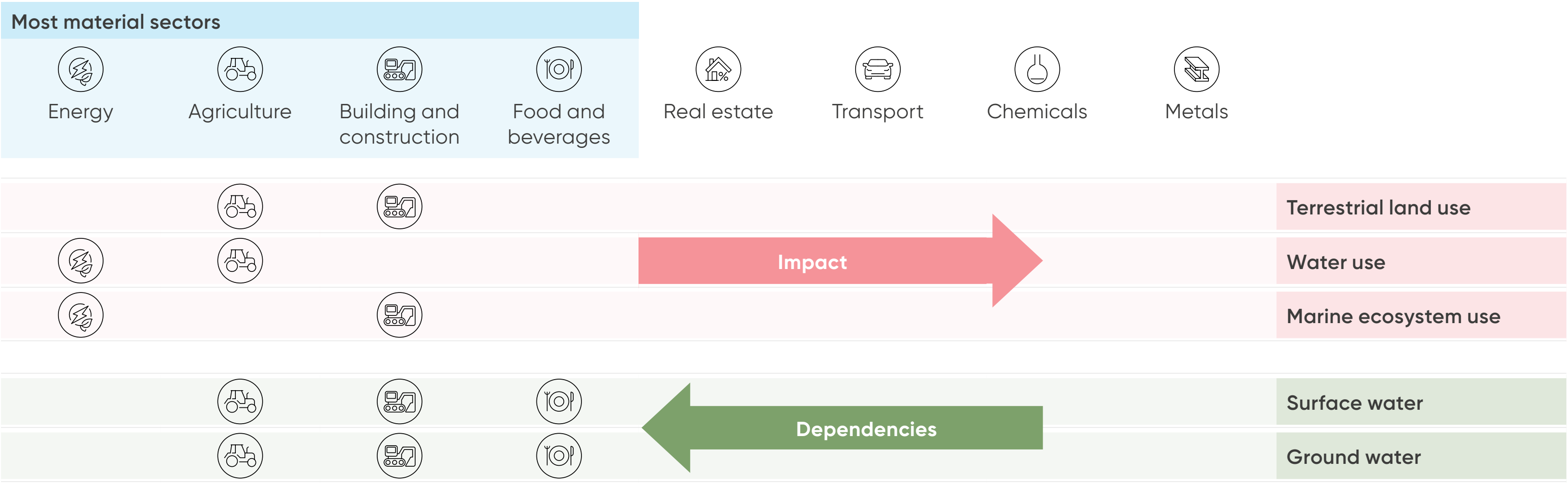
To determine the sectors that are most material from an impact and dependency perspective, we considered:

- The activities with a very high impact on at least one impact driver.
- The activities with a very high dependency on at least one ecosystem service.

Finally, we prioritised sectors based on financial exposure to these activities. The top three sectors with very high impact are building and construction, agriculture and energy. The most material impact drivers are terrestrial land use, water use and marine ecosystem use.

The top three sectors with very high dependency are agriculture, building and construction, and food and beverages. The most material ecosystem services are surface and ground water. Figure 5.4 shows the most material sectors in our lending portfolio, the material nature impact drivers and the ecosystem services these sectors are dependent on. Our future White Paper work will gradually integrate the findings of this assessment.

Figure 5.4: Nature impact and dependency: most material sectors in our lending portfolio



[14] Note that this analysis was based on the 2018–2023 version of the ENCORE knowledge base. Impact drivers, ecosystem services and materiality ratings, among other aspects, have been updated in the current version of ENCORE.

Read more
- Detailed portfolio and financed GHG emissions data
Sustainability Facts and Figures: 'Environmental data and emissions'

We have set **climate targets** for about **62%** of our total financed Scope 1 and 2 emissions

Climate targets

We have set intermediate targets for 2030 and long-term targets for 2050 for a subset of our White Paper (sub-)sectors. The White Paper sectors and product lines represent around 78% of the total financed Scope 1 and 2 GHG emissions associated with our loan and lease portfolio, of which the majority is covered by dedicated climate targets. Moreover, they represent around 66% of KBC Group's total outstanding loan portfolio. **The scope of our existing climate targets currently covers about 62% of our total financed Scope 1 and 2 emissions.** In the Sustainability Facts and Figures we give a detailed overview of the climate target coverages, per sector. While we are deeply committed to doing our part to achieve these climate targets, we emphasise that we depend on action from all stakeholders in society, including governments, to make this possible.

Currently, our climate targets are limited to our clients' Scope 1 and 2 GHG emissions. Many concerns remain with respect to the quality and reliability of our clients' Scope 3 emissions data making these unsuitable for target-setting purposes.

In addition, **we have set targets for emission intensities rather than absolute financed emissions.** Only our thermal coal target is set on absolute financed emissions, namely zero emissions from direct coal-related lending. **The intensity approach is presently considered the most valuable to us because it allows for better monitoring and engagement on emission drivers of our clients. It also incentivises transition finance and avoids merely lowering exposure to certain sectors.**

For some White Paper (sub-)sectors[15] 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. When and where possible, we will extend our target scope to these sectors as well.

This report includes our third annual progress report with respect to our emission reduction targets for our lending portfolio. We report on our climate targets and our 2024 progress in the 'White Paper sectors' section of this report. More details on our progress measurement, its assurance and how we go about it, are available in the Sustainability Statement in the Annual Report.

[15] This is 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 our target-setting approach: climate-scenario choices, 2021 baseline calculations and methodologies used
  KBC Group Annual Report: 'Sustainability Statement'
  KBC Group Climate Report
- More details on the data and measurement choices of our progress measurement
  KBC Group Annual Report: 'Sustainability Statement'
- Detailed portfolio and financed GHG-emissions data
  Sustainability Facts and Figures: 'Environmental data and emissions'

KBC's climate progress dashboard

In this section, we outline all of our existing climate lending targets. The 'Climate progress dashboard' shows the 2021 baseline emission intensities of the subject target portfolios, and their progress. It also indicates the level of alignment of our progress with scenario-based decarbonisation pathways.

We measure KBC's portfolio climate alignment by comparing 2024 emission intensities against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways (KBC benchmark value) for that same year.[16] We apply conservative thresholds to indicate a misalignment with the scenario-based benchmarks, as described below. The result of this assessment is expressed in following colour-coded alignment indicators:

- **Green**: KBC portfolio value is currently at or below the scenario-based benchmark
- **Amber**: KBC portfolio value is currently maximum 5% higher than the scenario-based benchmark
- **Red**: KBC portfolio value is currently more than 5% above the scenario-based benchmark

[16] While progress values reported in this chapter are rounded figures, the delta between 2024 measurements and benchmark values, as well as the resulting alignment indicators, is based on unrounded calculations.

Our 2030 electricity and vehicle financing targets are more ambitious compared to the relevant scenario-based benchmark. So, to provide a full and comprehensive picture on progress and evolution of these targets, we also report the theoretical linear progress line as a supplement to the expressed alignment indicator.

Please keep in mind 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 related to the climate transition and the developments within the portfolios. For each in-scope sector or product line, we provide further details regarding our climate performance, progress and plans in the White Paper parts of this section.

Table 5.9: Alignment indicators per sector and product line

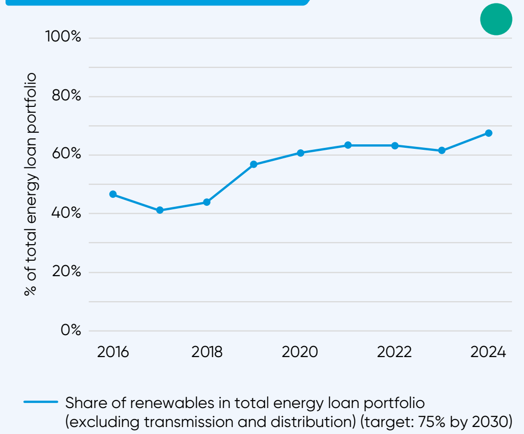
White Paper sectors	(Sub-)sector within scope of target setting
Energy	Energy (whole sector)
	Electricity
Real estate	Commercial real estate and mortgages[1]
	Mortgages and commercial residential real estate[2]
Transport	Vehicle loans and financial lease – Passenger cars
	Vehicle loans and financial lease – Light commercial vehicles
	Vehicle operational lease – Passenger cars
	Vehicle operational lease – Light commercial vehicles
Agriculture	Agriculture (whole sector)
Building and construction	Cement producers
Metals	Steel producers
	Aluminium producers

1 This target includes mortgages (incl. mandates), income-producing commercial real estate (for third parties), social housing (classified as commercial real estate), REITS and corporate-based lending for general purposes in the income-producing commercial real estate sector. Owner-occupied real estate by companies in sectors outside of the income-producing commercial real estate sector, financing of land, pure development and construction of buildings and real estate services are not covered by this target. Reported emissions and targets are linked to the operational emissions of financed buildings.

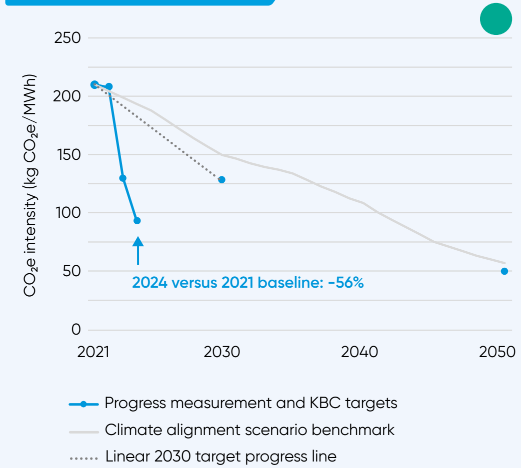
2 This target includes mortgages (incl. mandates), income-producing commercial residential real estate for third parties and social housing. Reported emissions and targets are linked to the operational emissions of financed buildings.

Energy

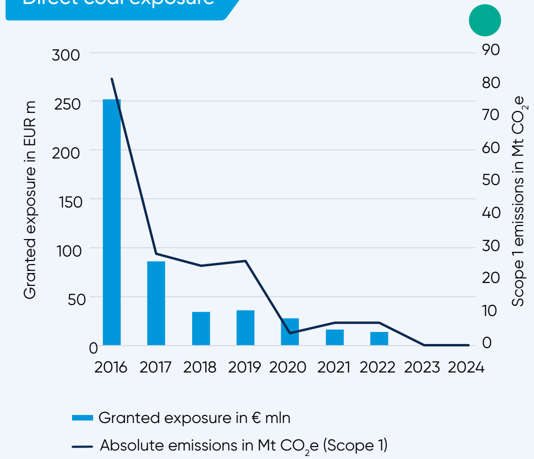
Renewable energy financing



Electricity sector portfolio

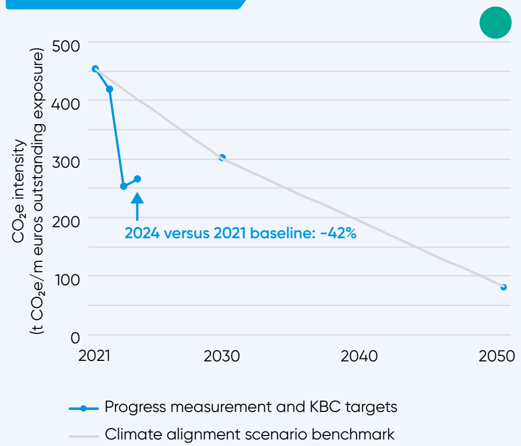


Direct coal exposure



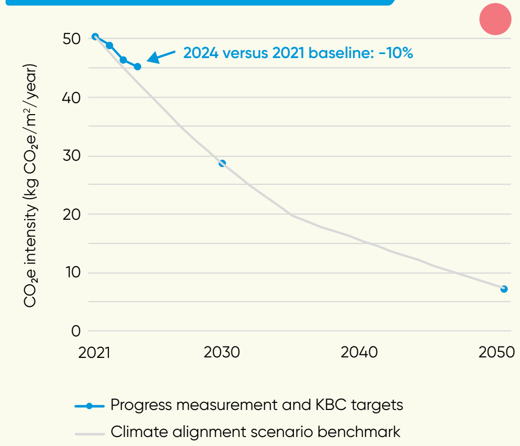
The GHG emissions outlined on the graph are estimations of the absolute emissions associated with the underlying companies financed. They are not a representation of KBC's share in those emissions through financing these companies. Please refer to the 2023 Sustainability Report for more information on calculation of the 2016 GHG emissions associated with direct financing.

Energy sector portfolio

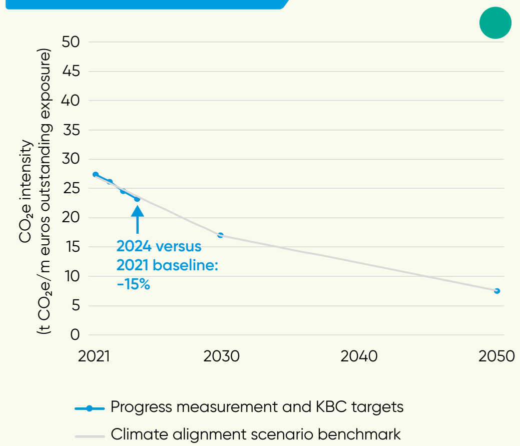


Real Estate

Residential real estate sector portfolio

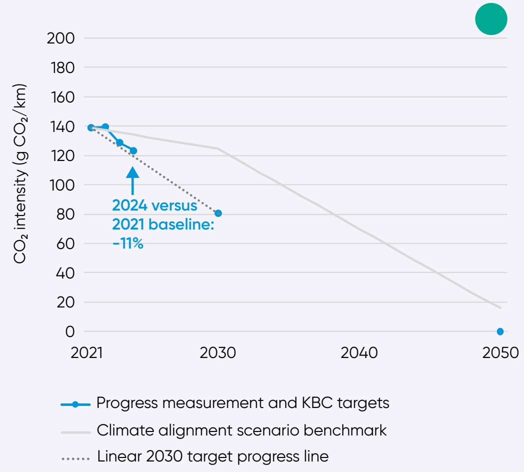


Real estate sector portfolio

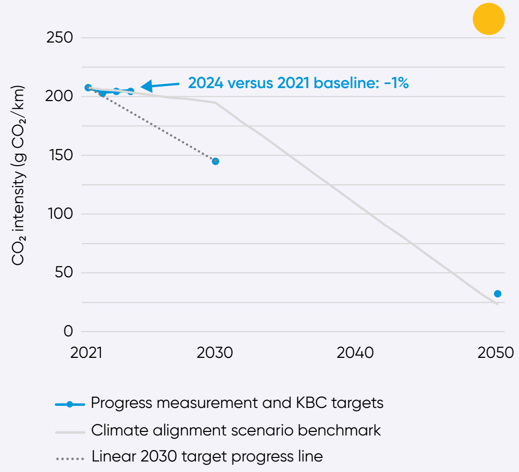


Transport

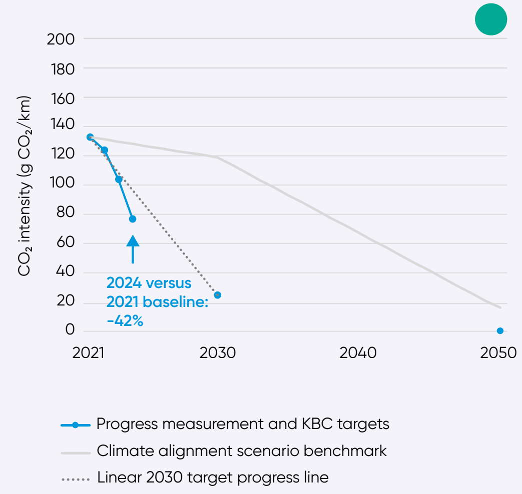
Passenger cars financial lease and loan portfolio



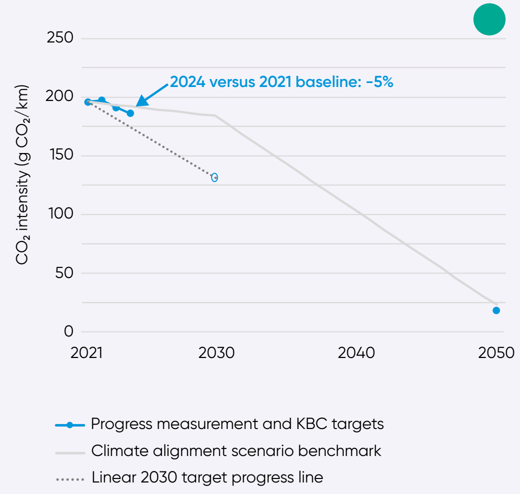
Light commercial vehicles financial lease and loan portfolio



Passenger cars operational lease portfolio

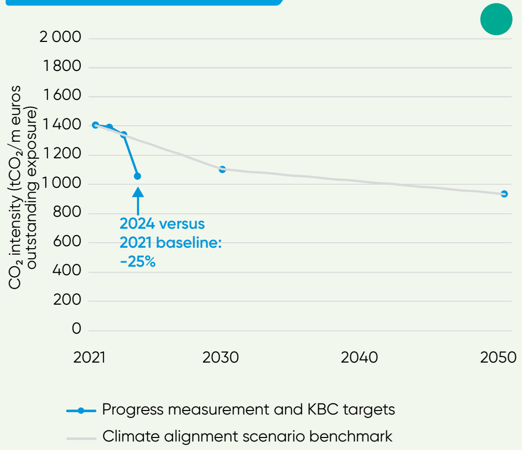


Light commercial vehicles operational lease portfolio



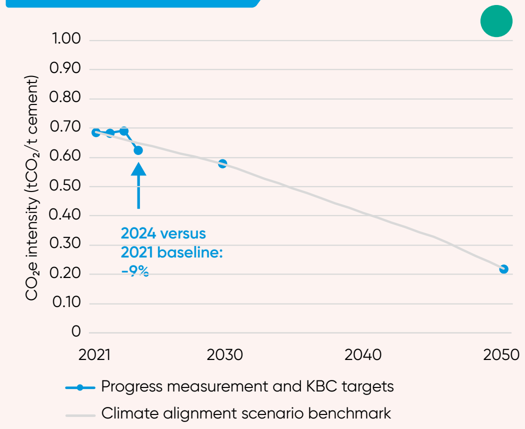
Agriculture

Agriculture sector portfolio



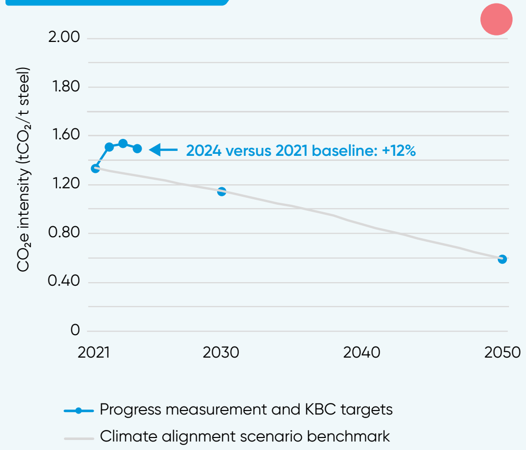
Building and Construction

Cement sector portfolio

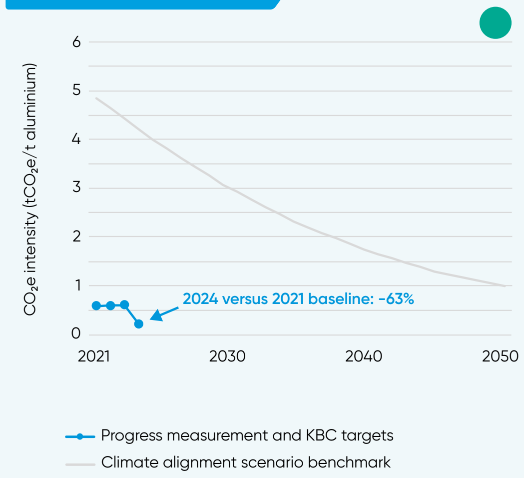


Metals

Steel sector portfolio



Aluminium sector portfolio



White Paper sectors[17]

This section elaborates on our White Papers for the eight most carbon-intensive sectors. We use a symbol ◎ to indicate the sectors for which we have set climate-related targets. Initially, the focus of the White Papers was on climate change, but the scope has been expanded for some sectors to also address biodiversity, pollution, water and/or circularity. The strategic approach for each sector and progress towards targets are discussed, where relevant.

We report on the findings of the thematic White Paper on Deforestation in a separate section under the Food and Beverages sector as this is one the most impacted sectors for this theme. Similarly, the thematic White Paper on Plastic Pollution is reported under the chemicals sector.

Energy

Real Estate

Transport

Agriculture

Food and Beverages

Building and Construction

Metals

Chemicals

[17] The baseline emission intensities of our targets reflect the Scope 1 and 2 GHG emissions associated with our lending to the sector. More details about this are available in the Sustainability Statement in the Annual Report. Reported exposures throughout this section may differ from those appearing in other sections of this report, due to differences in scope of sub-sectors.

Energy

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

Energy supply is the single largest global source of GHG emissions. In the EU, it accounts for around 27% of total emissions.[18] Decarbonising the energy sector is one of the key measures for curbing global GHG emissions. KBC does its part in this transition by applying strict policies. Our zero exposure to direct coal-related activities since 2023 is a testimony of this. Also KBC's 2021 decision to stop financing the exploration and extraction of all new oil and gas fields is a clear example of our stricter stance. In addition, vertically integrated energy companies that operate in the field of oil and gas extraction are subjected to additional requirements.

Portfolio overview

Our energy loan portfolio scope includes power production, oil and gas, biofuels, transmission and distribution. At the end of September 2024, our outstanding loan volume to the energy sector was 5.6 billion euros, representing 3% of the lending portfolio. **This portfolio also accounts for around 9% of our total financed Scope 1 and 2 GHG emissions (1.4 Mt CO_2e) at group level. Within that portfolio, 89% of the exposure and 94% of the financed Scope 1 and 2 GHG emissions are in scope of our below-outlined targets. The full sector overview of our outstanding exposures and target coverage overview is available in the Sustainability Facts and Figures: 'Environmental data and emissions'.**

Renewable financing makes up **67%** of our total energy portfolio[19]

[18] EEA (Consulted November 2024).

[19] Excluding transmission and distribution.

Portfolio climate targets

Targets

Energy sector climate targets and progress

Renewable energy	2021 Baseline	2024 Progress	2030 Target
Share of renewables in total energy loan portfolio (excluding transmission and distribution)	63%	67%	Minimum 75%

Electricity[1]	Emission scope	2021 Baseline (kg CO_2e/MWh)	2024 Progress (kg CO_2e/MWh)	2024 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 Target	2050 Target
Aggregated KBC Group target	Scope 1	210	93	193	127	49
% change			-56%		-39%	-77%

Energy whole sector[1]	Emission scope	2021 Baseline (t CO_2e/m euros)	2024 Progress (t CO_2e/m euros)	2024 KBC pathway value[2]	2030 Target	2050 Target
Aggregated KBC Group target	Scope 1 + 2	453	265	402	300	82
% change			-42%		-34%	-82%

The financial targets are not inflation adjusted.
[1] There may be a discrepancy between the data collection year for Scope 1 and 2 emissions and company value (debt + equity) in the 2024 emission intensity calculations. This may lead to an overestimation or underestimation of the final emission intensity.
[2] The KBC pathway value reflects the 2024 value in the linear reduction path between our 2021 baseline and our first intermediate (2030) target.

We have several targets in place for this sector. Firstly, we have GHG emission reduction targets in place for both the electricity generation subsector and the entire energy sector. Secondly, our goal is to achieve a minimum of 75% renewables in our total energy portfolio (excluding transmission and distribution) by 2030. **Finally, in 2016, we set a target to reduce our exposure to zero for direct coal-related activities.** This target was achieved in 2023. The evolution of both exposure and associated absolute emissions of this target is available in our 'Climate progress dashboard'.

TCFD and TNFD reports

In the spotlight

Insurance of roof-mounted photovoltaic panels

ČSOB Poisťovňa was the first insurance company in Slovakia to introduce a standalone insurance product for roof-mounted PV panels. The insurance covers common risks, natural disasters, and the costs of supplying electricity from alternative sources if the panels fail.

The GHG-emission intensity of our electricity portfolio decreased by 56% since the base-year of 2021. There are three reasons for this large decrease. First, we financed new renewable energy assets. Second, existing renewable energy assets became operational as of this year, which means that the attribution of their zero emissions has been included in the calculation. Third, we decreased our exposure to fossil fuel-based power production, including through the accelerated wind-down of two of our international legacy files.

The financed emission intensity of our overall energy portfolio decreased by 42% compared to our 2021 baseline. This decrease was mainly driven by the before-mentioned reduction in financed emissions within our electricity portfolio. Additionally, most countries are decreasing their exposure to the upstream oil and gas sub-sector. They are also shifting their exposure in this sector to lower-emission activities such as the storage, transmission and distribution of oil, gas and electricity.

This positive evolution in our energy climate targets should be evaluated with care. We remain committed to supporting the energy transition plans in our core countries. Consequently, there may be volatility in our energy target progress over the course of next few years. Our efforts in pursuit of our 2030 target values will remain unaffected.

Lastly, the share of renewable financing increased significantly to 67% of our total energy portfolio. This was driven by both a large increase in renewable energy loans and a (smaller) decrease in non-renewable loans in 2024. As a result, we are once again on track towards our 2030 target, though some volatility is possible along the way as country transition plans are being reviewed as noted above.

In the spotlight

Renewable energy: financing thermodynamic heater production in Bulgaria

UBB granted 21 million euros of financing to Tesy, a manufacturer of thermodynamic heaters. This investment is anticipated to position the company as the leading producer of such appliances in Europe. The company's projected annual production capacity exceeds 200 000 thermodynamic heaters.

Portfolio actions and portfolio steering

KBC supports the swift transition to a renewable energy system. In support of EU Green Deal ambitions and the execution of the 'Fit for 55' package, we use the local energy transition plans in all our core countries as a guiding compass. Furthermore, we mainly steer our energy portfolio based on the input from dialogues with our clients and from our yearly PACTA analysis.

In all our client segments, we stimulate lower energy consumption and a transition towards a low-carbon economy. We do this in several ways:

- By offering financing for **energy efficiency improvements**.
- By encouraging the decarbonisation of the energy system through financing **renewable energy capacity** additions. The 67% of our energy sector financing going to renewable energy is testimony of this. We are also deeply committed to addressing the remaining gap of our existing 2030 business target of 75%.
- By being a leading bank in financing **offshore wind farms** in Belgium and providing financing to clients increasing wind energy capacity in the United Kingdom, Germany and the Netherlands. In 2024 we also financed our first **battery park** project, further supporting the energy transition by providing a more stable supply of renewable energy for grid operators.
- By providing assistance to our clients in corporate and SME segments with their **energy optimisation strategy**.
- By helping our retail clients via our award-winning mobile app, if they seek **energy efficient solutions** for their homes and offering private persons loans at a lower rate for energy-efficient investments.

We will continue to focus on supporting the shift to a renewable energy system. Our approach includes:

- **Increasing our positive climate impact** through our existing 75% renewable energy financing target.
- **Reducing our negative climate impact** through our emission intensity targets and financing policies for the electricity and energy sector. Our exit from the thermal coal sector, our policy to stop financing the exploration and extraction of all new oil and gas fields, as well as our setting of strict financing requirements for vertically integrated energy companies that operate in the field of oil and gas extraction are testimony of this.

TCFD and TNFD reports

In the spotlight

e-RS Group raises 1 million euros through Bolero Crowdfunding

In March 2024, e-RS Group raised 1 000 000 euros from 627 investors through Bolero Crowdfunding (a part of Bolero). e-RS provides end-to-end charging solutions, focusing on the B2B sector, including charge points, infrastructure, installation and software systems. The funds will support workforce expansion, product range development and working capital for projects. Additionally, e-RS gained a new network of ambassadors through this crowdfunding initiative.

In the spotlight

Energy sharing is caring

As a large corporation, KBC has significant energy requirements. While sustainable solutions such as solar panels on our roofs are a self-evident choice, they only fulfil a minor portion of our total energy demand. At the same time, most households with solar panels do not use the entirety of their generated energy. This surplus of energy is injected into the grid, and households receive minimal compensation from their energy provider.

In Belgium, the government has established a regulatory framework to encourage and facilitate energy sharing among various energy providers. This framework enables individuals with surplus generated energy to sell or donate it to other individuals or companies.

KBC Belgium wanted to tap into this opportunity and developed an energy sharing project. In February 2024, a pilot was begun in which ten KBC colleagues shared their surplus energy with KBC. By June 2024, the experiment had been expanded to test technical aspects such as group limitations, automations, generating and data reporting. The goal is to determine whether the proposition could be suitable not only for KBC but also for KBC clients.

Though still in the testing phase and covering limited energy needs, the project provides valuable insights for overcoming hurdles and developing solutions for future energy sharing.

Read more

- More information on our energy policies

KBC Group Energy Credit, Insurance and Advisory Services Policy

TCFD and TNFD reports

Real estate

Mortgages, residential and non-residential commercial real estate

Portfolio overview

Real estate[21] is responsible for around 13% of KBC's total financed Scope 1 and 2 GHG emissions. This sector represents 44% of our total outstanding loan exposure, with an outstanding loan volume of 91 billion euros at the end of September 2024. Hence, we are strongly motivated to use our leverage to take great steps in decarbonising this sector. The main challenge lies in improving older building stock, as regulators are already imposing high standards on newly built real estate. However, we notice there are currently limited measures and incentives implemented by local governments to renovate existing buildings, which may significantly impact the targets for improving energy efficiency and decarbonisation of this sector.

Within this portfolio, 94% of the exposure and 97% of the financed Scope 1 and 2 GHG emissions are in scope of our below-outlined targets. The full overview of our sector outstanding exposures and target coverage overview is available in the Sustainability Facts and Figures: 'Environmental data and emissions'.

The real estate sector accounts for 42% of total energy consumption in the EU and is responsible for around 12% of total EU GHG emissions.[20] As the majority of the existing European building stock is highly energy inefficient, the potential energy savings in this sector are tremendous.

[20] EEA (Consulted November 2024).

[21] Within the portfolio and target setting sections, 'real estate' refers to financed buildings or financed commercial real estate companies. This includes mortgages (incl. mandates), income-producing commercial real estate for third parties, social housing (classified as commercial real estate), REITS (Real Estate Investment Trusts) and corporate-based lending for general purposes in the income-producing commercial real estate sector. Financing of owner-occupied real estate to companies outside the real estate sector is excluded, as is the financing of land and the pure development of buildings and real estate services. This scope does not correspond to the real estate scope in other KBC reports. Reported emissions and targets are linked to the operational emissions of buildings.

Read more
- More details on our progress towards our climate-related targets
KBC's climate progress dashboard
- More details on loan volumes and financed GHG emissions
Sustainability Facts and Figures: 'Environmental data and emissions'

Portfolio climate targets

For this sector, we set two separate reduction targets:

- A financial GHG intensity target for the entire real estate sector
- A physical GHG intensity per financed m^2 per year for privately and commercially financed residential properties.

In 2024, the financed emission intensity of the real estate portfolio dropped by 15% from the 2021 baseline, mainly due to a 10% decrease in residential emissions. This improvement was driven by new mortgage loans with better EPC (Energy Performance Certificate) labels and smaller habitable areas per million euros financed.

However, the residential emissions target still falls short of the 2024 KBC pathway goal of 43 kg CO_2e/m^2. Yet, achieving further reductions will likely require additional government incentives and measures.

Targets

Real estate climate targets and progress

Residential real estate[3]	2021 Baseline (kg CO_2e/m^2)	2024 Progress (kg CO_2e/m^2)	2024 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 Target	2050 Target
Aggregated KBC Group target	50	45	43	29	7
% change		-10%		-43%	-85%
Real estate (whole sector)	**2021 Baseline (t CO_2e/m euros)**	**2024 Progress (t CO_2e/m euros)**	**2024 KBC pathway value[1]**	**2030 Target[2]**	**2050 Target[2]**
Aggregated KBC Group target	27	23	24	17	8
% change		-15%		-38%	-72%

1 The KBC pathway value reflects the 2024 value in the linear reduction path between our 2021 baseline and our first intermediate 2030 target.
2 The financial targets are not inflation adjusted.
3 This target includes mortgages (incl. mandates), income-producing commercial residential real estate for third parties and social housing. Reported emissions and targets are linked to the operational emissions of financed buildings.

Portfolio actions and portfolio steering

In KBC, we steer our real estate portfolio using a diverse set of measures and incentives. **First, we provide our clients with information and support on sustainable construction and renovation.** For example, we work together with partners that can provide tailored energy advice to our clients. We also give guidance on subsidy schemes. In Belgium, KBC has partnered with Setle since 2022 to offer a comprehensive renovation report with an estimate of costs free of charge and without obligation. This service is integrated into KBC Mobile to assist clients in renovating within budget.

> I am convinced – and KBC is too, I feel – that renovation is the future of the current housing market. However, navigating the world of renovations can be complex. Accurately estimating costs is essential, albeit challenging. Errors in budgeting can negatively impact both banks and their clients. At Setle, our goal is to alleviate this burden for clients by offering data-driven clarity on all aspects of home renovation.

THIBAUT NIVELLES
CEO Setle

Second, we incentivise clients, for example, by adjusting mortgage pricing based on the EPC label of the real estate. This adjustment can apply either to the current EPC label or to the label after renovation within a set timeframe.

However, our incentive packages and restrictions will most likely not be enough. **Government schemes must support our targets and progress.** We therefore closely monitor the evolution of European and national regulatory frameworks. The EPBD (European Performance of Buildings Directive) will require local governments to take action by mid-2026. However, some local tendencies might negatively impact the renovation wave. The translation of EPBD requirements by governments is crucial. Affordability of renovation costs and support for a just transition are essential. Achieving our emission targets depends on this.

In the spotlight

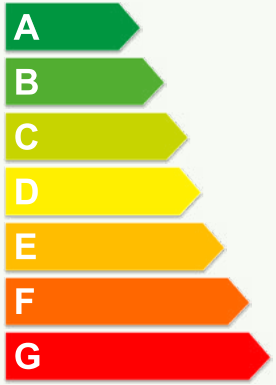
Responsible mortgage benefits

In Slovakia, clients who own a property with an EPC label A or above are eligible for a benefit in the form of one monthly instalment. Additionally, they have the option of activating property and home insurance with an ECO bonus.

In the spotlight

Facilitating the transition through tailored mortgage benefits

In Belgium, we offer several mortgage benefits to support energy transition. From the end of 2022, clients can receive an extra discount if they improve their EPC label, which encourages renovations and new EPC certificate submissions. We have partnerships to facilitate this process and offer higher financing amounts for homes with an EPC label A or new constructions, compared to less energy-efficient homes. When purchasing a non-energy-efficient home, clients are advised to budget for renovation costs. Without a feasible renovation plan and no financial room for additional renovation credit in the short term, financing may be refused. We also tightened our acceptance criteria regarding flood risk. We no longer finance the purchase of buildings with a very high flood risk.



TCFD and TNFD reports

Transport

Automotive and vehicle financing, aviation and shipping

The transport sector is responsible for around a quarter of the EU total GHG emissions.[22] Road transport accounts for the majority of these emissions, reaching up to three quarters of total transport emissions, most of which (roughly 75%) relate to passenger cars and light commercial vehicles.[23] We therefore currently predominantly focus our target scope on the finance portfolios of passenger cars and light commercial vehicles.

The automotive industry is facing a major transition due to upcoming electrification. We therefore follow developments in this sector. Our White Paper portfolio analysis for the transport sector also includes shipping and aviation, given these sectors' indisputably high GHG emissions.

Portfolio overview

Road transport

Overall, passenger car and light commercial vehicle financing accounts for around 3% of our total financed Scope 1 and 2 GHG emissions (0.5 Mt CO_2e). As of end September 2024, the amount of outstanding vehicle loans (loans and financial leasing) reached 5.1 billion euros. The outstanding book value of operational vehicle lease amounted to 1.7 billion euros. **The full overview of our sector outstanding exposures and target coverage overview is available in the Sustainability Facts and Figures: 'Environmental data and emissions'.**

Shipping and aviation

Shipping and aviation together only represented around 1% of our total loan portfolio at the end of September 2024. As of then, the outstanding amount for shipping reached 1.7 billion euros and 284 million euros for aviation. In terms of emissions, shipping and aviation together account for around 1% of our total financed Scope 1 and 2 GHG emissions (0.1 Mt CO_2e).

KBC Group's credit exposure to these sectors is mainly to sea and coastal transporters, cargo handling seaport operators, airports and aviation operators. Moreover, **the majority of this portfolio is concentrated in a relatively limited number of clients, for which we have started engagement discussions about their current and future transition plans, although without formulating a concrete target at this point in time.** For these sectors we perform a PACTA analysis on the specific subsectors of shipping operators and owners and aviation operators. For more information, we refer to Methodologies Explained: PACTA.

[22] EEA (Consulted November 2024)
[23] EEA Web Report 2024: Sustainability of Europe's Mobility Systems

Read more
- More details on our progress towards our climate-related targets
KBC's climate progress dashboard
- More details on loan volumes and financed GHG emissions
Sustainability Facts and Figures: 'Environmental data and emissions'

Portfolio climate targets

KBC has set physical emission intensity targets on the loans, financial and operational leasing of passenger cars and light commercial vehicles. For the time being we have not set climate targets for the aviation and shipping sectors as our direct outstanding exposure to respectively airline and ship operators is only around 0.3% of our total loan portfolio. No targets have been set for the automotive industry either. The reason for this is that our exposure is mostly concentrated in the automotive supplier segment, for which emission intensity is a less relevant metric. We diligently monitor the transition from internal combustion engines to electric engines for our major clients through a comprehensive screening of credit applications.

The emission intensity of our passenger car portfolio is structurally decreasing compared to our base year 2021. The biggest decrease is in our operational lease portfolio, where we record a reduction of 42% compared to our 2021 base year. We observe different rates of electric vehicle (EV) adoption across the countries in KBC Group.

Nevertheless, EVs form the majority of all new vehicles financed in KBC Group. This is in line with our 2030 targets. In the light commercial vehicle portfolio this decrease is more gradual (-5% compared to base year 2021) and mainly due to slow increase in the availability of electrified vans.

Targets

Transport climate targets and progress

Passenger cars and light commercial vehicles		2021 Baseline (g CO_2/km)	2024 Progress (g CO_2/km)	2024 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	124	134	81	0
	% change		-11%		-42%	-100%
Light commercial vehicle loan and financial leasing	Aggregated KBC Group target	208	205	204	145	33
	% change		-1%		-30%	-84%
Passenger cars operational leasing	Aggregated KBC Group target	133	77	128	25	0
	% change		-42%		-81%	-100%
Light commercial vehicle operational leasing	Aggregated KBC Group target	196	186	192	132	19
	% change		-5%		-33%	-90%

Portfolio actions and portfolio steering

As a leading bank in our core markets, KBC has an important role to play in financing road transport activities. Consequently, **our role affords us an important lever to support the decarbonisation of this sector.**

In our core markets, we take practical portfolio actions by stimulating clients to shift to electric vehicles. One of the ways we do this is by offering advantageous financing schemes, including beneficial insurance coverage terms for electrical vehicles. We also support our clients in making informed choices about switching from a combustion engine to electric vehicle.

Concerning road freight transport, KBC no longer finances trucks that do not meet EURONORM VI, at a minimum, within Europe.

Road transportation is a fast-evolving topic. We therefore closely monitor the sector in terms of technological developments, trends and regulatory changes. When necessary, we update our approach and roadmap accordingly. For example, we are closely monitoring the developments in drive train technologies for heavy-duty vehicles and the needed infrastructure. Once technological progress is sufficiently mature, we foresee offering the essential support and financing to our clients for these low-carbon alternatives.

In 2023, we also started the collection of climate-relevant data from our clients from the shipping and aviation sub-sectors (including port and airport infrastructure). At that time, we also analysed the physical and transition risks for these sectors, to be better equipped to support to our clients in their transition efforts.

> The electrification of KBC Autolease's vehicle fleet in Belgium is rapidly growing. Today, 90% of new orders is for electric and electrified vehicles. As a result, they now account for more than 50% of our driving fleet. Within two years, electric vehicles are expected to comprise approximately 90% of our fleet. By comparison, barely five years ago, diesel and gasoline vehicles accounted for 95% of our fleet. Meanwhile, the importance of bicycle leasing also continues to grow. KBC Autolease closed 2024 with a fleet of more than 33 000 bicycles.

WANNES VERMOST
CEO of KBC Autolease

Agriculture

Around 11% of the total GHG emissions in Europe originates from the agricultural sector.[24] The sector is unique in the sense that most emissions result from biological processes. Additionally, the sector is particularly vulnerable to climate change, while at the same time being a major source of GHG emissions. Similarly, the sector is both dependent on biodiversity and ecosystem functioning as well as contributing to biodiversity loss.

Portfolio overview

In KBC, our outstanding loan exposure for the total agricultural sector (including forestry, hunting, fishing and landscape services) amounts to 5.7 billion euros, representing around 3% of the total loan portfolio as of 30 September 2024. Although it has a relatively small share in our loan portfolio, **the total associated financed Scope 1 and 2 emissions represent a significant 38% (6.0 Mt CO_2e) of our total financed Scope 1 and 2 emissions. The majority of this portfolio is composed of mixed, arable and cattle farming.**

In this portfolio, 90% of the exposure and 92% of the financed Scope 1 and 2 GHG emissions are in scope of our below-outlined targets. The full overview of our sector outstanding exposures and target coverage overview is available in the Sustainability Facts and Figures: 'Environmental data and emissions'.

Portfolio climate targets

Though we have many 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 financed GHG emissions. In the meantime, we are working continuously to improve emission data quality, particularly for the most emission-intensive sub-sectors in our agriculture loan portfolio.

The financed emission intensity of the sector has dropped significantly. Each year's progress measurement is based on measurements performed using the PCAF Global Standard. For more detail, we refer to the Sustainability Statement of the Annual Report. Several factors contributed to this year's measurement of the overall portfolio

Targets

Agriculture climate targets and progress

Agriculture	2021 Baseline (t CO_2e/m euros)	2024 Progress (t CO_2e/m euros)	2024 KBC pathway value (EU NGFS Phase 2 – Below 2°C)	2030 Target[1]	2050 Target[1]
Aggregated KBC Group target	1 405	1 059	1 305	-21%	-34%
% change		-25%			

[1] The financial targets have not been inflation adjusted.

[24] EEA (Consulted November 2024).

Read more
- More details on our progress towards our climate-related targets
KBC's climate progress dashboard
- More details on loan volumes and financed GHG emissions
Sustainability Facts and Figures: 'Environmental data and emissions'

evolution. These include the implementation effects of the PCAF Global Standard itself, such as the updating and inflation-adjustment of emission factors, alongside portfolio evolutions and improvements in emissions data quality. Notwithstanding these data quality improvements, we highlight that we remain confronted with an overall lower quality in our measurements, as reflected through our PCAF quality level scoring. Moreover, actual inflation does not necessarily correspond to inflation assumptions made at the time that we set targets. Any subsequent revision of our targets will reflect experience gained from such measurement observations.

Portfolio actions and portfolio steering

Our focus is on increasing the resilience of the agricultural sector against the effects of climate change. Furthermore, we aim to steer this portfolio in the direction of reducing our climate impact.

Agriculture is immediately impacted by extreme weather conditions such as flooding, drought, storms and extreme heat. For this reason, we want to increase awareness among farmers through one-to-one dialogues.

In our conversations, we receive first-hand input from our clients on their farming facilities. The carbon-footprint calculators we have developed in some countries are excellent tools that allow clients to gather insights on the emissions of their activities. They also receive suggestions about how to reduce their carbon footprint. In a subsequent step, we support our clients in adopting renewable energy production systems and provide more insight into how to implement them in their facilities. Finally, in these discussions we focus on other relevant topics, like climate-related physical risks and other environmental issues such as enteric emissions of cattle.

In the spotlight

Client in the picture - Koeweidehof

Koeweidehof – a long-standing client of KBC – is in many ways a sustainability pioneer in the agricultural sector and strives to have as low as possible GHG emissions. We are proud to have been able to support Koeweidehof's journey towards increasingly sustainable operations over the years. KBC has supported the farm with financing for various projects, many of which have contributed to the sustainability of its overall operations. This includes financing for the installation of a fermenter and solar panels, which enables the farm to run entirely on green energy produced on-site. Other investments that contribute to increased sustainability are, for example, the implementation of automation systems and customised animal feeding systems. In 2024, Koeweidehof invested in a milk processing plant Lely Orbiter, enabling on-site process of their own milk into niche products for the retail market. KBC has backed this development by supporting in the financing of infrastructure and related investments.

TCFD and TNFD reports

Apart from its climate impact, agriculture has a substantial impact on other environmental domains. In view of this, our White Paper analyses include several challenges other than climate change.

This year, we explored the challenges created by nitrogen emissions and water scarcity. Nitrogen emissions, mainly from cattle farming, have a significant negative impact on human health, land and aquatic ecosystems. In Flanders, where the majority of KBC's agricultural portfolio is located, this impact has led to the development of additional regulation on farming. We are discussing the implications of this new regulation with our clients and strive to assist farmers where needed.

In the spotlight

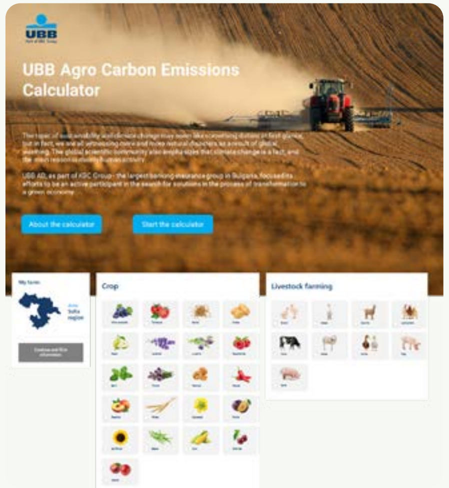
Greenhouse gas calculators in the agricultural sector

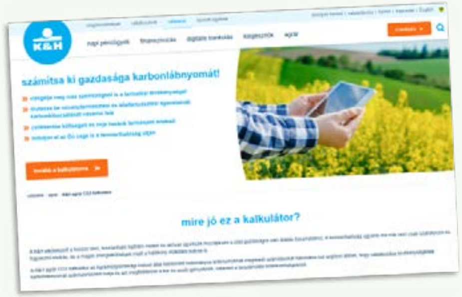
We have GHG calculators for the agricultural sector in several core countries. These tools are instrumental in helping farmers measure and manage their carbon footprint, thereby steering their operations towards greater sustainability. Moreover, they help us in gathering data and enhancing our understanding of our financed agricultural emissions.

In 2024, UBB further developed its digital tool, the UBB Agro Carbon Emissions Calculator, in collaboration with the Institute for Agricultural Economics in Sofia. This advanced tool now includes the capability to calculate the carbon emissions for two additional crops, lavender and alfalfa. The calculator generates detailed reports with tailored recommendations, providing invaluable insights for farmers.

K&H's agricultural GHG calculator, which went live at the end of 2023, stands out as a unique solution in the market. Developed in collaboration with the Institute of Agricultural Economics HU, this tool is available free of charge on our website. The calculator features both crop and livestock modules, providing significant assistance for the sustainability journey of farms. Using it improves farm competitiveness and supports the conscious use of energy. It has received several awards since its launch.

These GHG calculators exemplify our commitment to reducing the environmental impact of agriculture, fostering resilience against climate change, and supporting the sustainable development of the sector across our core countries.





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PSI Sustainable Insurance Progress Statement

Food and Beverages

The food and beverages sector is highly diverse as it accommodates all types of manufacturing processes from basic agricultural products to packaged food, bottled beverages, dairy, meat, fish and bakery products. This sector requires a significant amount of energy, and rising energy prices have led to efforts to optimise process efficiency. Additionally, the food and beverages sector faces climate-related physical risks due to its reliance on agriculture. Disruptions in the agriculture supply chain can affect the entire food production and processing industry.

Portfolio overview

KBC's portfolio for this sector represents around 2% of the total loan portfolio. As of 30 September 2024, the amount of outstanding loans amounted to 4.8 billion euros. In terms of emissions, **food and beverages account for around 3% of our total financed Scope 1 and 2 GHG emissions (0.4 Mt CO_2e).**

For the time being we have not set climate targets for the food and beverages sector. The reason for this is that the heterogeneity of the sector does not allow for the definition of a consistent and uniform, climate-relevant metric.

Portfolio actions and portfolio steering

We support our clients in this sector in the domain of energy optimisation. This fits within KBC's general approach of promoting and supporting renewable energy and energy-saving solutions. Also, because of the sector's dependency on agriculture, we are closely monitoring climate-related physical risks (e.g. water stress or extreme heat) in the agrifood sector and the potential impacts these can have on our clients in the food and beverages sector. **Our ultimate goal is to serve as a partner in our clients' transition journey and support them in creating a resilient and sustainable business model.**

Furthermore, **the food and beverage sector plays a key role in combatting** deforestation **and** plastic pollution. This year, we addressed both topics in separate thematic White Papers.

Read more
- More details on our progress towards our climate-related targets
  KBC's climate progress dashboard
- More details on loan volumes and financed GHG emissions
  Sustainability Facts and Figures: 'Environmental data and emissions'

TCFD and TNFD reports

In the spotlight

Sustainability-linked loan: What's Cooking?

KBC acted as the sustainability coordinator for the conversion of syndicated loan facilities to sustainability-linked facilities for our client, 'What's Cooking?'. 'What's Cooking?' is an innovative European fresh, savoury foods group headquartered in Belgium, with commercial operations across Europe and beyond. The group strives to be a leader in sustainability within its sector.

The sustainability-linked loan reflects this commitment. The loan links the interest margin on its facilities to specific sustainability targets:

- A reduction of Scope 1 and 2 emissions by 50% by 2030
- A 30% reduction in water withdrawal per ton of products by 2030
- An increase in suppliers with a minimum rating by Ecovadis.

The achievement of these sustainability goals will directly influence the interest margins. Lenders will apply a discount to the existing margin or impose a penalty depending on performance against the set targets. As the sustainability coordinator, we advised the company on selecting the KPIs and targets and assisted in negotiations with the other banks in the syndicate.

Thematic white paper: deforestation

Rationale

Global awareness of the impact of deforestation on climate and biodiversity is increasing and the production of forest commodities is under mounting scrutiny. This has led to increasing legislation, disclosure requirements and scrutiny of deforestation-free financing.

A clear assessment establishing which KBC clients are involved in the forest commodities value chain is needed to address these challenges. To achieve this, we authored a White Paper on the subject with the following objectives:

1. Identify sectors and clients who use forest commodities
2. Assess the impact of the EU Deforestation Regulation (EUDR) on such clients
3. Propose mitigating actions and opportunities.

This year, KBC updated its Biodiversity policy with additional requirements for producers and traders of forest commodities. The policy aims to complement the EUDR and therefore sets minimum requirements for activities outside of the EU.

Scope

The White Paper focused on commodities with the highest impact in terms of deforestation, such as palm oil, soy, beef, cocoa, coffee, wood and natural rubber. We created a heatmap to identify sectors with clients involved in these commodities. Since most of them are important food ingredients, the agriculture and food and beverage sectors were identified as the most important. Additionally, building and construction (wood) and chemicals (palm oil and rubber) were also identified as relevant. Yet, identifying individual clients in the forest commodities' value chain is challenging as sector classifications do not necessarily reflect the usage of certain forest commodities.

Findings

Our findings are based on the input we received from clients and sector federations in each core country. The complexity, heavy due diligence requirements and short implementation period of the EUDR will most likely increase operational costs for clients and might lead to temporary non-compliance. These challenges are particularly important for smaller companies. However, this analysis was conducted before the decision of the EU to postpone the deadlines of the regulation.

Actions

The White Paper resulted in a set of actions aimed at:

- Mitigating deforestation risk by targeting high-risk sectors and clients
- Gradually increasing the availability of deforestation-related data on KBC clients
- Mitigating EUDR related challenges by informing clients in scope of the regulation.

An example of an EUDR awareness-raising campaign is UBB's organisation of a client event dedicated to food, packaging and the related topic of deforestation regulation for the relevant sectors.

> We held an event for food and packaging sector clients and aired an introductory video on the EUDR. It caused quite a stir and lively debate, but was considered as very useful information by everyone participating.

KALINA KISYOVA
General Manager Corporate and SME Product and Business Development

TCFD and TNFD reports

Building and Construction

The European building and construction sector accounts for 5–12% of national GHG emissions. This comprises activities such as material extraction, manufacturing of construction materials, as well as construction and renovation of buildings.[25] Within the building and construction sector, the production of cement forms the single largest source of emissions. The direct emissions from cement production form approximately 27% of industrial emissions worldwide.[26]

Portfolio overview

KBC's portfolio for the building and construction sector represents around 5% of the total loan portfolio. As of 30 September 2024, outstanding loans amounted to 9.8 billion euros. In terms of emissions, **the building and construction sector accounts for around 2% of our total financed Scope 1 and 2 GHG emissions (0.3 Mt CO_2e). Within this portfolio, 0.2% of the exposure and 24% of the financed Scope 1 and 2 GHG emissions are in scope of our below-outlined target on cement producers. The full overview of our sector outstanding exposures and target coverage overview is available in the Sustainability Facts and Figures: 'Environmental data and emissions'.**

Targets

Cement climate targets and progress

Cement	2021 Baseline ($t\ CO_2e/t$ cement[1])	2024 Progress ($t\ CO_2e/t$ cement)	2024 KBC pathway value (PACTA Global IEA ETP 2020 SDS) ($t\ CO_2/t$ cement)	2030 Target	2050 Target
Aggregated KBC Group target[2]	0.69	0.62[3]	0.65	0.58	0.22
% change		-9%		-16%	-68%

[1] The metric was previously defined as $t\ CO_2/t$ produced material, not including non-CO_2 GHGs. We used emission-intensity data from Asset Impact (or its legal predecessors) to calculate the portfolio's emission intensity with the PACTA methodology. However, the 2024 Asset Impact made it clear that emission indicators we used have always covered both CO_2 and non-CO_2 GHGs. The PACTA documentation was thus incorrect. To align the metric definition with the underlying data scope we now use the metric $t\ CO_2e/t$ produced material. Since CO_2 is the main GHG from cement production, using CO_2, CO_2e, and GHG interchangeably does not affect our climate targets. Our targets remain in $t\ CO_2/t$ cement, matching the climate scenario benchmark metric.
[2] We factor in corporate industrial counterparties only, excluding SME portfolios.
[3] Data source: Asset Impact physical asset-level data and client data. We compare Asset Impact data with publicly and/or bilaterally disclosed data from our clients. In the event of discrepancies between the two sources, we request accurate and up-to-date data from Asset Impact and our clients.

[25] European Commission (consulted November 2024).
[26] IEA (consulted November 2024)

Read more

- More details on loan volumes and financed GHG emissions
  Sustainability Facts and Figures: 'Environmental data and emissions'

Portfolio climate targets

KBC has a relatively small and concentrated lending exposure to the cement sector and we therefore base our climate targets on granted exposure to the sector. Yet, we have set a physical GHG-intensity reduction target for this sector given its unequivocal climate impact. For the time being, we have not set climate targets for the remaining portion of the building and construction sector. The reason for this is that the heterogeneity of sub-sectors does not allow for the definition of a consistent and uniform climate-relevant metric.

The cement sector is one of the hard-to-abate industries, but despite this we note a first decrease in our portfolio emission intensity. This decrease is a combined result of our investments in better data quality (in turn leading to an improved accuracy of our calculations), as well as the fact that one of the largest clients in our cement portfolio showed an improved emission intensity compared to last year. This improvement is an embodiment of this company's public commitment to decarbonize its cement-producing activities and has set out a decarbonization strategy to support its target implementation. The progress made in 2024 reflects this evolution.

Portfolio actions and portfolio steering

KBC uses its climate targets to steer customer engagement discussions and to benchmark existing clients' GHG-reduction progress. Since 2022, new clients in the cement sector are only onboarded if their transition plans are in line with our climate target.

In 2023, our White Paper mainly focused on the cement sub-sector and on other building and construction sub-sectors such as contractors, construction companies and finished building material producers. For these sub-sectors, the integration of circularity principles forms one of the main decarbonisation routes.

In the spotlight

Financing infrastructure in Belgium

KBC played an important role in the financing of the second largest construction site in the Flemish Region, i.e. project BRAVO4, which entails the conversion of the ring road around Ghent, Belgium, into primary roads. KBC acted as second largest lender, and largest Belgian lender in a syndicate of 12 funders.
The construction began in 2024 and is expected to continue until 2031, after which the maintenance period of 30 years starts.
This public-private partnership project aims to improve liveability, traffic safety and mobility in the Ghent port area and includes 20 kilometres of new cycle paths. The project is financed in accordance with the Equator Principles.

TCFD and TNFD reports

In the spotlight

Financing a circular waste treatment plant in Bulgaria

UBB will finance a mobile construction waste processing plant for Glavbolgarstroy, the country's largest construction company. The treatment plant will be used for the recovery and recycling of Construction and Demolition Waste (CDW), enabling the company to repurpose construction waste into building materials. Notably, this plant is the first of its kind in Bulgaria. It is expected to process and recycle around 55 000 tonnes of CDW into around 49 500 tonnes of recycled materials per year. Consequently, the plant will significantly reduce the reliance on virgin construction materials.

The main base of the installation will be in Sofia, however given its mobility, the installation will also be able to move to other cities in Bulgaria and neighbouring countries. The investment will be completed in the first half of 2025.

TCFD and TNFD reports

Metals

Within the metals sector, we focus on two sub-sectors: steel and aluminium. The steel industry accounts for around 8% of total energy system emissions.[27] The aluminium sub-sector contributes around 3% of the world's direct industrial CO_2 emissions.[28]

Portfolio overview

KBC's portfolio for the metals sector represents around 1% of the total loan portfolio. As of 30 September 2024, outstanding loans to this sector amounted to 3.0 billion euros. In terms of emissions, **the metals sector accounts for around 3% of our total financed Scope 1 and 2 GHG emissions (0.5 Mt CO_2e).**

Steel sector

KBC's outstanding exposure in the steel sub-sector at group level is 0.1% of the loan portfolio. The sector makes up around 2% of our total financed Scope 1 and 2 GHG emissions. This corresponds to 0.4 Mt of CO_2e.

Aluminium sector

Our loan exposure to the aluminium sub-sector is minor. It represents approximately 0.01% of KBC Group's total outstanding loan portfolio. The total financed Scope 1 and 2 GHG emissions from this sub-sector amount to around 0.1% of our total **financed Scope 1 and 2 GHG emissions**, or approximately 0.01 Mt of CO_2e.

[27] IEA Report - Emissions Measurement and Data Collection for a Net Zero Steel Industry (2023). The main GHG released from the steel production is CO_2. Also, emissions measured in tonnes of CO_2 and tonnes of CO_2e are roughly the same. Therefore, we use the terms CO_2, CO_2e and GHG interchangeably in this section of the report.
[28] IEA (Consulted November 2024).

Read more

- More details on loan volumes and financed GHG emissions

Sustainability Facts and Figures: 'Environmental data and emissions'

Portfolio climate targets

Given their climate impact, we have set targets for the steel and aluminium sub-sectors, despite KBC's relatively small and very concentrated lending exposure. We base our targets for these sectors on the granted exposure considering the small and particularly concentrated nature of the portfolios. For the steel sector, we set a physical GHG intensity-reduction target. For the aluminium sector, we currently have a qualitative target in place. We are not setting climate targets for the remaining portion of the metals sector for the time being. The reason for this is that the heterogeneity of sub-sectors does not allow for the definition of a consistent and uniform climate-relevant metric.

Our calculated carbon-emission intensity of our aluminium portfolio is far lower than that of the global market. In 2024, our already-low t CO_2e emission per aluminium production decreased even further. While this evolution was entirely due to an improvement in the quality of the underlying client data used, it still solidifies the limited, indirect climate impact of this portfolio and dedication to stay well below the global emission-intensity level of the sector.

Targets

Steel climate targets and progress

Steel	2021 Baseline (t CO_2e /t steel[1])	2024 Progress (t CO_2e/t steel)	2024 KBC pathway value (PACTA Global IEA ETP 2020 SDS) (t CO_2/t steel)	2030 Target	2050 Target
Aggregated KBC Group target[2]	1.34	1.50[3]	1.27	1.15	0.59
% change		+12%		-14%	-56%

[1] The metric was previously defined as t CO_2/t produced material, not including non-CO_2 GHGs. We used emission-intensity data from Asset Impact (or its legal predecessors) to calculate the portfolio's emission intensity with the PACTA methodology. However, the 2024 Asset Impact made it clear that emission indicators we used have always covered both CO_2 and non-CO_2 GHGs. The PACTA documentation was thus incorrect. To align the metric definition with the underlying data scope we now use the metric t CO_2e/t produced material. Since CO_2 is the main GHG from steel production, using CO_2, CO_2e and GHG interchangeably does not affect our climate targets. Our targets remain expressed in t CO_2/t steel, matching the climate scenario benchmark metric.
[2] We factor in corporate industrial counterparties only, excluding SME portfolios.
[3] Data source: Asset Impact physical asset-level data and client data. We compare Asset Impact data with publicly and/or bilaterally disclosed data from our clients. In the event of discrepancies between the two sources, we request accurate and up-to-date data from Asset Impact and our clients.

Aluminium climate targets and progress

Aluminium	2021 Baseline (t CO_2e/t aluminium)	2024 Progress (t CO_2e/t aluminium)	2030 Target	2050 Target
Aggregated KBC Group target[1]	0.59	0.21	Stay well below the global sectoral intensity climate benchmark	
% change		-63%		

[1] We factor in corporate industrial counterparties only, excluding SME portfolios.

Our steel portfolio progress assessment of last year showed a relatively stagnant portfolio emission intensity. This year, we observe a small decrease as some individual company emission intensities indicated better emission performance compared to last year.

However, due to our portfolio being significantly concentrated towards one major corporate group, the emission intensity of this entity remains a crucial determinant of the portfolio's overall emission intensity. In 2023, the observed emission intensity of this corporate group remained stable. This corporate group has implemented a net-zero action plan, which includes a steel production technology roadmap and associated capital expenditure impacts. Engagement discussions are ongoing to support them in their overall transition journey.

While this commitment is reassuring, it is important to note that the targets we expressed in our 2022 Climate Report were aligned with the climate plans of the companies within the scope of our target.

Therefore, any delays in these climate plans will inevitably impact the progress we make towards our target. Currently, there is perceived delay in the critical capital expenditure plans of the company towards achieving net-zero steel production. We will continue to engage with our clients to support sustainability-linked investments as they navigate their significant transition challenges.

Portfolio actions and portfolio steering

The steel and aluminium sectors both belong to the hard-to-abate industries. We base ourselves on client transition plans and climate action strategies to steer our steel and aluminium portfolios in the right direction. KBC uses its climate targets to steer customer engagement discussions and to benchmark existing clients' GHG-reduction progress. Since 2022, new clients are only onboarded if their transition plans are in line with our climate target.

KBC continues to pursue its climate targets in the steel and aluminium sectors. We do this mainly through our lending policy and through customer engagement. For that reason, we are closely following technological evolutions on decarbonisation, circularity and pollution minimalisation routes in the sector and assessing how our clients navigate them.

Read more

- More details on our progress towards our climate-related targets
  KBC's climate progress dashboard
- More details on loan volumes and financed GHG emissions
  Sustainability Facts and Figures: 'Environmental data and emissions'

TCFD and TNFD reports

Chemicals

The chemical sector plays a critical role in the climate transition as it provides a wide range of raw materials and commodities for other industries. It is the largest industrial energy consumer and the third-largest industrial sub-sector in terms of direct global CO_2 emissions.[29] Additionally, the chemical sector indirectly affects the environment through the use and disposal of chemical products, as it supplies various other industries.

Portfolio overview

KBC's outstanding loan exposure to the chemical sector amounts to 2.7 billion euros, which accounts for 1% of KBC's lending portfolio. **The associated financed Scope 1 and 2 GHG emissions represent around 2% (or 0.3 Mt of CO_2e) of KBC's total financed Scope 1 and 2 GHG emissions.**

For the time being, we have not set climate targets for the chemical sector. The reason for this is that the sector is quite diversified. Also, the production-based emission intensity characteristics differ greatly based on the process and the sub-sector. This, therefore, does not allow to define a uniform climate-relevant metric for this sector.

Portfolio action and portfolio steering

As mentioned earlier, our portfolio in the chemical industry is quite diverse, including several sub-sectors. Current sectoral decarbonisation pathways for the chemical sector are not designed to address this type of heterogeneity, which makes portfolio steering a challenging undertaking.

Yet, there are several decarbonisation routes the industry can follow. **KBC stands ready to support its clients through engagement dialogues and financing schemes to integrate these sorts of solutions into their processes.**

Some examples of potential solutions are shifting to alternative feedstocks, like hydrogen or biomass or operating with renewable energy sources. Other options are adopting carbon capture and storage technologies or integrating circularity principles. Also, as a part of the solution, several businesses share infrastructure, such as utility supply and site services to obtain economies of scale in 'chemical hubs'. Such hubs improve access to renewable energy solutions and lower entry levels for innovative carbon reduction technologies. We continue to support our clients' businesses on their decarbonisation route and motivate them to explore technological advancements.

We also focus on soil and water pollution problems caused by the chemical industry, particularly plastic and PFAS pollution. We investigate the legal, reputational and business risks the industry might face. Reducing pollution can be achieved in a number of ways, including by integrating circularity and using recycled materials. We monitor technological developments and changes in the chemical sector. For example, plastics manufacturers have recently faced significant changes due to legal, reputational and other pressures, prompting us to analyse plastics packaging as a separate White Paper topic in 2024.

Read more

- More details on loan volumes and financed GHG emissions

Sustainability Facts and Figures: 'Environmental data and emissions'

[29] IEA (consulted December 2024). Direct CO_2 emissions include energy and process emissions. Primary chemicals include ethylene, propylene, benzene, toluene, mixed xylenes, ammonia and methanol.

Thematic White Paper: Plastics Packaging

Rationale for initiating this White Paper

The plastics manufacturing is a rapid-growth area within the chemical industry. Plastics are extensively used in, for example, packaging, the automotive industry, textile and electronics, due to their lightweight, versatility and cost-effectiveness.

Approximately 40% of plastics are used for packaging, especially in the food and beverages industries, where they help prevent food waste and reduce emissions compared to glass and metal. However, this also results in significant waste. As demand for plastics increases, businesses that produce or use plastics face reputational and regulatory pressures to reduce or eliminate plastic use.

Moreover, there is an increasing number of bans, taxes and regulations (e.g. the EU Single-use Plastics Directive and Packaging and Packaging Waste Regulations, EU Plastic Levy) directed at banning or limiting certain types of plastic packaging and encouraging the use of recycled or reusable plastics. We expect that the plastic value chain (raw material suppliers, plastic manufacturers, plastic users and waste management companies) will be greatly affected by these developments.

This White Paper aims to provide an overview of upcoming legislative and disclosure requirements affecting the plastic packaging industry, assessing their potential impact on our business and clients.

Which sectors are impacted by this theme?

We focus on the chemical industry, more specifically on the plastic packaging sub-sector, and the food and beverage industry, where packaging is extensively used.

What were the most important findings and conclusions of the White Paper?

Our analysis shows that the upcoming legislative changes will likely firmly reshape the plastic packaging industry in the next decade. Companies, either as producers or users, face increasing pressure to disclose information about their plastic packaging, especially regarding the use of virgin or recycled feedstock. Non-compliance with these legislations or disclosure requirements could result in reputational and litigation risks.

Despite the EU's push for transparency and product transformation, there is still a lack of clarity on the implementation, technicalities and exact requirements. This makes it challenging to assess the short- and medium-term impacts on our clients and KBC.

Have we initiated any actions?

In 2023, we began client engagement discussions with plastic packaging manufacturers. In the context of this White Paper, we engaged with the Food and Beverage industry—comprising frozen food producers, large supermarket chains and sellers of meat, fruit and vegetables—to gain insights into sector dynamics and changes in the market. We also contacted sectoral organisations within the chemical and food industries as well as waste management entities, to understand the challenges faced by these sectors. We did so in order to identify the impacts, risks and opportunities and enhance the support for our clients.

Investment portfolio assessment

KBC aims to reduce its indirect climate impact by reducing the GHG intensity of its investment portfolios. This is true for the investments we make on behalf of our clients and our own investments. To track our progress on this goal, we have assessed the GHG intensity of our investment portfolios since 2020 using the Trucost methodology and data.

In this section, we discuss the main outcomes. Specifically, we do so for the investment products offered by KBC Asset Management, KBC Insurance's own investments and the investments of *Pensioenfonds KBC*. For each of these portfolios we discuss the equity, corporate and government bond portfolios, comparing our own portfolios to predefined market benchmarks. Additionally, we include the GHG emission intensity of KBC Bank's own sovereign bond portfolio for the first time in this section.

Read more

- More information on sustainable investing
  'Sustainable Investing'
- Details on the results and methodology to map the climate impact of our investment portfolios
  KBC Group Annual Report: 'Sustainability Statement'
- More information on our climate-related impact from investment portfolios
  Sustainability Facts and Figures: 'Environmental data and emissions'

Investment products offered by KBC Asset Management

Equity and corporate bonds

KBC Asset Management has set a target for lowering the (Scope 1 + 2) GHG intensity of the corporate investees in RI funds by 50% by 2030, compared to end-of-2019 reference values. **Since 2024, we added an additional relative GHG-intensity target for corporate investees at the management level of each individual Responsible fund.** The GHG intensity of an individual Responsible fund must always be 15% lower than the current GHG intensity of its market benchmark. The target of a 50% reduction by 2030 and the relative target as compared against the current market reference are both monitored. The most stringent of the two targets will be applied. For more details on the target and methodology, please refer to the part on 'Responsible investing on behalf of our clients'.

The GHG intensity of our equity and corporate bonds investments has decreased since 2019. Moreover, we have benchmarked our funds and mandates against broad market benchmarks such as MSCI All Countries World Index (equities) and Iboxx EUR corporates (corporate bonds). **This benchmarking has demonstrated that our funds and mandates have lower GHG intensity measures than such market benchmarks.**

KBC's RI funds have generally recorded low weighted-average GHG intensity scores. This is due to our responsible investing methodology incorporating ESG portfolio targets, such as a GHG intensity reduction target in the Responsible funds, and to an even stricter policy regarding fossil fuels that excludes the extraction and burning of fossil fuels to produce electricity.

Government bonds

The assessment of our government bond portfolio suggests that the GHG 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, Hungary and the Czech Republic.

The GHG intensities of our RI funds are lower compared to conventional funds investing in government bonds, reflecting the relative GHG target at the portfolio level, our exclusion policies, and the fact that these funds are mainly geared to lower GHG-intensity eurozone sovereigns.

Target

Responsible funds climate targets and progress

Indicator	2019 Benchmark	2023[1]	2024[2]	2030 Target
GHG intensity (Scope 1 + 2) of corporate investees in Responsible funds (t CO_2e/million USD revenue)	196	48 (-75%)[3]	55 (-72%)[3]	98 (-50% versus 2019 benchmark)[3]

[1] End-of-year data
[2] Data as of 30 September 2024
[3] The responsible investing methodology introduced in 2022 assigns a 50% GHG intensity reduction target to Responsible funds versus their specific reference portfolio value at year-end 2019 (target being 98 t CO_2e/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. At year-end 2024, as in 2023, the Responsible funds' combined score on GHG intensity was 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. 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.

Read more

- More information on our targets per fund
  ICB: Overview of the ESG carbon intensity and sustainable development targets per fund
- More information on the actual emission levels for each fund
  KBC Fund Finder

Own investments of KBC Insurance

We have calculated the weighted average GHG intensity of KBC Insurance NV's own (standalone) investments since 2021. In 2023, we set targets for the Scope 1 and 2 emission intensity of the combined equity and corporate bond portfolio of KBC Insurance consolidated. KBC Insurance consolidated represents all insurance entities within KBC Group: KBC Insurance NV and its subsidiaries Group Re, ČSOB Pojišťovna Czech Republic, ČSOB Poisťovňa Slovakia, DZI and K&H Insurance.

In practical terms, we aim to achieve a 25% reduction in GHG intensity of the equity and corporate bond portfolio of KBC Insurance consolidated by 2025, compared to the 2019 level. Moreover, we aim to achieve a 40% reduction by 2030 compared to 2019.

An overview of the targets and our progress towards our targets can be found in the table below. The table is based on the results derived from the Trucost calculations.

Equity and corporate bonds

Our calculations show that since 2019, we have made a consistent progress towards our targets. This is the result of various actions and the sustained execution of our GHG reduction strategy. For example, we excluded new investments in thermal coal and fossil fuel. Also, since 2024 we have further tightened our exclusion criteria, leading to an extra decrease in emission intensity.

The calculations show that the combined equity and corporate bond portfolio of KBC Insurance consolidated is substantially lower than its combined benchmark. We use MSCI All Countries World Index as the benchmark for the equity portfolio and Iboxx EUR Corporates for the corporate bond portfolio. The 2024 GHG intensity of the combined equity and corporate bond portfolio is 75% lower than the benchmark portfolio.

At the same time, we are aware that this decreasing trend will not necessarily continue nor remain linear. Our current asset allocation is overweighted in investments in financial institutions compared to the asset allocation in the benchmark. This means that future changes in asset allocation may result in strong fluctuations in GHG intensity even if best-in-class corporates are selected. We, however, do remain strongly committed to the predetermined reduction targets.

Government bonds

In line with its geographical activity profile, a very significant part of the government bond portfolio of KBC Insurance consolidated is invested in Belgian and Czech government bonds. The GHG-intensity score for both countries is very high. Consequently, the GHG intensity of our government bond portfolio is higher than the benchmark.

Target

Climate targets for the equity and corporate bond portfolio of KBC Insurance consolidated and progress

Indicator	2019 Baseline	2022	2023	2024	2025 Target	2030 Target
GHG intensity (Scope 1 + 2) of equity and corporate bonds portfolio (t CO_2e/million USD revenue)[1]	112	49	38	27	84	67
% Change versus baseline		-56%	-66%	-75%	-25%	-40%

[1] As part of our standard review process, 2019 baseline, 2022 and 2023 GHG intensities have undergone minor adjustments compared to previously reported figures. Due to the new 2019 baseline GHG intensity, nominal target levels were also slightly altered as targeted percentage changes versus baseline did not change.

Own investments in Sovereign Bonds of KBC Bank

In 2024, we calculated the GHG emission intensity of the own sovereign bond portfolio of KBC Bank for the first time. **The emission intensity is 623 tCO_2e/million USD of gross domestic product.**

The GHG intensity of the sovereign bond portfolio exceeds that of its EMU benchmark. This is mainly due to significant exposures in our core countries, specifically in Czech Republic and Belgium, which have relatively high carbon intensities.

Pensioenfonds KBC investments

Pensioenfonds KBC manages the supplementary pensions of our Belgium-based staff. Our calculations show an overall decline in GHG intensity in its investments.

Equity and corporate bonds

The GHG intensity of corporates has seen a sizeable decrease in 2024 as measured by both the MSCI All Countries World Index (-9.9%) for equity markets, and the iBoxx Euro Corporates index (-21.7%) for corporate bonds. Furthermore, they have seen strong decreases compared to 2019, -62% and -43%, respectively. The GHG intensity of the portfolio of *Pensioenfonds* KBC was approximately 65% lower than the composite benchmark at the end of September 2024, and approximately 10% lower compared to 2023. **Overall, the GHG intensity for equity and corporate bonds has reduced by over 60% since 2019.**

Government bonds

The government bond portfolio of Pensioenfonds KBC performed slightly worse than its benchmark, standing at 112% of the JPM EMU government bond benchmark by the end of 2024. Despite this, the portfolio's GHG intensity has decreased by an annual average of 5% since 2019. The comparatively higher GHG intensity 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[30] portfolio (Poland, Slovenia, Belgium, Netherlands and Austria).

[30] The primary goal of a Liability Driven Investment (LDI) bond portfolio is to match the interest rate and inflation rate risk of the pension fund assets with that of current and future liabilities

Assessment of the insurance underwriting portfolio

In 2024, we calculated the emissions of an important part of our insurance portfolio for the second time. We used the PCAF Standard Part C for insurance-associated emissions to do so.

In particular, we calculated the insurance-associated emissions of our 'personal motor lines insurance' and 'commercial lines'[31] portfolios of KBC Group. These are the only segments currently in scope of PCAF Standard Part C. As these methods are relatively new, it is important to interpret the results with caution. KBC considers this calculation to still be in a pilot phase. More details on the methodology and differences in scope can be found in the Sustainability Facts and Figures.

The personal motor lines portfolio of KBC Group covers all private cars, motorcycles, motorhomes and private, light-commercial vehicles. In total, this portfolio consisted of 2 699 160 vehicles at the end of September 2024. According to the PCAF methodology, this represents 283 382 t CO_2e of insurance-associated emissions.

The total insurance-associated emissions for the commercial lines in KBC Group's insurance portfolio stands at 173 847 t CO_2e. Whilst the current calculations are still largely based on estimates and proxies and are influenced by associated business volumes. Table 5.10 suggests that the agricultural sector significantly contributes to the insurance-associated emissions of our commercial lines insurance portfolio.

Table 5.10: Insurance-associated emissions percentage per sector for the commercial lines insurance portfolio

Sector	Percentage of the insurance-associated emissions of the sector versus the total commercial lines portfolio
Agriculture, farming and fishing	35.2%
Oil, Gas and Other fuels[1]	14.1%
Distribution	7.1%
Services	5.8%
Automotive	5.3%
Other sectors and unknown	32.5%

[1] The emissions from the Oil, Gas and Other fuels sector account for 14.1% of the total, yet this sector represents only 0.1% of our Gross Written Premium. Biogas production is included in this sector.

As mentioned above, the results should, however, be interpreted with caution as there was limited data available for the calculations. For example, information about companies' turnover is often not available to us. The current calculations are therefore largely based on estimates and proxies.

Assessment of our capital market business lines

In December 2023, PCAF published its Facilitated Emissions Standard. It allows financial institutions to consistently measure and disclose emissions associated with capital market business lines, in particular from the underwriting of bonds and equities. As KBC is not very active in the international capital markets on behalf our large corporate clients, the portion of our portfolio subject to the PCAF Facilitated Emissions Standard relative to the outstanding exposure in our loan portfolio is only 0.46%. We therefore consider this to be immaterial and do not calculate nor publish the facilitated emissions associated with this portfolio.

[31] Commercial lines are all types of insurance purchased by companies.

Read more

- More information on the insurance-associated emissions methodology
  KBC Group Annual Report: 'Sustainability Statement'
  Sustainability Facts and Figures: 'Environmental data and emissions'
- More information on the EU taxonomy alignment of our insurance portfolios
  KBC Group Annual Report: 'Sustainability Statement'
  Our contribution to environmental objectives

Glossary

AI	Artificial intelligence	
ATM	Automated Teller Machine	
BREEAM	Building Research Establishment Environmental Assessment Method	
BRS	Belgian Raiffeisen Foundation	
CCCA	Collective Commitment to Climate Action	
CDP	Carbon Disclosure Project	
CDW	Construction and Demolition Waste	
CH4	Methane	
CO_2	Carbon dioxide	
CO_2e	Carbon dioxide equivalent	
CSR	Corporate Social Responsibility	
CSRD	Corporate Sustainability Reporting Directive	
DCM	Direct Client Money	Total assets distributed across all segments in public and non-public funds, unit-linked products as well as pension products and discretionary mandates offered to external clients.
DMA	Double materiality assessment	
EBA	European Banking Authority	
EEA	European Environmental Agency	
EFRAG	European Financial Reporting Advisory Group	
EIB	European Investment Bank	
EMU	Economic and Monetary Union of the European Union	
ENCORE	Exploring Natural Capital Opportunities, Risks and Exposure	
EPBD	European Performance of Buildings Directive	
EPC	Energy Performance Certificate	
ERIM	Environmental Risk Impact Map	
ESAP	European Single Access Point	
ESG	Environmental, Social and Governance	
	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.
ESRS	European Sustainability Reporting Standards	
EU	European Union	
EUDR	EU Deforestation Regulation	
	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.
EV	Electric vehicle	
FI	Financial Institution	
FTE	Full-time equivalent	
g	gramme	
GAR	Green Asset Ratio	
GDPR	General Data Protection Regulation	A regulation in EU law on data protection and privacy.
GHG	Greenhouse Gas	
GRI Standards	Global Reporting Initiative Standards	
GWh	Gigawatt hour	
GWP	Gross Written Premium	

Glossary

HR	Human Resources	
ICAAP	Internal Capital Adequacy Assessment Process	
ICMA	International Capital Markets Association	
ICP	Internal carbon price	
ICT	Information and Communication Technology	
IEA	International Energy Agency	
IFRS	International Financial Reporting Standards	
ILAAP	Internal Liquidity Adequacy Assessment Process	
IRM	Information Risk Management	
ISB	Internal Sustainability Board	
ISO	International Organization for Standardization	
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.
LEED Standard	Leadership in Energy and Environmental Design Standard	
LGBTQIA+	Lesbian Gay Bisexual Transgender Queer Intersex Asexual, Plus	
LMA	Loan Market Association	
M	Million	

MFI	Microfinance institution
MiFID	Markets in Financial Instruments Directive
Mt CO_2e	Mega tonnes CO_2e
MW	megawatt
N_2O	Nitrous oxide
NAPP	New and Active Products Process
NATO	North Atlantic Treaty Organisation
NGFS	Network for Greening the Financial System
NGO	Non-Governmental Organisation
NZBA	Net-Zero Banking Alliance
OECD	Organisation for Economic Cooperation and Development
OHSC	Occupational Health and Safety Committee
PACTA	Paris Alignment Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
PEARL+	Performance, Empowerment, Accountability, Responsiveness, Local Embeddedness. The plus reflects our increased focus on collaboration, on the joint development and smart copying of solutions, initiatives and ideas within the group
PFAS	Per- and polyfluoroalkyl substances
PRB	UNEP FI Principles for Responsible Banking
PSI	UNEP FI Principles for Sustainable Insurance
REITS	Real Estate Investment Trusts
RI funds	Responsible Investing funds
SASB	Sustainability Accounting Standards Board

Glossary

SDGs	Sustainable Development Goals	
SFDR	Sustainable Finance Disclosure Regulation	The SFDR introduced various disclosure-related requirements for financial market participants and financial advisors at entity, service and product levels. It aims to provide more transparency on sustainability within the financial markets in a standardised way, thus preventing greenwashing and ensuring comparability.
SLL	Sustainability-linked loan	
SME	Small and Medium-sized Enterprise	
SPV	Special Purpose Vehicle	
SSA	Supranational, Sovereign and Agency	
S.T.E.M.	Save Time Earn Money	
STiPPLE	Skills to Improve Performance Progression Learning and Employability	
t	tonne	
TCFD	Taskforce on Climate-related Financial Disclosures	
TNFD	Taskforce on Nature-related Financial Disclosures	
UN	United Nations	
UNEP FI	United Nations Environmental Programme Finance Initiative	
USD	US Dollar	

Sustainability Report

KBC Group

2024 Sustainability

Facts and Figures

Sustainability **Facts and Figures**

This report is part of our overall Sustainability Report and contains comprehensive non-financial and sustainability-related facts and figures with respect to our own operations and our portfolios. It presents information on our direct and indirect environmental impact, sustainable finance, employees, suppliers and community involvement. Additionally, it includes our sustainability targets, where applicable, and the progress made towards these targets in 2024.

We strive to provide a comprehensive overview that includes both the voluntary data from our Sustainability Report and the mandatory data from our Sustainability Statement, where applicable. Our goal is to consolidate all relevant sustainability-related information of KBC Group into one cohesive report for our stakeholders. This report is also intended to clarify any discrepancies in reporting scope between specific data points in the Sustainability Report and those in the mandatory Sustainability Statement found in the Annual Report.

Scope

In general, this report covers the KBC Group organisation as a whole. It matches the scope of consolidation used for financial information as per end of September 2024, unless stated otherwise.

For some datapoints the reporting scope in the Sustainability Report differs from the scope of the mandatory Sustainability Statement in the Annual Report. This is due, for example, to the fact that the European Sustainability Reporting Standards (ESRS) oblige us to report beyond the financial consolidation scope for certain datapoints. This means that for certain datapoints, the Sustainability Statement also includes entities that are not fully consolidated. In this report we provide more detail on the differences in scope.

Data gathering and reporting period

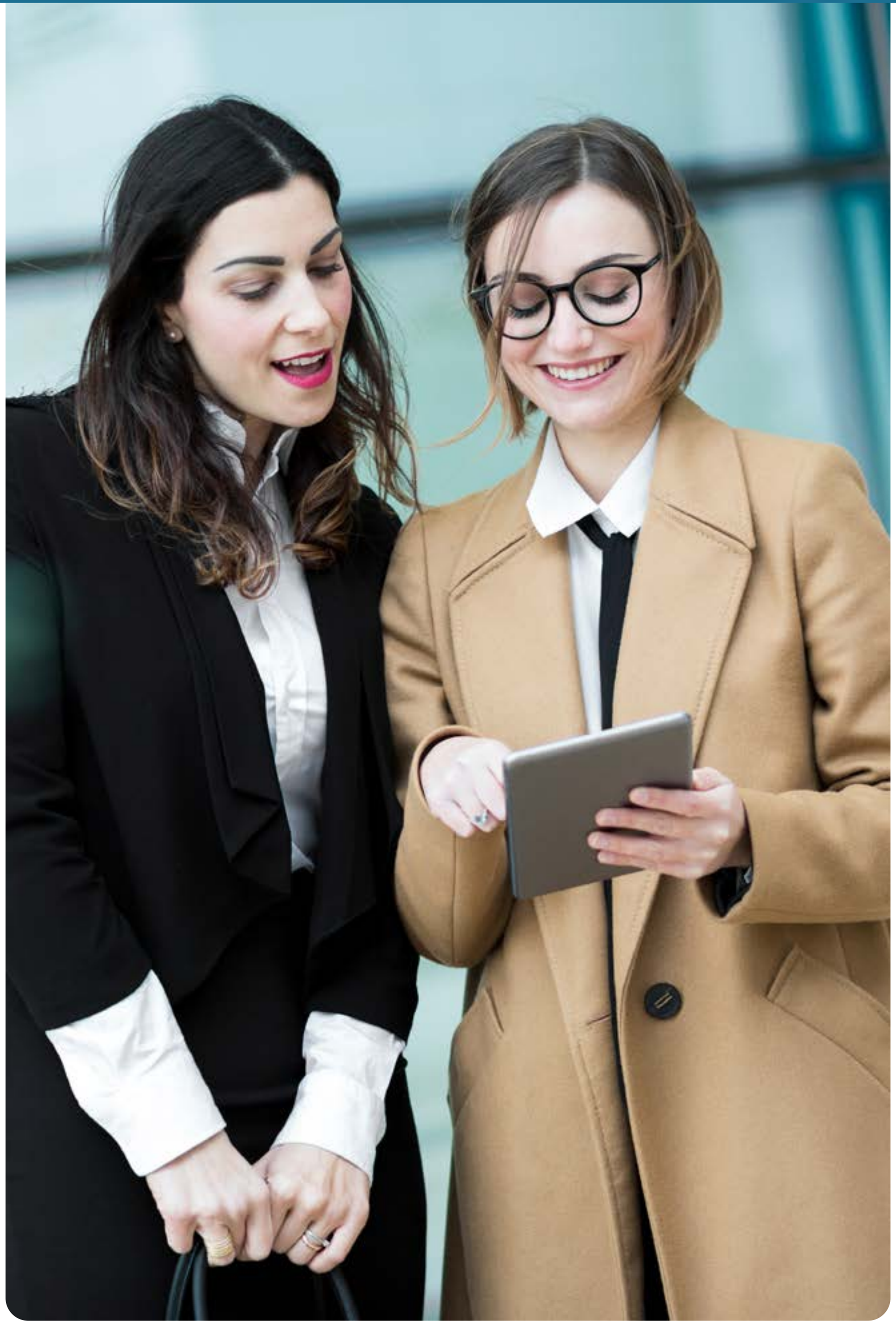
We have collected our sustainability data through a group-wide process that involves strict, hierarchical validation. All KBC entities in our core countries report on the non-financial areas of human capital, own footprint, our clients and community involvement. We gather climate-related data on our 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. A general exception applies to HR-related data, for which the reporting period for 2024 is 1 January 2024 – 31 December 2024.

External assurance

Starting in 2024, our sustainability reporting will be verified through the limited assurance of the Sustainability Statement, which is integrated in the Annual Report. This includes environmental, social and governance-related data points. Throughout this report we will indicate these data points with the adjoining symbol and refer to the Annual Report for the assurance statement. For an overview of external assurance on our own footprint and climate-related target progress in previous years, we refer to past Sustainability Reports.

Please note that we have done everything reasonably possible to avoid differences between identical datapoints included in the Sustainability Statement and the Sustainability Report. However, if there are any differences, the externally assured Sustainability Statement included in the Dutch version of the Annual Report takes precedence.



Main ESG ratings KBC Group

	ESG rating	Score and rank[1]
Climate CDP A List 2024	CDP[2]	A Leader in addressing climate change
S&P Global Sustainability Yearbook Member	S&P Global CSA Score	67/100 Top 8% of 669 banks assessed Included in the S&P Global Sustainability Yearbook
SUSTAINALYTICS	Sustainalytics	10.9 Low-risk rating 5th of 262 diversified banks assessed (3rd percentile)
MSCI	MSCI One ESG Rating	AAA Leader among 482 banks
Corporate ESG Performance Prime ISS ESG	ISS ESG Corporate Rating	C+ 1st decile rank of 314 Commercial Banks & Capital Markets assessed
FTSE4Good	FTSE 4 Good ESG Score	100th percentile of banks assessed

[1] End-of-year
[2] CDP 2024 scores released on February 6, 2025.

Direct economic value generated and distributed

Suppliers

We connect with our suppliers on environmental and social topics during different stages of our engagement and procurement process:

- Sustainability criteria can be added to the initial request for proposal
- Screening of potential suppliers against exclusion criteria
- Potential suppliers are asked to fill out an ESG (environmental, social, governance) questionnaire.

Selected suppliers are asked to sign our KBC Group Code of Conduct for Suppliers.

	Note	Unit	2024	2023	2022
Operating costs	1	m euros	1 384	1 375	1 224

[1] Financial year (FY) data, see note 3.7 of the 2024 KBC Group Annual Report. This includes general administrative expenses such as repair and maintenance expenses, advertising costs, rent, professional fees, utilities and other similar expenses.

	Note	Unit	2024	2023	2022[3]
Total number of suppliers	1	number	2 037	2768	-
Number of suppliers that signed the KBC Code of Conduct for suppliers	1, 2	number	1 752	2064	-
Percentage of suppliers with a signed KBC Code of Conduct for Suppliers		%	86%	75%	-

[1] Only the targeted suppliers, managed by the central procurement department, with an active agreement in the reporting period and an annual spend > 25 000 euros are included.
[2] Number of suppliers that have signed either the KBC Code of Conduct or an equivalent own alternative that has been screened by KBC. This number is an underestimate, as signed, alternative codes of conduct cannot always be collected from the data systems.
[3] New data gathered since 2023, therefore no comparison possible with 2022.

Employees

	Note	Unit	2024	2023	2022
Staff expenses	1	m euros	2 708	2 677	2 561

[1] FY data, see note 3.7 of the 2024 KBC Group Annual Report.

Shareholders

	Note	Unit	2024	2023	2022
Net result	1	m euros	3 415	3 402	2 818
Gross dividend per share	2	euros	4.85	4.15	4.0

[1] FY data, see 'Consolidated income statement' in the 2024 KBC Group Annual Report.
[2] FY data, see 'Consolidated statement of changes in equity' in the 2024 KBC Group Annual Report.

Clients

	Note	Unit	2024	2023	2022
Interest paid to clients (interest expense)	1	m euros	14 172	14 697	6 063

[1] FY data, see note 3.1 of the 2024 KBC Group Annual Report.

Governments (tax)

For detailed country-by-country reporting on tax, please refer to the 2024 KBC Group Annual Report.

Community

	Note	Unit	2024	2023	2022
Total corporate community investment	1	m euros	18.8	20.3	18.3

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

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	2024	2023	2022
Lobbying, interest representation or similar	1	m euros	0.1	0.1	0.1
Local, regional or national political campaigns/ organisations/candidates	1	m euros	0	0	0
Trade associations or tax-exempt groups (e.g. think tanks)	1	m euros	5.49	5.25	5.03
Largest contributions:					
Febelfin (Belgium Financial Sector Federation)	1	m euros	2.01	1.96	1.81
Assuralia (Belgian Professional Association of Insurers)	1	m euros	1.04	0.98	0.94
Česká bankovní asociace (Czech Banking Association)	1	m euros	0.49	0.48	0.41
Česká asociace pojišťoven (Czech Association of Insurance Companies)	1	m euros	0.32	0.25	0.20
VOKA (Flanders' Chamber of Commerce and Industry)	1	m euros	0.21	0.20	0.19
Others	1	m euros	1.42	1.38	1.48
Other (e.g. spending related to ballot measures or referendums)	1	m euros	0	0	0
Total contributions and other spending	1	m euros	5.59	5.35	5.13

[1] Financial year (FY) data

Sustainable finance

Sustainable investing

Responsible Investing (RI) on behalf of our clients

	Note	Unit	Target	2024		2023	2022
Total RI direct client money	1	bn euros		50.8		40.7	32.3
RI funds in % of total direct client money	1	%	45% (2025) 55% (2030)	44		41	37
RI funds in % of total annual fund production (gross sales)	1	%	65% (2030)	51		35	48

[1] FY data

Our commitment concerning our social impact

Social impact finance

	Note	Unit	2024	2023	2022
Loan portfolio in healthcare and senior living sector (granted amount)	1	bn euro	6.17	6.23	6.20
Loan portfolio in education sector (granted amount)	1	bn euro	1.23	1.17	1.15

[1] FY data

KBC social bond

	Note	Unit	2024	2023	2022
Current year					
Total amount of social bonds issued	1	m euros	0	750	750
Aggregated					
Total amount of social bonds issued	1	m euros	1 500	1 500	750

[1] FY data

Financial inclusion and impact investing

BRS vzw

	Note	Unit	2024	2023	2022
Number of projects in the Global South	1	number	15	15	14
Number of countries	1	number	8	8	9
Financial support for projects	1	euros	277 116	293 698	145 005
Number of days of coaching and training (mainly by KBC staff volunteering for BRS)	1	number	500	491	408
Number of days of training via Microfact.org providing e-learning, on-site assistance and free tools for financial performance analysis and business planning	1	number	98	82	105
Budget spent on coaching and training	1	euros	198 786	241 489	101 983

[1] FY data

BRS Microfinance Coop

	Note	Unit	2024	2023	2022
Cooperative share capital	1	m euros	21.5	21.8	22.2
Share of capital contributed by KBC		%	34.87	34.43	33.77
Outstanding balance (loans to microfinance institutions and investment in microfinance funds)	1	m euros	11.6	10.5	9.7
Number of microfinance institutions financed	1	number	3	3	6

[1] FY data

Our commitment to the environment

Financing contributing to environmental objectives

Lending portfolio contributing to environmental objectives per type of financed activity or asset

This overview provides a summary of the amounts of our loan portfolios that contribute to renewable energy, mortgages for energy-efficient housing and low carbon vehicles. To reflect trends of previous reports, this table uses the definitions we have used in past reporting. These are not aligned with EU (European union) Taxonomy criteria but do give an accurate picture of the trends in sustainable lending in our portfolios over the years. Our EU Taxonomy reporting is explained in detail further in this section.

	Note	Unit	Target	2024	2023	2022
Loan portfolio in renewable energy and biofuel sector (granted amount)		bn euros		3.18	2.57	2.26
of which renewable energy project finance (granted amount)	1	bn euros		2.04	1.98	1.73
Avoided greenhouse gas emissions through renewable energy project finance	2	tonnes CO_2e		1 079 587	769 893	601 368
Loan portfolio in renewable energy and biofuel sector, share in total energy portfolio (excluding transmission and distribution)	3	%	75 (2030)	67	62	63
Mortgages for energy efficient housing (outstanding amount)	4	bn euros		21.0	15.2	11.7
Low-carbon vehicles financing (outstanding amount)	5, 6	m euros		1 257	714	319
Exposure to coal-related activities: remaining direct coal-related financing (granted amount at year-end)		m euros	0 (2021)	0	0	14

1 FY data for 2024; for KBC Bulgaria only new granted financing was included in 2023.
2 Part of the new financed renewable assets were not yet in production in 2023. As projects came into production in 2024, avoided emissions increased significantly in 2024.
3 The share of renewable financing increased significantly to 67% of our total energy portfolio in 2024. This was driven by both a substantial increase in renewable energy loans and a (smaller) decrease in non-renewable loans. This means that we are on track again towards the 2030 target, though some volatility is possible along the way as country transition plans are being reviewed.
4 Includes data for 2023 and 2024 of Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia. The 2022 data do not include KBC Bank Bulgaria EAD. The reported amounts correspond to dwellings with A and B EPC (energy performance certificate) labels, considered as energy-efficient housing. The data are based on actual EPC labels or on first approximation where no labels are available.
5 Includes data on financial leasing, loans and operational leasing for Belgium, the Czech Republic, Bulgaria, Hungary and Slovakia (vehicles with emissions < 50g CO_2/km and in alignment with substantial contribution criteria of the EU taxonomy, such as bicycles, motorbikes, passenger cars and light commercial vehicles).
6 2023 figure has been adjusted compared to previous report as a result of a standardisation of definition that is aligned across different reporting periods .

Sustainability-linked loans

	Note	Unit	2024	2023	2022
Sustainability-linked loans	1	m euros	1 200	927	-

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.

Loans aligned to the EU Taxonomy criteria and to criteria of other external frameworks

This table lists the loan volumes that we can align to a certain extent with EU Taxonomy criteria. In addition, we summarise the loans we have provided that meet the criteria of sustainable frameworks from other external parties such as the European Investment Bank, Loan Market Association or local governments. Please note that the volumes we report in this table may partially overlap with those reported in the table on our 'Lending portfolio contributing to environmental objectives per type of financed activity or asset' as different methodologies were used. However, not all volumes reported in the above table are aligned with the EU Taxonomy criteria and are for that reason not fully included in the table below.

	Note	Unit	2024	2023	2022
Mandatory EU Taxonomy reporting	1, 2, 3	m euros	1 028	406	-
Voluntary EU Taxonomy reporting	1, 2	m euros	4 029	3 750	-
EU Taxonomy-aligned loans to non-NFRD companies and Special Purpose Vehicles (SPVs) and subsidiaries of NFRD companies	1, 2, 4	m euros	1 587	1 371	-
Estimated EU Taxonomy-alignment of our Belgian and Bulgarian mortgage portfolio	1, 2	m euros	2 442	2 379	-
Others	1, 2	m euros	8 901	3 055	-
Loans only complying with the Substantial Contribution criteria of the EU Taxonomy	1, 2	m euros	8 052	2 597	-
Loans that comply with other third-party sustainability frameworks	1, 2	m euros	849	458	-

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.
[2] Mandatory and Voluntary EU Taxonomy reporting are based on end-of-year figures. All other figures are based on 30 September figures.
[3] Mandatory EU Taxonomy reporting is based on turnover KPI published by the CSRD counterparties.
[4] Only the SPVs and subsidiaries of CSRD companies that are not consolidated by the CSRD company are included here.

Non-life insurance portfolio aligned with the EU Taxonomy criteria for climate change adaptation

	Note	Unit	2024	2023	2022
Taxonomy-aligned premium (gross written premium (GWP))	1, 2, 3	m euros	43	156	-

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks the second year we are applying this methodology, this results in two years of available data.
[2] GWP includes the total amount of premiums recognised for the whole period of coverage, provided by the insurance contract, regardless of the fact that such premiums may relate in whole or in part to a later financial year or accounting period and irrespective of premium payment conditions (e.g. monthly versus quarterly versus yearly premium payments).
[3] Based on the experience gained through last year's reporting and after a thorough assessment of our initial interpretation of the EU Taxonomy in the course of 2024, we further fine-tuned our approach with regard to both taxonomy eligibility and alignment. As a result of the latter, whereas we previously reported taxonomy alignment related to all segments of KBC Insurance's 'Fire and other damage to property' insurance portfolio in 2023, we now specifically limit such reporting to the corporate segment.

Own investments of KBC Bank: Green Bonds, Sustainability and Social Bonds

	Note	Unit	2024	2023	2022
Own investments in Green Bonds and Sustainability Bonds issued by SSAs (Supranational, Sovereign and Agency), FIs (Financial Institutions) and corporates (nominal value)	1, 2, 3	m euros	1 588	1 476	-
Own investments in Social Bonds issued by SSAs and FIs	4	m euros	540	-	-

[1] Last year we began using a new methodology to categorise our contribution to environmental objectives. As 2024 marks our second year applying this methodology, this results in two years of available data.
[2] Green Bonds (bonds of which the proceeds are used to (re)finance green assets or projects) in line with the International Capital Market Association (ICMA) Green Bond Principles (GBP).
[3] Sustainability Bonds (bonds of which the proceeds are used to (re)finance a combination of green and social assets or projects) in line with the ICMA GBP, ICMA Social Bond Principles (SBP) as well as the Sustainability Bond Guidelines.
[4] We are reporting our Social Bonds for the first time this year. Social Bonds exclusively fund social assets or projects, in line with the ICMA SBP.

KBC Green Bonds issued by KBC

	Note	Unit	2024	2023	2022
Current year					
Total amount of green bonds issued	1	m euros	750	0	0
Aggregated					
Total amount of Green Bonds out-standing at year end	1, 2	m euros	2 000	1 250	1 750
Total annual avoided emissions	1, 2, 3	tonnes CO2e	430 256	252 286	279 862
Total renewable energy produced	1, 2, 3	MWh	1 735 314	1 293 173	1 581 435
Total energy saved	1, 2, 3	MWh	195 410	60 440	82 656

[1] FY data
[2] Emissions avoided, renewable energy produced, and energy saved all increased significantly compared to 2023 thanks to the issue of a new 750m Green Bond in 2024, as well as due to renewable finance projects becoming operational.
[3] Figures in this table are subject to limited assurance by the auditor of these green bonds, PWC. Any recommendation from the auditor may impact current asset allocation, which in turn may affect impact calculations reported here. The avoided emission reductions are reported each year in our Green Bond Impact Report (as of reporting year 2024 integrated in The Green and Social Bond Report), published on our website. Please refer to the KBC Green Bond Impact Report 2024 for final figures.

Advice provided by experts on sustainability-related matters in 2024 (end-of-year data)

Where doubts exists about whether a transaction is in scope of a certain sustainability policy, KBC colleagues are instructed to request a specialist advice. If a transaction is deemed not to be within the scope of the policy, positive advice is the result.

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	0	0	0	0	0	0	0
Controversial weapons (including nuclear and white phosphorous weapons)	12	10	0	2	12	0	0
Defence-related activities with exception of controversial weapons	63	43	9	11	55	8	0
Controversial regimes	6	4	2	0	6	0	0
Biodiversity	16	15	1	0	14	2	0
Soft commodity speculation	0	0	0	0	0	0	0
Energy	103	84	12	7	98	5	0
Gambling	9	6	1	2	7	2	0
Tobacco	18	11	0	7	12	6	0
Others	36	29	6	1	29	7	0
Total	**263**	**202**	**31**	**30**	**233**	**30**	**0**

Since 2023, part of the expert advice function has shifted to local country level. In practical terms, this means that where the decision is taken locally, requests for advice related to our sustainability policies are also processed at a local level. Below is a breakdown of the advice, by level: Group Corporate Sustainability level or local, core country level.

	Note	Unit	2024	2023	2022
Advice provided by					
Group Corporate Sustainability		number	157	174	270
Belgium		number	35	49	–
Bulgaria		number	27	29	–
Czech Republic		number	29	43	–
Hungary		number	4	6	–
Slovakia		number	11	17	–
Total		**number**	**263**	**318**	**270**

Equator Principles

We provide project financing or advisory services only when the borrower is willing to comply with the processes and policies of the Equator Principles (EP). Our central credit department reviews the environmental and social aspects of projects and works closely with EP coordinators appointed in the entities. Detailed EP reporting can be found in the table below.

	Note	Unit	2024	2023	2022
Project finance, number of transactions	1	number	20	6	11
of which Category A transactions*	1	number	0	0	0
of which Category B transactions**	1	number	7	4	3
of which Category C transactions***	1	number	13	2	8
Project-related corporate loans, number of transactions	1	number	13	15	13
of which Category A transactions*	1	number	0	0	0
of which Category B transactions**	1	number	0	2	0
of which Category C transactions***	1	number	13	13	13
Project finance advisory	1	number	0	0	0
Project finance and project-related corporate loans, by sector	1				
Real estate	1, 2	number	11	9	13
Infrastructure	1	number	8	2	2
Power	1	number	13	10	8
Other	1	number	1	0	1
Project finance and project-related corporate loans, by region	1				
Europe, Middle East and Africa	1	number	33	21	24
Project finance and project-related corporate loans, designated country	1				
Yes	1	number	27	15	18
No	1	number	6	6	6
Project finance and project-related corporate loans, independent review	1				
Yes	1	number	27	9	6
No	1	number	6	12	18

*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.

UNEP FI Principles for Sustainable Insurance (PSI)

KBC became a signatory to the UNEP FI (United Nations Environmental Programme Finance Initiative) 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 in the PSI Sustainable Insurance Progress Statement.

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. They 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.

We report on our commitment and our progress regarding the implementation of the UNEP FI Principles for Responsible Banking (PRB) in the Responsible Banking Progress Statement.

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 in relation to the six principles for responsible investment. The report is available for consultation on the UN PRI website.

Entrepreneurship

	Note	Unit	Target	2024	2023	2022
Number of start-ups supported through Start it @KBC in Belgium	1	number		152	148	142
Female entrepreneurs selected (as a % of total entrepreneurs)	1, 2	%	50%	39%	35%	34%

[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).

Financial literacy of young adults on mortgages in Belgium

Indicator	Note	Unit	Target	2024	2023	2022
Number of young adults reached (increasing our positive impact)		number	35 000 (by 2030)	823	-	-
Performance of KBC on the relative share of young adults in a situation of over-indebtedness compared to our peers (limiting our negative impact)		%	Minimum 50% better than our peers (by 2030)	68.5%	-	-

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

	Note	Unit	2024	2023	2022
Employees that have completed training in:					
Anti-money laundering (as a % of target audience)	1, 2	%	98	96	97
General Data Protection Regulation (GDPR) (as a % of target audience)	1, 2	%	99	98	96
Anti-corruption	1, 2	%	99	98	98
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.
[2] The frequency of training varies by country and training content. In Belgium, for example, the standard repeat frequency is 3 years for 95% of cases.

Employees

We collect data on our employees and report on these on an annual basis. Starting in 2024, we will include mandatory HR data in the Sustainability Statement of our Annual Report in line with the ESRS. The Corporate Sustainability Reporting Directive (CSRD) has changed our reporting. We have aligned voluntary Human Resources data reporting in our Sustainability Report accordingly. Consequently, **the 2024 employee data scope differs from previous years and is not fully comparable, for two reasons:**

- **The scope of our data gathering changed with effect from 2024** to align with the reporting boundaries required by the CSRD. In our 2024 reporting, we excluded several entities that are not part of the financial consolidation of KBC Group, which previously were included. This concerns, for example, specific entities in VAB Group.
- **2024 figures on our employees relate to the period 1 January 2024 – 31 December 2024** as opposed to 1 October – 31 September.

Number of employees

	Note	Unit	2024	2023	2022
Full-time equivalents (FTE)	1	number	37 588	38 786	39 215
Headcount	1	number	39 929	41 447	41 873
FTE excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	37 448	38 645	39 081
Headcount excluding flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia		number	39 788	40 666	41 071

[1] FTE and headcount figures include flexible DPP and DPC contracts (temporary contracts primarily for students) in the Czech Republic and Slovakia, unless indicated otherwise. Entity scope has been aligned to the CSRD entity scope, leading most notably to a decrease due to the exclusion of a number of entities in the VAB group, which are also not included in the financial consolidation of KBC Group NV.

Non-employee workers

	Note	Unit	2024	2023	2022
Non-employee workers	1, 2	number	3 191	3 257	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.

Employees (headcount), by country

	Note	Unit	2024	2023	2022
Belgium		% (number)	36.4 (14 553)	38.7	38.2
Bulgaria		% (number)	15.9 (6 338)	16.0	15.9
Czech Republic		% (number)	28.6 (11 432)	25.5	24.9
Hungary		% (number)	9.8 (3 912)	9.9	9.3
Ireland	1	% (number)	–	–	2.6
Slovakia		% (number)	8.2 (3 279)	7.9	8.1
Rest of the world	1,2	% (number)	1.0 (415)	2.0	1.0

[1] Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.
[2] The decrease in percentage for 'Rest of the World' is due to the gradual phase-out of our workforce in Ireland.

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Employees (FTE), by age group

	Note	Unit	2024	2023	2022
Total employees					
< 30 years		%	14	15	14
30-50 years		%	56	55	56
> 50 years		%	30	30	30
Board of Directors					
< 30 years		%	0	0	0
30-50 years		%	6	6	12
> 50 years		%	94	94	88
Executive Committee					
< 30 years		%	0	0	0
30-50 years		%	0	14	28
> 50 years		%	100	86	72

Employees (FTE), by employment type

	Note	Unit	2024	2023	2022
Permanent		% (number)	96 (35 765)	96	95
Temporary		% (number)	4 (1 683)	4	5
Non-guaranteed hours employees		% (number)	0 (140)		
Full-time		% (number)	87 (32 764)	84	84
Part-time		% (number)	13 (4 824)	16	16

Employees (FTE), by employment type, by gender

	Note	Unit	2024		2023		2022	
			Men	Women	Men	Women	Men	Women
Permanent		% (number)	44 (15 896)	56 (19 869)	44	56	44	56
Temporary		% (number)	40 (665)	60 (1 017)	37	63	33	67
Non-guaranteed hours employees		% (number)	0 (48)	0 (93)				
Full-time		% (number)	47 (15 443)	53 (17 321)	47	53	47	53
Part-time		% (number)	24 (1 166)	76 (3 657)	24	76	24	76

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Employees (headcount), by employment type, by country

	Note	Unit	2024	2023	2022
Belgium					
Permanent		%	99.8	99.5	99.6
Temporary		%	0.2	0.5	0.4
Bulgaria					
Permanent		%	97.6	97.4	97.1
Temporary		%	2.4	2.6	2.9
Czech Republic					
Permanent		%	83.8	89.5	89.4
Temporary		%	16.2	10.5	10.6
Hungary					
Permanent		%	99.8	99.7	99.2
Temporary		%	0.2	0.3	0.8
Ireland	1				
Permanent		%	-	-	97.7
Temporary		%	-	-	2.3
Slovakia					
Permanent		%	82.7	87.6	85.3
Temporary		%	17.3	12.4	14.7
Rest of the world	1				
Permanent		%	99.8	97.6	98.9
Temporary		%	0.2	2.4	1.1

[1] Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.

Employees (headcount), by function classification

	Note	Unit	2024	2023	2022
Top management (Top 300)		%	0.7	0.6	0.5
Middle and junior management		%	44.2	42.1	40.8
White and blue collar		%	55.1	57.3	58.7

New employees and employee turnover

	Note	Unit	2024	2023	2022
New employee hires, total headcount		number	5 117	5 166	5 120
Employee turnover, total headcount	1, 2, 3	% (number)	13.5 (5 394)	13.1	15.3
Proportion of voluntary leavers	4	%	65.5	81.2	89.2
Internal mobility	5	%	17.7	21.1	14.6
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 is hence not considered employee turnover.
[3] We refer to the table 'New employee hires and employee turnover, by country' for more information on per-country employee turnover.
[4] The significant drop in the proportion of voluntary leavers in 2024 can be explained by the use of a new calculation formula compared to 2022 and 2023.
[5] Internal mobility is the internal mobility divided by the total headcount at the end of the reporting period.

New employee hires and employee turnover (headcount), by country

	Note	Unit	2024	2023	2022
New employee hires					
Belgium		Number	890	1 163	1 156
Bulgaria		Number	827	1 318	1 392
Czech Republic	1	Number	2 272	1 395	1 394
Hungary		Number	751	769	694
Ireland	2	Number	–	–	16
Slovakia		Number	357	488	417
Rest of the world	2	Number	20	33	51
Employee turnover	3				
Belgium	4	%	5.7	9	11.5
Bulgaria	5	%	19.4	19.7	23.5
Czech Republic	1	%	17.7	13.8	13.9
Hungary		%	19	14	18.7
Ireland	2	%	–	–	11
Slovakia	6	%	13.8	16.7	18.4
Rest of the world	2	%	14	15.7	13.8

1 The steep increase in 2024 in new employee hires and in employee turnover can be explained by the difference in scope. The 2024 figure includes DPP and DPC contracts (temporary contracts primarily for students) which allow a greater degree of flexibility for the employer and the employee.
2 Remaining entities of KBC Ireland are included under 'Rest of the world' from 2023 onwards.
3 Turnover rates vary between our core countries due to differences in labour market dynamics, economic conditions and job opportunities.
4 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.
5 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.
6 The increased turnover in Slovakia in 2022 was mainly due to the merger with OTP Bank taking full effect.

New employee hires (headcount), by age

	Note	Unit	2024	2023	2022
< 30 years		%	50.8	47.6	45.5
30–50 years		%	42.5	45.7	45.1
> 50 years		%	6.7	6.7	9.4

New employee hires (headcount), by gender

	Note	Unit	2024		2023		2022	
			Men	Women	Men	Women	Men	Women
New employee hires		%	43.7	56.3	42.5	57.5	40.2	59.8

Diversity and inclusion (headcount)

	Note	Unit	2024	2023	2022
Employees by gender					
Male		% (number)	43 (17 241)	43	43
Female		% (number)	57 (22 688)	57	57
Women promoted as a % of total promotions		%	60	62	59
Women in non-managerial functions	1	%	58	59	60
Women in IT & Engineering	2	%	31	31	28

1 We define women in non-managerial functions as women working directly in a team as an individual contributor and with no responsibility as a manager to others.
2 We define women in IT & Engineering as women working in functional roles in the Information Technology, Transformation and Data departments.

Gender diversity (headcount), by management level

	Note	Unit	2024		2023		2022	
			Men	Women	Men	Women	Men	Women
Board of Directors		%	69	31	69	31	62	38
Group Executive Committee	1	%	86	14	86	14	86	14
Top management	2	%	74	26	75	25	76	24
Middle and junior management		%	57	43	57	43	57	43
White and blue collar		%	32	68	33	67	33	67

[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 levels 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 top management nomination.

Diversity of nationalities[1] (headcount)

	Note	Unit	2024		2023		2022
			Top management	Middle and junior management	Top management	Middle and Junior management	Top, middle and junior Management
Belgian		%	50	43	43	43	37
Czech		%	18	31	29	31	24
Slovak		%	10	9	8	9	9
Bulgarian		%	11	3	10	3	16
Hungarian		%	9	11	8	12	9
Other		%	2	3	2	2	5

[1] For details on the diversity of nationalities of our Group Executive Committee and our Board of Directors, please refer to the 2024 KBC Group Annual Report.

Compensation metrics (headcount)

	Note	Unit	2024	2023	2022
Unadjusted gender pay gap	1	%	31.2		
Adjusted gender pay gap	1	%	3.2		
Annual total remuneration ratio	2	number	93		

[1] We refer to the 'Our people' section for more information on how we measure the gender pay gap.
[2] For the Annual Total Remuneration ratio, the specific structure of KBC should be taken into account. Our core countries have large differences in local remuneration in absolute figures. Every country has its own CEO. The annual total remuneration ratio is therefore more meaningful and comparable if we consider such ratio at country level, by comparing the local highest paid individual with the local median remuneration.

Health and workplace (headcount)

	Note	Unit	2024	2023	2022
Sick leave (days)		number	6.8	8.0	9.0
Sick-leave rate (share of working days)		%	3.3	3.8	4.2
Lost-time injury frequency rate (LTIFR) (per million hours worked)	1	number	1.17	1.75	1.91
Work-related accidents		number	79		
Fatalities as a result of work-related injuries and work-related ill health		number of employees	0		
Fatalities as a result of work-related injuries and work-related ill health		number of other workers working on our sites	0		
Employees entitled to workplace flexibility options (as a % of total headcount)		%	99	99	99
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	99
% of employees covered by a health and safety management system		%	100		

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

Inclusive culture (headcount)

	Note	Unit	2024					
			Belgium	Bulgaria	Czech Republic	Hungary	Slovakia	Rest of the world
Number of weeks of fully paid maternity leave for employees in the core countries across the group		number	15	19	28	24	34	9.82
Number of weeks of fully paid paternity leave for employees in the core countries across the group		number	4	2	2	1	28	2.3
Employees with access to on-site lactation rooms		%	100	22	100	100	100	36.3

Labour relations (headcount)

	Note	Unit	2024	2023	2022
Employees covered by collective bargaining agreements		%	87	86	77
Employees covered by employee representation structures		%	88	80[1]	74

[1] The 2023 percentage was recalculated due to inconsistencies between local data provided for 2023 and 2024.

Competence, learning and development and engagement

Highest educational level achieved (headcount)

	Note	Unit	2024	2023	2022
Master's degree and higher		%	40.2	37.9	38.4
Bachelor's degree		%	35.2	35	34.4
Secondary education certificate		%	24.6	26.9	27
Primary education certificate		%	0	0.2	0.2

Learning and development (headcount)

	Note	Unit	2024	2023	2022
Total time spent on learning and development per FTE	1, 2	days	5.2	5.4	4.0
Training to female employees		%	59	50.4	-
Training to male employees		%	41	49.6	-
Employees participating in (top) talent development programmes (end-of-year data)		Number	20	23	24
Male		Number	8	13	11
Female		Number	12	10	13
KBC University Programme					
Total time spent by top management and top talent on KBC University training programmes and events	3	days	822	452	408

[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] In 2024 there was a one-off, two-day programme on the strategy update for all top management.

Group employee survey (headcount)

	Note	Unit	2024		2023		2022	
Response rate[1]			2nd half year	1st half year	2nd half year	1st half year	2nd half year	1st half year
Belgium		%	82	81	80	81	77	75
Bulgaria	2	%	90	88	76	72	78	76
Czech Republic	2	%	81	80	77	73	80	74
Hungary		%	83	83	85	84	87	85
Slovakia		%	86	87	80	85	43	50
Group Services branches Czech Republic and Bulgaria		%	96	95	98	94	88	88

[1] For more information on the employee engagement survey, please refer to the 'Our people' part of the 2024 Sustainability Report.
[2] Excluding KBC's own shared service centres in Czech Republic and Bulgaria, which are reported separately.

	Note	Unit	2024		2023		2022	
Engagement score[1]			Q3-Q4	Q1-Q2	Q3-Q4	Q1-Q2	Q3-Q4	Q1-Q2
Belgium		%	82	80	77	76	72	69
Bulgaria	2	%	63	66	64	69	65	70
Czech Republic	2	%	74	75	75	76	76	73
Hungary		%	61	66	65	68	68	64
Slovakia		%	75	76	65	65	58	62
Group Services branches Czech Republic and Bulgaria		%	76	70	74	74	70	66

[1] For more information on the employee engagement survey, please refer to the 'Our people' part of the 2024 Sustainability 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.

Incidents, complaints and severe human rights impacts

Number of incidents of discrimination including harassment (headcount)

	Note	Unit	2024
Total number of incidents of discrimination, including harassments (of which number of justified incidents/complaints of discrimination, including harassments)		number	17 (4)
Number of complaints filed through channels for people in own workforce to raise concerns (other work-related complaints)		number	9
Number of complaints filed through the National Contact Points for OECD		number	0

Community involvement

We 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	2024	2023	2022
Total corporate community investment	1, 2	m euros	18.8	20.3	18.3
By country					
Belgium		m euros	13.4	14.6	13.0
Bulgaria		m euros	0.2	0.2	0.1
Czech Republic		m euros	3.6	4.2	4.3
Hungary		m euros	0.6	0.5	0.5
Slovakia		m euros	1.0	0.8	0.4
By type of contribution					
Cash contributions		m euros	10.2	10.5	9.5
Time: employee volunteering during paid working hours		m euros	6.5	7.4	5.6
In-kind giving: product or service donations, projects/partnerships or similar		m euros	0.3	0.5	0.8
Management overheads		m euros	1.8	1.9	2.4
By motivation for contribution		m euros			
Charitable donations		m euros	3.7	3.4	4.3
Community Investments		m euros	13.3	15.4	12.4
Commercial activities		m euros	1.8	1.5	1.6
Employee volunteering hours (estimated number)		number	32 000	30 000	20 000

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

Environmental data and emissions

Scope and boundary of KBC Group GHG emissions inventory

We report on our direct and indirect greenhouse gas (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 to serve several reporting purposes:

- The reporting of **our own emissions** is in accordance with the requirements of the GHG protocol corporate standard.
- As regards **financed emissions (loan and lease portfolio) and insurance-associated emissions (insurance underwriting portfolio)**, 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).
- We apply the Trucost data and methodology to **our asset management and our own investment portfolios**.

For further reading on the methodologies used, please refer to the 'Methodologies Explained' Report and the Sustainability Statement in the KBC Group Annual Report.

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

Source of GHG emissions	Scope and boundary of KBC GHG emissions	Data quality[1]
Scope 1		
Fuel combustion	Includes emissions from fuel combustion in all company-owned or -controlled, group-wide operations	Score 1
Company-owned or -controlled, non-electric vehicle fleet	Includes emissions from company-owned or -controlled, non-electric vehicle fleets of all group-wide operations[2]	Score 1
Refrigeration and air-conditioning equipment	Includes fugitive emissions from refrigeration and air conditioning equipment in all group-wide operations	Score 1
Scope 2		
Purchased electricity, steam, heating and cooling for own use	Emissions from purchased electricity, steam, heat and cooling of all group-wide operations	Score 1
Company-owned or-controlled, electric vehicle fleet	Includes emissions from company-owned or -controlled, electric vehicle fleet of all group-wide operations[2]	Score 1
Upstream Scope 3		
Purchased goods and services (Category 1)	Includes emissions from paper and water consumption from all group-wide operations	Score 1
Capital goods (Category 2)	Not relevant/material to KBC as a financial services company	
Fuel- and energy-related activities (Category 3)	Not relevant/material to KBC as a financial services company	
Upstream transportation and distribution (Category 4)	Not relevant/material to KBC as a financial services company	
Waste generated in operations (Category 5)	Includes emissions from waste generation and waste processing of all group-wide operations	Score 1
Business travel (Category 6)	Includes emissions from business travel by not-own fleet (vehicles, public transport and air travel) across all group-wide operations	Score 1
Employee commuting (Category 7)	Includes emissions from employee commuting travel by not-own fleet (vehicles and public transport) across all group-wide operations	Score 1
Upstream leased assets (Category 8)	Not relevant/material to KBC as a financial services company	
Downstream Scope 3		
Downstream transportation and distribution (Category 9)	Not relevant/material to KBC as a financial services company	
Processing of sold products (Category 10)	Not relevant/material to KBC as a financial services company	
Use of sold products (Category 11)	Not relevant/material to KBC as a financial services company	
End-of-life treatment of sold products (Category 12)	Not relevant/material to KBC as a financial services company	
Downstream leased assets (Category 13)	Emissions from KBC's operational lease portfolio (Scope 1) included in Category 15	
Franchises (Category 14)	Not relevant/material to KBC as a financial services company	
Investments (Category 15)	Emissions from KBC's loan (Scope 1, 2 and 3) and lease (Scope 1) portfolio[3]	Score ranges from 1–5 (detailed scores are available in the 'Indirect environmental impact' section of this chapter)
	Emissions from KBC's insurance own investments (Scope 1 and 2)[4]	
	Emissions from KBC's bank sovereign bond portfolio (Scope 1 and 2)[4]	
Investments (Optional Category 15)	Emissions from KBC's insurance underwriting portfolio (Scope 1 and 2)[5]	Score ranges from 2–5 (detailed scores are available in the 'Indirect environment impact' section of this chapter)
	Emissions from KBC's Assets under Management (Scope 1 and 2)[4]	
	Emissions from the investments of *Pensioenfonds* KBC[4]	

[1] 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 collection process related to climate-related data of our business portfolios is ongoing work and that the data quality should improve going forward along with our further development in this field.
[2] As from reporting year 2023 we include GHG emissions from KBC's total own fleet. This means that we include not only the GHG emissions from commuter and business travel with KBC's own fleet, but also the GHG emissions from the private use of KBC's own fleet by its employees.
[3] Please note that debt securities issued by companies or banks (such as bonds) held by KBC Bank and managed by Group Treasury are included. Government debt securities are not part of the loan portfolio scope and intensities as those are calculated separately.
[4] The climate-related impact of KBC Insurance's own investments, KBC Bank's sovereign bond portfolio, the investments of Pensioenfonds KBC, as well as indirect emissions stemming from the Assets under Management of KBC Asset Management are reported in carbon intensities. The absolute emissions corresponding to our investment portfolios were not available at the reporting date.
[5] We report only on the part of the insurance underwriting portfolio that is in scope of the PCAF guidance, which currently only covers personal motor lines and commercial lines.

Summary of KBC Group's GHG emissions inventory

The table on the following page provides an overview of our overall Scope 1, Scope 2 and Scope 3 GHG emissions as reported in our mandatory Sustainability Statement and aligned with CSRD requirements.

In the following sections, we provide further breakdowns of our GHG emissions inventory and give more detailed information on scope and methodology:

- **Own environmental footprint:** GHG emissions related to Scope 1, Scope 2 and a selection of Scope 3 emissions sources over which we have direct influence.
- **Indirect environmental impact:** financed Scope, 1, Scope 2 and Scope 3 GHG emissions from leasing and lending portfolio and emission intensity.
- **Indirect environmental impact:** insurance-associated GHG emissions from insurance underwriting portfolio.
- **Indirect environmental impact:** climate-related impact from investment portfolios.

GHG emissions	Unit	2024
Scope 1 GHG emissions		
Gross Scope 1 GHG emissions	tCO_2e	40 717
Scope 2 GHG emissions		
Gross location-based Scope 2 GHG emissions	tCO_2e	35 361
Gross market-based Scope 2 GHG emissions	tCO_2e	4 626
Significant Scope 3 GHG emissions		
Total Gross indirect (Scope 3) GHG emissions	tCO_2e	45 825 058
1 Purchased goods and services	tCO_2e	1 552
2 Capital goods		N/A
3 Fuel- and energy-related activities (not included in Scope 1 or Scope 2)		N/A
4 Upstream transportation and distribution		N/A
5 Waste generated in operations	tCO_2e	812
6 Business travelling	tCO_2e	4 506
7 Employee commuting	tCO_2e	16 794
8 Upstream leased assets		N/A
9 Downstream transportation		N/A
10 Processing of sold products		N/A
11 Use of sold products		N/A
12 End-of-life treatment of sold products		N/A
13 Downstream leased assets		N/A
14 Franchises		N/A
15 Investments[1]	tCO_2e	45 801 394
of which White Paper sectors and product lines	tCO_2e	26 822 564
of which remaining sectors	tCO_2e	18 978 830
Total GHG emissions		
Total GHG emissions (location based)	tCO_2e	45 901 136
Total GHG emissions (market based)	tCO_2e	45 870 401

Significant Scope 3 GHG emissions	Unit	2024
GHG emissions from insurance underwriting		
15 Investments (optional)		
insurance-associated emissions[2]	tCO_2e	457 229
of which Belgian portfolio[2]	tCO_2e	199 719

Significant Scope 3 GHG emissions	Unit	2024
GHG emissions from investment portfolios		
15 Investments (required)		
Own investments of KBC Insurance		
investments in corporates	t CO_2e/ m USD of revenues	27
investments in sovereigns	t CO_2e/ m USD of GDP	522
Own investments of KBC Bank		
investments in sovereigns	t CO_2e/ m USD of GDP	623
15 Investments (optional)		
Emissions from Asset Management portfolio		
investments in corporates	t CO_2e/ m USD of revenues	58
investments in sovereigns	t CO_2e/ m USD of GDP	532
Own investments of *Pensioenfonds* KBC[3]		
investments in corporates	t CO_2e per m US dollar of revenues	47
investments in sovereigns	t CO_2e per m US dollar of GDP	410

1 Please note that this figure also includes operational leasing, which is not included in the scope of loan book reporting. Financed emissions associated with vehicle financing may be double counted due to vehicle loans granted in sectors for which separate financed emission calculations are made. Also, for an approximate 5% of the outstanding loan book, no PCAF calculation could be made.

2 The figures comprise the KBC Group portfolio, albeit limited to the business lines for which guidance on how to calculate insurance-associated emissions is available in PCAF Standard Part C (i.e. Personal Motor Lines and Commercial Lines). Only figures from the Belgian portfolio are reported in the Sustainability Statement in the Annual Report.

3 Own investments of *Pensioenfonds* KBC are not included in the Sustainability Statement as these are not required by CSRD regulation.

Own environmental footprint

KBC Group's own operational footprint is calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. The organisational boundaries were defined by the operational control approach.

Scope and boundary

Emissions are calculated by collecting primary activity data of emission sources from all >100-FTE entities in our core countries. For <100-FTE entities either primary activity data is collected because of a deviating business context or emissions are extrapolated.

This way we can account for 100% of the emissions from entities over which we have operational control. The percentage of emissions calculated using primary data is > 98%.

Our own footprint inventory includes:

- **Scope 1**: Direct emissions from fuel combustion and refrigerant gases in our office buildings and from our own non-electric company car fleet (including business travel, commuter travel and private use).
- **Scope 2**: Indirect emissions from purchased energy (i.e. electricity, heat, cooling and steam consumption) and electricity used to charge company-owned or -controlled electric vehicles.
- **Scope 3**: Indirect emissions from business travel and commuter travel and other emissions from sources over which we have direct operational control (i.e. paper and water consumption and waste generation).

The greenhouse gases included are CO_2, CH_4, N_2O, HFC's, PFC's, SF_6 and NF_3.

Calculation method

For Scope 1 and Scope 2 GHG emissions, we apply the hybrid calculation method: We use supplier-specific emission factors where available and standard emission factors from the International Energy Agency (IEA), Reliable Disclosure (RE-DISS) the Association of Issuing Bodies (AIB), Department for Energy Security & Net Zero (DESNZ), with KBC-specific emission factors as a fallback option.

For the Scope 3 emissions related to our own operations, we use the average-data method for Categories 1, 5, 6 and 7. These categories are not material in KBC's footprint, but are mainly measured and tracked to raise awareness amongst staff on emissions sources over which we have operational control.

Methodological changes compared to previous year

For financial year 2024, there were **some small changes in the measurement methodologies compared to previous years:**

- We began using net caloric value emission factors for fuel consumption, instead of gross caloric emission factors.
- We began reporting emissions for water supply under Scope 3 –Category 1 (previously: Scope 3 – Category 5). Emissions for water treatment are still reported under Scope 3 – Category 5.
- We changed our extrapolation rationale for smaller legal entities (<100 FTEs). Where before we used only FTE as a parameter to extrapolate emissions, we now use FTE for transport-related emissions and floor area for building-related emissions. The number of extrapolated emissions account for approximately 1.5% of our total emissions.

Since the combined impact of these changes was below our recalculation threshold, no restatement of the target or previous year's numbers was needed.

Explanation of difference between our GHG inventory and our own footprint target scope

There is a difference in organisational boundary between our calculated GHG inventory and the scope on which our own footprint target was set:

- The GHG inventory was broadened in 2024 due to CSRD reporting requirements and is also reported in the Sustainability Statement of the Annual Report.
- The own footprint target scope – originally set in 2016 – is aligned with the financial consolidation scope and excludes activities other than bank-insurance to increase comparability with peers.

Own footprint emissions, difference between inventory and target scope

	Own footprint GHG inventory (in tCO_2e) 2024	Own footprint target scope (in tCO_2e) 2024	Proportion target scope, compared to calculated inventory (in %)
Scope 1	40 717	27 486	68
Scope 2 (market based)	4 626	4 488	97
Scope 3	22 481	21 959	98
Total (market based)	67 825	53 934	80

Own footprint intensity, difference between inventory and target scope

	Own footprint GHG inventory (in tCO_2e/FTE)	Own footprint target scope (in tCO_2e/FTE)
GHG intensity per FTE (market based)	1.76	1.46

The substantial difference between our own footprint GHG inventory and our own footprint target scope is mainly linked with non-consolidated subsidiaries that are active in the travel and mobility sector, and which therefore have a different emission profile to bank-insurance subsidiaries. Entities having activities other than bank-insurance were previously excluded from both our inventory and target scope to increase comparability with peers, as they pursue their own sustainability pathway.

Even though our GHG inventory was broadened in 2024 due to CSRD reporting requirements, we nevertheless decided to maintain our previously decided own footprint target scope to preserve consistency in our progress tracking. Action plans that are in place in each of our core countries to reduce GHG emissions from their operations are also focused on their bank-insurance activities.

We track the implementation of these action plans and our progress on an annual basis. As a consequence, we closely monitor our own footprint target scope. In the immediately following tables, we spotlight our own footprint targets and related progress, providing more details on the breakdown of the emissions in Scope 1, Scope 2 and Scope 3.

Own footprint targets

Indicator	Unit	Target	2015 Baseline[1]	2024	2023	2022[1]
Total GHG emissions from own operations in tonnes CO_2e (% change)	tCO_2e (% reduction versus baseline 2015)	-80% by 2030	170 735	53 934 (-68%)	55 377 (-68%)	55 417 (-68%)
Renewable electricity (in % of purchased electricity)	%	100% by 2030		100%	100%	100%
Carbon credits purchased (in % of remaining GHG emissions)	%	Net climate neutrality as of 2021		100%	100%	100%

[1] The 2015 base year and 2022 data were both recalculated in 2023, in line with our internal restatement policy. This recalculation was prompted by two important changes, as compared to previous years:
- Private use of KBC's own company fleet by our employees is included from 2023 onwards
- Structural changes in the reporting organisation (i.e. the disinvestment of KBC Bank Ireland).

The targets (expressed in percentages) were unchanged in relation to the restated baseline.

Progress on our own footprint target

Own footprint (target scope), breakdown Scope 1

	Note	Unit of activity data	2024		2023	
	1, 2		Activity data	Emissions (in tCO_2e)	Activity data	Emissions (in tCO_2e)
Scope 1						
On site stationary combustion				9 199		9 169
of which natural gas		MWh	44 590		49 552	
of which diesel		MWh	321		441	
Company-owned or -controlled, non-electric vehicle fleet	3		-	17 317	-	18 655
Refrigerants/ozone-depleting substances		kg	575	970	752	1 222
Total Scope 1				27 486	-	29 047

[1] Source emission factors: Supplier-specific; DESNZ; KBC-specific emission factor based on EEA (European Energy Agency) data per country for non-electric passenger cars.
[2] The activity data in this table reflects only primary data collected, linked emissions also include the extrapolated data.
[3] Data is gathered by volume or distance depending on availability. For that reason we state only the linked emissions, not activity data. Hybrid cars are catalogued as non-electric and are included here.

Own footprint (target scope), breakdown Scope 2

	Note	Unit of activity data	2024			2023		
	1, 2		Activity Data	Market-based emission (in tCO_2e)	Location-based emissions (in tCO_2e)	Activity data	Market-based emissions (in tCO_2e)	Location-based emissions (in tCO_2e)
Scope 2								
Purchased electricity				0	30 373		0	31 157
of which renewable		MWh	111 211			119 985		
of which non-renewable		MWh	0			0		
Purchased cooling		MWh	117	52	52	205	87	87
Purchased heat		MWh	9 051	1 640	1 640	9 993	1 795	1 795
Purchased steam		MWh	6 708	1 215	1 215	8 414	1 512	1 512
Company-owned or -controlled, electric vehicle fleet	3			1 580	1 580		601	601
Total Scope 2				**4 488**	**34 860**		**3 995**	**35 152**

[1] Source emission factors: Supplier-specific; DESNZ; IEA.
[2] The activity data in this table reflects only primary data collected, linked emissions also include the extrapolated data.
[3] Data is gathered by volume or distance depending on the availability. For that reason, we state only the linked emissions, not activity data.

Own footprint (target scope), breakdown Scope 3

	Note	Unit of activity data	2024		2023	
	1, 2		Activity data	Emissions (in tCO_2e)	Activity data	Emissions (in tCO_2e)
Scope 3						
Category 1 – Purchased goods and services				1 531[2]		1 299
Paper consumption		metric ton	1 218		1 503	
of which recycled		metric ton	506		650	
of which non-recycled		metric ton	711		853	
Water supply		m^3	240 259		268 289	
Category 5 – Waste generated in operations				805		843
Non-hazardous waste		metric ton	3 661		3 897	
of which recycled		metric ton	1 416		1 705	
of which recovered in another way		metric ton	12		13	
of which incinerated		metric ton	788		692	
of which landfilled		metric ton	1 444		1 485	
Hazardous waste		metric ton	19		3	
of which recycled		metric ton	19		3	
of which incinerated		metric ton	0		0	
of which landfilled		metric ton	0		0	
Waste water treatment		m^3	240 259		268 289	
Category 6 – Business travel				3 300		3 531
of which by bus		km	490 691		424 502	
of which by car (electric)		km	48 433		21 599	
of which by car (non-electric)		km	8 324 736		10 413 780	
of which by plane		km	10 560 136		10 084 502	
of which by train		km	4 154 226		4 861 960	
Category 7 – Employee commuting				16 322		16 663
of which by bus		km	19 088 909		19 658 080	
of which by electric car		km	3 708 319		2 614 224	
of which by non-electric car		km	76 100 731		80 987 807	
of which by train		km	54 272 624		54 007 605	
of which by bicycle		km	9 661 918		10 233 366	
Total Scope 3				21 959		22 336

[1] Source emission factors: DESNZ; KBC-specific emission factor based on EEA data per country for non-electric passenger cars.
[2] Even though the consumption in Scope 3 – Category 1 has decreased, the associated emissions still show a significant increase. The reason for this is a rather high rise of the emission factors linked to paper consumption, reported by DESNZ.

Own footprint (target scope), energy consumption breakdown[1]

	Note	Unit	2024	2023
Renewable energy	2	MWh	114 780	124 085
Non-renewable energy	3	MWh	60 787	68 605
Renewable energy share		%	65	64

[1] The energy consumption of company-owned or -controlled vehicles is not included.
[2] Includes renewable energy generated on site and purchased renewable electricity.
[3] Includes on-site stationary fuel combustion, purchased heat, steaming and cooling. No electricity is included here, as all our purchased electricity is renewable.

Own footprint (target scope), breakdown per country

	Note	Unit	2024	2023
Belgium		tonnes CO_2e	26 307	25 901
Bulgaria		tonnes CO_2e	4 659	5 055
Czech Republic		tonnes CO_2e	13 670	13 736
Hungary		tonnes CO_2e	5 394	5 554
Slovakia		tonnes CO_2e	3 803	3 973
Rest of the world		tonnes CO_2e	101	1 159
Total own footprint		tonnes CO_2e	53 934	55 377

Indirect environmental impact: financed Scope, 1, 2 and 3 GHG emissions from the leasing and lending portfolios, including emission intensity

This section reports the financed emissions from our loan and lease portfolio. The emissions are broken down into emissions related to White Paper sectors and emissions related to other sectors. To calculate the financed emissions from our loan and lease portfolio, 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). For further reading on this methodology, please refer to Parts A and C of the PCAF Global Standard and the relevant sections in the Sustainability Statement of our Annual Report. **As financed emission calculations are an outcome of both portfolio evolutions as well as evolutions in emissions data, caution is needed when comparing the financed emissions in the table below, with those in our previous Sustainability Reports.** Generally speaking, this can be explained via the underlying data quality of these calculations. The worse the PCAF data quality score, the higher our dependency on general emission factors and subsequently the higher the level of uncertainty associated with the figures.

Sustainability Facts and Figures
- Main ESG ratings KBC Group
- Direct economic value generated and distributed
- Sustainable finance
- Employees
- Community involvement
- Environmental data and emissions

Sustainability Report KBC Group

Financed GHG emissions of KBC Group's total lease and loan portfolio

Product lines and sectors	Data quality level score[1]	Financed GHG emissions (tonnes CO_2e) (share as a % covered by a climate target)				
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO_2e/m euros)
White Paper sectors and product lines						
Agriculture	4.9	5 917 692	86 666	2 893 378	8 897 737	1 550
Building and construction[2]	5.0	239 033#	23 323	1 859 927	2 122 283	217
Energy	3.8	1 331 091#	83 809	908 071	2 322 970	414
Real estate[3]	3.1	2 031 097#	17 150	546 934	2 595 181	28
Food producers	5 0	246 366	160 085	2 419 900	2 826 351	750
Beverages	5.0	19 466	12 586	108 692	140 744	140
Metals[4]	4.8	428 167#	71 998	1 260 523	1 760 689	583
Transport (passenger car/LCV financing[5], automotive, shipping[6] and aviation)	4.0	1 152 485	180 539	3 935 478	5 268 503	371
Chemicals	5.0	256 023	70 923	561 159	888 105	326
Total White Paper sectors and product lines		11 621 420	707 081	14 494 063	26 822 564	196
Share as a % covered by a climate target		(79%)		(0%)	(36%)	
Remaining sectors						
Services	5	618 458	175 018	3 713 488	4 506 964	204
Distribution	5	1 051 261	935 385	9 180 999	11 167 645	652
Finance and insurance	5	15 168	3 868	185 296	204 332	17
Machinery and heavy equipment	5	63 663	49 410	571 535	684 608	337
Authorities	5	45 119	19 213	290 735	355 067	61
Water	5	7 456	1 336	89 815	98 606	113
Timber and wooden furniture	5	8 970	4 253	54 568	87 791	90
Electrotechnics	5	26 940	8 136	293 851	328 928	284
Textile and apparel	5	30 169	4 207	186 195	220 571	287

Product lines and sectors	Data quality level score[1]	Financed GHG emissions (tonnes CO_2e) (share as a % covered by a climate target)				
		Scope 1	Scope 2	Scope 3	Total	Emission intensity per million euros outstanding (tonnes CO_2e/m euros)
Remaining sectors						
Catering and hospitality	5	4 440	6 313	77 727	88 480	56
Paper and pulp	5	18 412	12 720	141 803	172 936	282
Traders	5	133 877	22 882	416 858	573 618	691
Consumer products	5	50 705	1 846	102 467	155 018	637
IT	5	6 228	1 283	156 041	163 552	286
Media	5	12 493	12 360	100 348	125 202	360
Telecom	5	2 964	837	37 708	45 510	84
Tobacco	5	0	0	3	4	135
Total remaining sectors		**2 116 325**	**1 263 068**	**15 599 437**	**18 978 830**	**281**
Total		**13 737 745**	**1 970 149**	**30 093 500**	**45 801 394**	**224[7]**
Share as a % covered by a climate target		(62%)		(0%)	(21%)	

The overview of these financed emissions is based on the PCAF Global Standard Part A and is 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. Also, the continuous improvement of our data quality scores may affect the outcomes of the calculations and artificially impact our GHG emissions performance, without being attributable to an improvement of our portfolio performance.
Includes a fraction of Scope 2 emissions that could not be further subdivided and is therefore stated under Scope 1 for presentation purposes.

[1] 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 denotes the lowest data quality. Scores reflect the overall quality levels of associated Scope 1, 2 and 3 financed GHG emissions calculations, and may therefore differ from the quality scores stated in the table below outlining financed emissions related to the sectors and subsectors for which we have established climate targets. We acknowledge that the data collection process related to climate related data of our business portfolios is ongoing work and we will continue to improve the data quality going forward.
[2] A separate PCAF calculation is performed for the cement sector, but no subdivision is available for Scope 1 and 2 financed emissions. The share of financed emissions covered by the climate target applies to total financed Scope 1 plus Scope 2 GHG emissions but is stated under Scope 1 for presentation purposes.
[3] 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.
[4] A separate PCAF calculation is performed for the steel sector, but no subdivision is available for Scope 1 and 2 financed emissions. The share of financed emissions covered by the climate target is calculated with total financed Scope 1 plus Scope 2 GHG emissions, but it is stated under Scope 1 for presentation purposes.
[5] Financed emissions associated with vehicles may be double counted due to vehicle loans granted in the sectors specified separately in this table. For vehicle operational leasing, Scope 1 emissions associated with our own fleet are not reported here to avoid double counting, since they are included in our direct environmental footprint calculations.
[6] This includes maritime transportation and other shipping-related activities.
[7] 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 2024 as the calculations also include operational leasing, which is not included in the scope of loan book reporting. Also, for an approximate 5% of the outstanding loan book, no PCAF calculation could be made.

Financed GHG emissions in scope of climate lending targets

Target product lines and sectors	Data quality level score	Financed GHG emissions (tonnes CO_2e)				
		Scope 1	Scope 2	Scope 3[1]	Total	Outstanding exposure in m euro[2]
Agriculture[3]	4.9	5 418 896	78 189	2 608 740	8 105 825	5 190
Energy	3.8	1 259 999	66 300	825 020	2 151 319	4 997
of which electricity	3.2	913 570	2 796[1]	438 503	1 354 869	2 732
Real estate	3	1 985 288		N/A	1 985 288	85 496
of which mortgages	3	1 513 916		N/A	1 513 916	73 936
of which commercial real estate	3	471 373		N/A	471 373	11 560
Vehicle financing financial lease and loans	3.4	369 001	N/A	N/A	369 001	5 124
Vehicle financing: operational leasing[5]	1.0	123 094	N/A	N/A	123 094	1 677[4]
Cement	3.7	64 180		5 777	69 957	21
Steel	2.6	360 058		212 539	572 597	250
Aluminium	3.6	7 929		11 160	19 088	21
Total target sectors and product lines		**9 588 445**[5]	**144 489**	**3 663 236**	**13 396 170**	**102 776**

[1] Added for information purposes only as the reference financed emissions are not in scope of our target.
[2] Outstanding exposures exclude guarantees.
[3] Forestry, hunting, fishing and landscape service activities are not included in this scope.
[4] Net book value of leased vehicles.
[5] Includes a fraction of Scope 2 emissions that could not be further subdivided and is therefore stated under Scope 1 for presentation purposes.

Climate-related targets for our loan and lease portfolios

Overview of the climate-related targets for our loan and lease portfolios	Unit	Base year value (2021)	2024	2030 Target	2050 Target
Energy					
Electricity – GHG intensity[1]	kg CO_2e/MWh	210	93	127	49
% change versus 2021 baseline	%	-	-56%	-39%	-77%
Energy whole sector – GHG intensity[2]	t CO_2e/m euros	453	265	300	82
% change versus 2021 baseline	%	-	-42%	-34%	-82%
Real estate					
Residential real estate – GHG intensity[2]	kg CO_2e/m^2	50	45	29	7
% change versus 2021 baseline	%	-	-10%	-43%	-85%
Real estate (whole sector) – GHG intensity[2]	t CO_2e/m euros	27	23	17	8
% change versus 2021 baseline	%	-	-15%	-38%	-72%
Agriculture					
GHG intensity[2]	t CO_2e/m euros	1405	1059	1103	934
% change versus 2021 baseline	%	-	-25%	-21%	-34%
Transport					
Passenger car loan and financial leasing – GHG intensity[1]	g CO_2/km	139	124	81	0
% change versus 2021 baseline	%	-	-11%	-42%	-100%
Light commercial vehicle loan and financial leasing – GHG intensity[1]	g CO_2/km	208	205	145	33
% change versus 2021 baseline	%	-	-1%	-30%	-84%
Passenger car operational leasing – GHG intensity[1]	g CO_2/km	133	77	25	0
% change versus 2021 baseline	%	-	-42%	-81%	-100%
Light commercial vehicle operational leasing – GHG intensity[1]	g CO_2/km	196	186	132	19
% change versus 2021 baseline	%	-	-5%	-33%	-90%
Cement					
GHG intensity[2]	t CO_2e/t cement	0.69	0.62	0.58	0.22
% change versus 2021 baseline	%	-	-9%	-16%	-68%
Steel					
GHG intensity[2]	t CO_2e/t steel	1.34	1.50	1.15	0.59
% change versus 2021 baseline	%	-	+12%	-14%	-56%
Aluminium					
GHG intensity[2]	t CO_2e/t aluminium	0.59	0.21	Stay well below the global sectoral intensity climate benchmark	
% change versus 2021 baseline	%	-	-63%		

1 Includes Scope 1 emissions
2 Includes Scope 1 and 2 emissions

Indirect environmental impact: insurance-associated emissions from the insurance underwriting portfolio

In this section we report the climate-related impact of the insurance underwriting portfolio of KBC Group. More specifically, we report on the part of the insurance underwriting portfolio that is in scope of the PCAF Standard Part C, which currently only covers personal motor lines and commercial lines. To calculate the insurance-associated emissions, we apply the methodology outlined in the Global GHG Accounting and Reporting Standard for the Financial Industry developed by PCAF. For information on the methodology used, please consult Part C of the PCAF Global Standard, as well as the relevant sections in the Sustainability Statement of our Annual Report.

Furthermore, while consolidated figures are reported here, it should be noted that the maturity of the reporting process varies between countries. We began with our largest business unit, Belgium. The accuracy, reliability, and reconciliation of the data there have been ensured and included in the assured Sustainability Statement. Other countries are still in a pilot phase, but a phased approach is in progress to improve data quality.

Product lines and sectors	Data quality level score	Insurance-associated GHG emissions (tonnes CO_2e)
Personal motor lines	3.5	283 382
Commercial lines[1]	5	173 847
Agriculture, farming and fishing		35.2%
Oil, Gas & Other fuels[2]		14.1%
Distribution		7.1%
Services		5.8%
Automotive		5.3%
Other sectors and unknown		32.5%

[1] Commercial lines are all types of insurance purchased by companies.
[2] The emissions from the Oil, Gas and Other fuels sector account for 14.1% of the total, yet this sector represents only 0.1% of our Gross Written Premium (GWP). Bio-gas production is included in this sector.

Indirect environmental impact: climate-related impact from investment portfolios

This section covers the climate-related impact of our investment portfolios, including:

- Emissions from KBC Asset Management portfolio
- Emissions from own investments of KBC Insurance
- Emissions from sovereign bond portfolio of KBC Bank
- Emissions from *Pensioenfonds* KBC.

KBC uses an internal GHG methodology based on data from Trucost (an S&P subsidiary) to assess and disclose the GHG intensity of its most significant investment portfolios. For further reading on this methodology, please refer to the relevant sections in the Sustainability Statement of our Annual Report.

Emissions from KBC Asset Management portfolio

Weighted average carbon GHG intensity of all equity and corporate bond investments

Weighted average GHG intensity Scope 1 + Scope 2	Note	Unit	Target	2024	2023	2022
All KBC Funds	1, 2, 3	tCO_2e/m USD revenue		58	75	89
KBC Responsible Investing Funds	1, 2, 3	tCO_2e/m USD revenue		57	60	73
Corporate investees in Responsible funds	1, 2, 3, 4	tCO_2e/m USD revenue (% reduction versus 2019 benchmark)	98 (-50% versus 2019 benchmark (196) (2030)	55 (-72%)	48 (-75%)	66 (-67%)
MSCI AC World Index (equities benchmark)	1, 5	tCO_2e/m USD revenue		136	151	188
Iboxx EUR corporates (corporate bonds benchmark)	1, 5	tCO_2e/m USD revenue		101	129	157

[1] Source S&P Trucost Limited © Trucost (2024).
[2] The scope includes all open investment products for retail and institutional clients, managed by KBC Asset Management. Structured products were added in 2024. This addition did not have a major impact on the calculated result.
[3] We also only included direct investments in equities, corporate bonds and government-linked bonds within the investment products. This means that indirect investments via third-party funds, cash and exposures via derivatives were not included in the calculations.
[4] 2022 and 2023 data are end-of-year data.
[5] Please note that figures calculated for indices do not necessarily coincide with disclosures of index providers, as this depends on the data provider used.

- **The GHG intensity of our corporate and equity bond portfolio has decreased since 2019.**
- **Our funds and mandates have lower GHG intensity measures than broad benchmarks such as MSCI All Countries World Index (equities) and Iboxx EUR corporates (corporate bonds).** 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 at the end of 2020 and 0% threshold since the second half of 2021).
- **In general, KBC's Responsible Investing (RI) funds have lower weighted average GHG intensity scores than comparable KBC conventional funds.** This is due to stricter portfolio targets related to the GHG 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 the Sustainability Report. It is important to note that investment characteristics such as the sectoral and regional allocations of non-RI funds may differ from the allocations of the RI funds. Short term evolutions of all funds compared to RI funds should therefore be interpreted with caution. In 2024, the GHG intensity for all KBC funds showed a significant drop versus 2023, mainly due to the improvement of emissions by materials and energy companies. As these companies are almost all already excluded from RI funds, the latter showed a more modest decline. Similarly, evolutions of GHG intensity of RI funds compared to benchmarks must be interpreted with caution as decreases in GHG intensity of previously excluded companies and changes in product mix or asset allocation may explain why the GHG intensity of RI funds shows lower decrease than the GHG intensity of global benchmarks.

Weighted average GHG intensity of total sovereign bond portfolio

Weighted average GHG intensity sovereigns	Note	Unit	Target	2024	2023	2022
KBC all funds	1	tCO_2e/m USD of GDP		532	506	480
KBC Responsible Investing funds	1	tCO_2e/m USD of GDP		463	365	368
JPM EMU Govies (benchmark)	1	tCO_2e/m USD of GDP		365	328	328
World benchmark Govies (benchmark)	1, 2	tCO_2e/m USD of GDP		574	555	573

[1] Source S&P Limited © Trucost (2024). We measure the weighted average GHG intensity related to the domestic production and imports of our total sovereigns, sub-sovereigns and supranationals bond portfolio based on CO_2e per million US dollars of Gross Domestic Product (GDP). Calculations for 2024 are based on end of September data with the exception of imported emissions of the countries where November data was used.
[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. Please note that a change in modelling methodology (for countries' emissions) by our data provider may influence comparison with the previous year.

The calculations are based on a large set of portfolios. We therefore draw the following conclusions with caution:

- **The GHG intensities of sovereigns appear to be more stable over time than for companies.** However, over the past year we observed a divergence between some EU countries increasing and the figures for the US decreasing, which explains why the EMU benchmark increased more than the world benchmark.
- **The GHG intensities of our aggregated portfolios are higher than the EMU benchmark.** This is due to our exposure to emerging market sovereigns and to developed markets sovereigns with higher GHG intensity scores such as Belgium, the Netherlands, Czech Republic and Hungary.
- **The GHG intensities of our Responsible Investing funds are lower compared to all funds.** This reflects the GHG target at portfolio level, our exclusion policies and the fact that these funds are more geared to lower GHG intensity Eurozone sovereigns. The weighted average GHG intensity of these RI funds increased more than the EMU benchmark due to increased GHG intensity scores of France, Spain and Italy, in which these funds are more invested. Note that US sovereign bonds are not allowed in RI funds due to our RI exclusion policy.

However, it is important to note 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.

Emissions from own investments of KBC insurance

Weighted average carbon GHG intensity of all equity and corporate bond investments

Weighted average GHG intensity Scope 1 + Scope 2	Note	Unit	Target	2024	2023	2022
KBC Insurance	1, 2	tCO_2e/m USD revenue (% reduction versus 2019 baseline (112))	84 (-25%) (2025) 67 (-40%) (2030)	27 (-75%)	38 (-66%)	49 (-56%)
MSCI AC World Index (equities benchmark)	1, 3	tCO_2e/m USD revenue		136	151	188
Iboxx EUR corporates (corporate bonds benchmark)	1, 3	tCO_2e/m USD revenue		101	129	157

[1] Source S&P Trucost Limited © Trucost (2024).
[2] As part of our standard review process, 2019 baseline, 2022 and 2023 GHG intensities have undergone minor adjustments compared to previously reported figures. Due to the new 2019 baseline GHG intensity, nominal target levels were also slightly altered as targeted % changes versus baseline did not change.
[3] Please note that calculated figures for indices do not necessarily coincide with disclosures of index providers, as this depends on the data provider used.

The equity and corporate bond portfolio of KBC Insurance consolidated, as well as the MSCI All Countries World Index (equities) and Iboxx EUR corporates (corporate bonds) benchmarks, showed a sizeable decrease in GHG intensity in 2024. At the end of September 2024, the GHG intensity of the equity and corporate bonds portfolio of KBC Insurance consolidated stood at around 25% of the benchmark. Moreover, this measure has seen a 75% decline since 2019.

Weighted average GHG intensity of total sovereign bond portfolio

Weighted average GHG intensity sovereigns	Note	Unit	Target	2024	2023	2022
KBC Insurance	1	tCO_2e/m USD GDP		522	520	510
JPM EMU Govies (benchmark)	1	tCO_2e/m USD GDP		365	328	328
World benchmark Govies (benchmark)	1, 2	tCO_2e/m USD GDP		574	555	573

[1] Source S&P Trucost Limited © Trucost (2024). We measure the weighted average GHG 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). Calculations for 2024 are based on end of September data with the exception of imported emissions of the countries where November data was used.
[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. Please note that a change in modelling methodology (for countries' emissions) by our data provider may influence comparison with the previous year.

The government bond portfolio of KBC Insurance consolidated represented a market value of 10.4 billion euros in September 2024. The GHG intensity of the portfolio has declined by 5% since 2019, to stand at 143% of the JPM EMU government bond benchmark.

The results can be explained by the composition of this portfolio. The Belgian insurance company, KBC Insurance NV, holds most of the investments and is traditionally overweighted in Belgian government bonds, including Flanders, Brussels and Wallonia. Together, these make up 41% of the government bond portfolio. Belgium has a high GHG intensity score, which explains the high GHG intensity compared to the benchmark.

Own investments in Sovereign Bonds of KBC Bank

Weighted average carbon GHG intensity of the own sovereign bond portfolio of KBC Bank

Weighted average GHG intensity Scope 1 + Scope 2	Note	Unit	Target	2024	2023	2022
Sovereign Bonds of KBC Bank	1, 2	tCO_2e/m USD GDP		623	-	-

[1] No data available for 2022 and 2023.
[2] Source S&P Trucost Limited © Trucost (2024). We measure the weighted average GHG 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). Calculations for 2024 are based on end of September data with the exception of imported emissions of the countries where November data was used.

In 2024, we calculated the GHG emission intensity of the own sovereign bond portfolio of KBC Bank for the first time. **The emission intensity is 623 tCO_2e/million USD of GDP.** This calculation measures the weighted average GHG intensity of our total sovereigns, sub-sovereigns and supranationals bond portfolio.

The GHG intensity of the sovereign bond portfolio exceeds that of its EMU benchmark. This is mainly due to significant exposures in our core countries, specifically in Czech Republic and Belgium, which have relatively high carbon intensities.

Emissions from *Pensioenfonds* KBC

Weighted average carbon GHG intensity of all equity and corporate bond investments

Weighted average GHG intensity Scope 1 + Scope 2	Note	Unit	Target	2024	2023	2022
KBC Pension Fund	1	tCO_2e/m USD revenue		47	52	85
MSCI AC World Index (equities benchmark)	1, 2	tCO_2e/m USD revenue		136	151	188
Iboxx EUR corporates (corporate bonds benchmark)	1, 2	tCO_2e/m USD revenue		101	129	157

[1] Source S&P Trucost Limited© Trucost (2024). The calculations include the listed equities, government and corporate bonds invested by *Pensioenfonds* KBC with KBC AM, Amundi and Robeco. This makes up approximately 80% of the entire portfolio.
[2] Please note that calculated figures for indices do not necessarily coincide with disclosures of index providers, as this depends on the data provider used.

The GHG intensity of corporates has seen a sizeable decrease in 2024 as measured by both the MSCI All Countries World Index (-9.9%) for equity markets, and the iBoxx EUR Corporates index (-21.7%) for corporate bonds. Furthermore, they have seen strong decreases when compared to 2019, respectively -62% and -43%. At the end of September 2024, the GHG intensity of the portfolio of Pensioenfonds KBC was approximately 65% lower than the composite benchmark, and approximately 10% lower compared to 2023. Overall, the GHG intensity for equity and corporate bonds has reduced by over 60% since 2019.

Weighted average GHG intensity of total sovereign bond portfolio

Weighted average GHG intensity sovereigns	Note	Unit	Target	2024	2023	2022
KBC Pensioenfonds	1	tCO_2e/m USD GDP		410	399	407
JPM EMU Govies (benchmark)	1	tCO_2e/m USD GDP		365	328	328
World benchmark Govies (benchmark)	1, 2	tCO_2e/m USD GDP		574	555	573

[1] Source S&P Trucost Limited © Trucost (2024). We measure the weighted average GHG intensity related to the domestic production and imports of our total sovereigns, sub-sovereigns and supranationals bond portfolio based on CO_2e per million US dollars of Gross Domestic Product (GDP). Calculations for 2024 are based on end of September data with the exception of imported emissions of the countries where November data was used.
[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. Please note that a change in modelling methodology (for countries' emissions) by our data provider may influence comparison with the previous year.

In 2024, the GHG intensity of the government bond portfolio stood at 114% of the JPM EMU government bond benchmark. Moreover, it has declined by 27% since 2019.

The relatively high GHG intensity can be explained by the bond themes in the portfolio, namely Emerging Market Bonds and High Interest Bonds. Moreover, the LDI[1] portfolio includes several higher-emitting government bonds, such as Belgium, Netherlands, Austria, Poland and Slovenia.

[1] The primary goal of a Liability Driven Investment (LDI) bond portfolio is to match the interest-rate and inflation-rate risk of the pension fund assets with that of current and future liabilities.

Sustainability Report
KBC Group

2024 **Methodologies**
Explained

Methodologies explained

We use various methodologies to monitor and report the climate-related impact on and of our portfolios. The majority of these methodologies are explained and discussed in detail in the mandatory Sustainability Statement, which is integrated into our Annual Report. This is the case for our climate target progress measurement for our lending portfolio, PCAF (Partnership for Carbon Accounting Financials) and the Trucost data and methodology used for our investment portfolios. In this report, we elaborate on:

- PACTA (Paris Agreement Capital Transition Assessment)
- EU Taxonomy voluntary reporting for mortgages.

Methodologies explained

We adopt a variety of methodologies to track and disclose the climate-related impact of our portfolios. The choice of the selected methodologies is based on a combination of relevance and applicability to our business activities, as well as data availability. We use the outcomes to monitor and steer our portfolios in climate-related areas. They are also used to set targets, where relevant, and to meet reporting requirements from regulators and supervisory bodies.

This section provides an overview of the methodologies adopted for portfolio assessment and potential target setting for our lending, insurance and investment portfolios. We also indicate where additional information on these methodologies can be found.

Our climate target progress measurement for our lending portfolio	KBC Group Annual Report: 'Sustainability Statement'
PCAF	KBC Group Annual Report: 'Sustainability Statement'
PACTA	Methodologies Explained: 'PACTA'
Trucost data and methodology used for our investment portfolios	KBC Group Annual Report: 'Sustainability Statement'
EU Taxonomy voluntary reporting for mortgages	Methodologies Explained: 'Voluntary EU Taxonomy reporting for mortgages'

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 2024 PACTA analysis. Please refer to the dedicated PACTA website for a comprehensive overview of the sector scope and application approach of PACTA.

Portfolio overview

In this year's analysis, KBC Group's granted exposure calculated in the scope of PACTA amounted to 4.0% (5 963 million euros) of the total industrial loan book compared to 4.4% (6 393 million euros) reported last year. The decrease is most notably due to a substantially lower exposure to one counterparty in the maritime transportation sector.[1] The results of the exercise confirm that KBC Group's corporate industrial loan portfolio is exposed to a limited degree to companies that contribute the most to global CO_2 emissions, in line with the existing activity scope of PACTA. **This finding is consistent with the general risk appetite of KBC Group, as the loan books do not include large, single-name exposures to activities that contribute the most to global CO_2 emissions.**

For the fossil fuels, power, cement and steel sectors, all relevant PACTA results are included or considered in the sector parts of the 'Climate Targets' section of the Sustainability Report. Also, where relevant, PACTA results are used in our White Paper analyses. As respects car manufacturing, aviation and maritime transportation 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 7.1: Overview of the sector activities within the scope of PACTA – Reported figures per 30 September 2024

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	3 810	2.5%	2 249
Maritime transportation	893	0.6%	469
Steel	768	0.5%	723
Fossil fuels	183	0.1%	170
Heavy-duty vehicles (HDVs)	61	0.04%	45
Cement	134	0.09%	127
Light-duty vehicles (LDVs)	48	0.03%	48
Aviation	66	0.04%	26
TOTAL	**5 963**	**4.0%**	**3 856**

[1] Identified exposure to the subject sub-sector is based on PACTA's specific methodological scope and may consequently differ from sector exposures mentioned in the Sustainability Report. The PACTA scopes for sectors that are relevant for KBC are: electricity generation (for power), oil and gas extraction (for fossil fuels), raw material producers (for steel and cement), vehicle manufacturers (for HDVs and LDVs), owners/operators (maritime transportation) and operators (aviation). Subsequently activities in these sectors' supply chains other than those mentioned are not in scope for this analysis.
[2] Identified exposure for which relevant and specific physical-asset level PACTA information was available.

[1] Only exposure to ship owners and operators is in scope.

Table 7.2: Overview of the reference scenarios used in the PACTA analysis

Scenario description[1]	Sector coverage
STEPS – CO_2 Intensity IEA JRC ISF Steel Cement Aviation and STEPS – IEA JRC ISF Auto Fossil Fuel Power: This Stated Policies Scenario (STEPS) is designed to provide a sense of the prevailing direction of energy system progression, based on a detailed review of the current policy landscape. It looks in detail at what governments are actually doing to reach their targets and objectives across the energy economy. Aspirational energy or climate targets are not automatically assumed to be met. STEPS is now associated with a temperature rise of 2.4 °C in 2100 (with a 50% probability). The slight but steady decline in demand from the late 2020s keeps the oil price in check. Natural gas demand first plateaus and then decreases after 2030. Low-emissions electricity generation overall increases from 39% of total electricity generation today to 57% by 2030 in the STEPS. By 2030, the share of oil in road transport energy demand drops from 92% today to 88%. Production of steel increases by 10% in 2030, while cement production increases by 8%.	Steel, Cement, Aviation, Power, Oil & Gas, Light-duty Vehicles (LDVs)
NZE 2050 – CO_2 Intensity IEA JRC ISF Steel Cement Aviation and NZE 2050 – IEA JRC ISF Auto Fossil Fuel Power: This normative 2050 Net-zero Emission (NZE) scenario portrays a pathway for the energy sector to help limit the global temperature rise to 1.5°C above pre-industrial levels in 2100 (with at least a 50% probability), with limited overshoot. The NZE scenario has been fully updated. It also meets the key energy-related UN Sustainable Development Goals (SDGs). In it, universal access to reliable, modern energy services is reached by 2030 and major improvements in air quality are secured. In the NZE scenario, oil and gas prices quickly fall to the costs of the marginal project required to meet falling demand, which is around USD 40/barrel for oil in 2030, before declining further to USD 25/barrel in 2050. Demand for gas declines by nearly 20% by 2030 in the face of very large clean energy investments and efficiency gains. Low-emissions electricity generation increases overall from 39% of total electricity generation today to 71%. Global energy and demand declines by 15% per person. More widespread deployment of measures promoting material efficiency leads steel and cement to peak within the next 15 years. Stronger measures to minimise emissions reduce the activity in aviation by 20% and car stocks by 15% compared to the STEPS (see more on STEPS below) in 2050. By 2030, the share of oil in road transport energy demand drops from 92% today to 78%. In the NZE scenario, the share of oil in energy demand in shipping falls to 80% by 2030.	Steel, Cement, Aviation, Power, Oil & Gas, LDVs
1.5°C – CO_2 Intensity IEA JRC ISF Steel Cement Aviation and 1.5°C – IEA JRC ISF Auto Fossil Fuel Power: This scenario was developed by the Joint Research Centre, which is the European Commission's science service in support of policy making and is published as part of the JRC's annual Global Energy and Climate Outlook (GECO). It is designed to limit global temperature increase over the century to 1.5°C at the end of the century and limit overshoot of 1.5°C in the intervening decades. In this scenario, the global carbon budget (accumulated net CO_2 emissions) from 2020 until the year when net-zero CO_2 emissions are reached is of approximately 530 $GtCO_2$. Along with non-CO_2 emissions and air pollutant emissions projections, this results in an approximately 77% probability of not exceeding the 1.5°C temperature limit in 2100.	Steel, Cement, Aviation, Power, Oil & Gas, Heavy-duty Vehicles (HDVs)
NDC – IEA JRC ISF Auto Fossil Fuel Power: This scenario represents the Nationally Determined Contribution (NDC) targets, including countries' Long-Term Strategies (LTS) for low greenhouse gas emission development. This scenario assumes that the objectives in the NDCs (including conditional objectives) are reached in their relevant target year (2030 in most cases). To this end, carbon values and other regulatory instruments are put in place on top of the existing, legislative measures of the reference scenario to reach sector-specific or economy-wide targets. Beyond 2030, the objectives of the countries' LTS, where they exist, will be pursued. If the country has not announced an LTS, it is assumed that no additional decarbonisation effort will be made, and that carbon values, if any, will be kept constant at their 2030 level. This scenario includes the net-zero targets announced by many countries.	HDVs
Reference – CO_2 Intensity IEA JRC ISF Steel Cement Aviation and Reference – IEA JRC ISF Auto Fossil Fuel Power: This scenario corresponds to a world in which existing policies related to energy supply and demand policies and targets, as well as legislated greenhouse gas policies and targets that are backed by supporting energy-sector policies, are enacted. No additional policies are considered compared to what had been legislated as of June 2023. Exogenous macroeconomic projections (gross domestic product and population), with endogenously calculated energy prices and technological development specific to the POLES-JRC model, are combined with the effect of enacted policies resulting in projections of the energy system and greenhouse gas emissions.	Power, Oil & Gas, HDVs

[1] Paris-aligned scenarios are shaded in the table. For all sectors – except for HDVs – these scenarios integrate the latest decarbonization pathway updates. For more information about the scenarios, see the 'Methodology and Documents' section of the dedicated PACTA webpage. For more information on the IEA scenarios, see World Energy Outlook 2023 – Analysis – IEA. For more information on the JRC GECO scenarios, see JRC Publications Repository – Global Energy and Climate Outlook 2023.

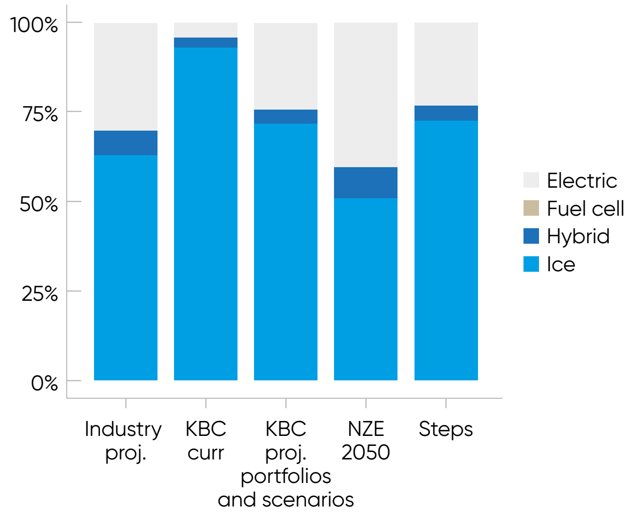
Vehicle manufacturers

Light-duty Vehicle (LDV) manufacturers

- Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards LDV manufacturers aligns reasonably well only with the STEPS scenario pathway, while the 'NZE 2050' projected distribution mix is not reached.
- KBC Group's total granted exposure to the LDV manufacturers segment (i.e. the PACTA scope within the LDV sector) is 48 million euros – less than the 60 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it is safe to conclude that KBC is only minimally (0.03%) exposed to this important climate-relevant activity.
- All nine corporates (six last year) in KBC Group's loan portfolio could be matched to PACTA's physical asset-level database. This means that 100% (48 million euros) of the granted exposure to the LDV manufacturer segment could be matched to the physical asset-level database.
- The PACTA model combines asset-level data from car manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset level data comprises company information about current production capacity as well as new production capacity up to 2029, distributed across annual production volumes of LDV drivetrain technologies (Internal Combustion Engine (ICE), hybrid, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.1) outlines our portfolio's current and projected relative financial exposure to the different drivetrain technologies. When comparing current and projected drivetrain technology mixes, we observe that the share of electric vehicles in our loan portfolio increases. At the same time the share of ICE vehicles in our loan portfolio reduces. Although KBC's projected drop in the share of ICE vehicles does not fully align with the 'NZE 2050' prescribed climate scenario path, the projected increase in the share of electric vehicles moves in the right direction.

Graph 7.1: LDV sector results – technology mix (Source: KBC, RMI and Asset Impact)

2029 Industry-projected portfolio, KBC current portfolio, 2029 KBC-projected portfolio and two 2029 scenario targets (NZE 2050 and STEPS). Technology mix for all except 'Industry projection' weighted by loan size per 30 September 2024.

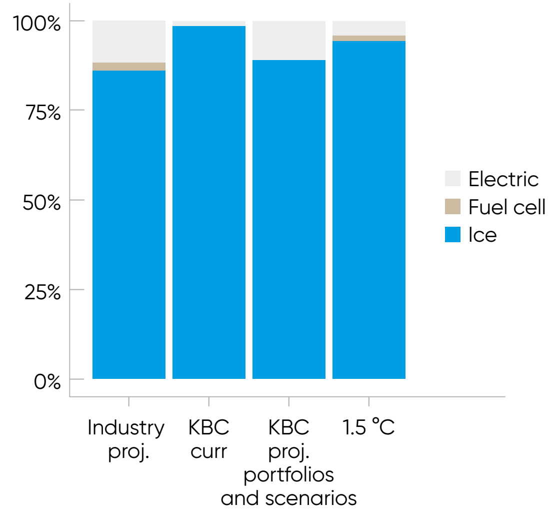


Heavy-duty vehicle (HDV) manufacturers

- Within the restricted scope of PACTA, we can infer that KBC's corresponding projected technology distribution mix of its industrial loan portfolio towards HDV manufacturers is fully aligned with the '1.5°C' scenario pathway.
- KBC Group's total granted exposure to the HDV manufacturers segment (i.e. the PACTA scope within the HDV sector) is 65 million euros,[2] compared to the 189 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it is safe to conclude that KBC is only minimally (0.04%) exposed to this important climate-relevant activity.
- Thirteen corporates (seven last year) in KBC Group's loan portfolio could be matched to the physical asset-level database. KBC Group's total exposure to these corporates represents 75% (49 million euros) of KBC Group's HDV manufacturers sector exposure within the PACTA scope. Of the matched exposure, 43% is concentrated to a single company group, which means that the results below are particularly influenced by that group's investment plans.
- The PACTA model combines asset-level data from HDV manufacturers with our loan portfolio to create the technology mix analysis presented below. The relevant asset-level data comprises company information about current production capacity and new production capacity up to 2029, distributed across annual production volumes of HDV drivetrain technologies ICE, fuel cell or electric vehicles).
- The technology mix analysis (Graph 7.2) outlines our portfolio's current and projected relative financial exposure to various drivetrain technologies. From this, we observe a substantial increase of the share of electric vehicles in our loan portfolio. This projection, as well as the relative drop in the share of ICE vehicles, compare favourably with the '1.5°C' scenario path.

Graph 7.2: HDV sector results – technology mix (Source: KBC, RMI and Asset Impact)

2029 Industry-projected portfolio, KBC current portfolio, 2029 KBC-projected portfolio and one 2029 '1.5°C scenario' target. The technology mix for all except 'Industry projection' is weighted by loan size per 30 September 2024.



[2] Note that the total granted exposure of the PACTA analysis for the HDV sector is 4.1 million euros higher than reported in Table 7.1. This surplus exposure is also part of the PACTA analysis for the LDV sector and reported within LDV in Table 7.1. The reason for this is the fact that the underlying exposure is towards two company groups whose activities and production are in scope of both the PACTA LDV and HDV sector. Since the loans have been granted to the top holding companies whereas the operational activities are situated at a subsidiary level, it is not possible to correctly allocate the exposure across these two sectors.

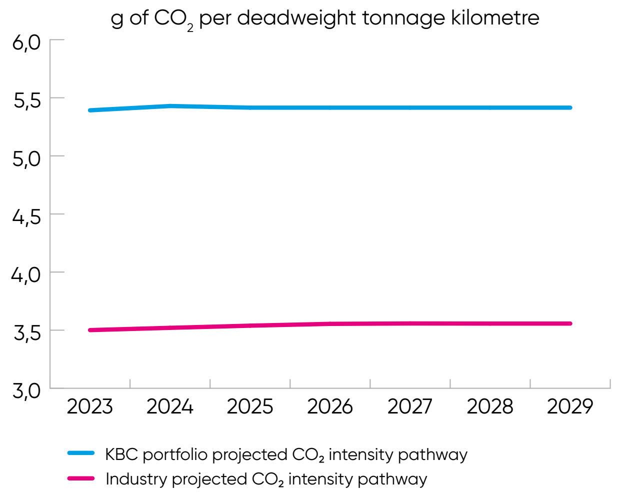
Methodologies explained
• PACTA
• Voluntary EU Taxonomy reporting for mortgages
Sustainability Report KBC Group

Maritime transportation

- KBC Group's total granted exposure towards the ship owner/operator sector[3] is 893 million euros. When comparing this figure to KBC Group's overall industrial loan book, it can be concluded that KBC is not significantly (0.6%) exposed to this important climate-relevant activity.
- Twenty-three corporates (compared to thirteen last year) in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 53% (469 million euros) of KBC Group's maritime transportation exposure in scope of PACTA.
- A total of 60% (282 million euros) of the matched exposure is concentrated to two company groups, which means that the results below are particularly influenced by these groups' investment plans.
- The PACTA model combines physical asset-level data (i.e. the CO_2 intensity per deadweight tonnage kilometre up to 2029 of maritime transportation operators and owners) with our loan portfolio data. The result of this is a loan portfolio weighted emission intensity per deadweight tonnage kilometre.
- Companies in the ship owner/operator sector are currently likely to be constrained by similar technologies, and we engage with the largest clients in our portfolio on technology pathways. For this reason, the 'Industry-projected CO_2-intensity pathway' and the 'KBC portfolio-projected CO_2-intensity pathway' are almost horizontal lines on Graph 7.3. Compared to last year, KBC's financed emission intensity dropped from 6.1 to 5.4 g of CO_2 per deadweight tonnage kilometre[4].

Graph 7.3: Maritime transportation sector results – emission intensities, weighted by loan size (data per end September 2024) for KBC's pathway (Source: KBC, RMI and Asset Impact)

Industry-projected portfolio and KBC-projected portfolio (weighted by loan size)



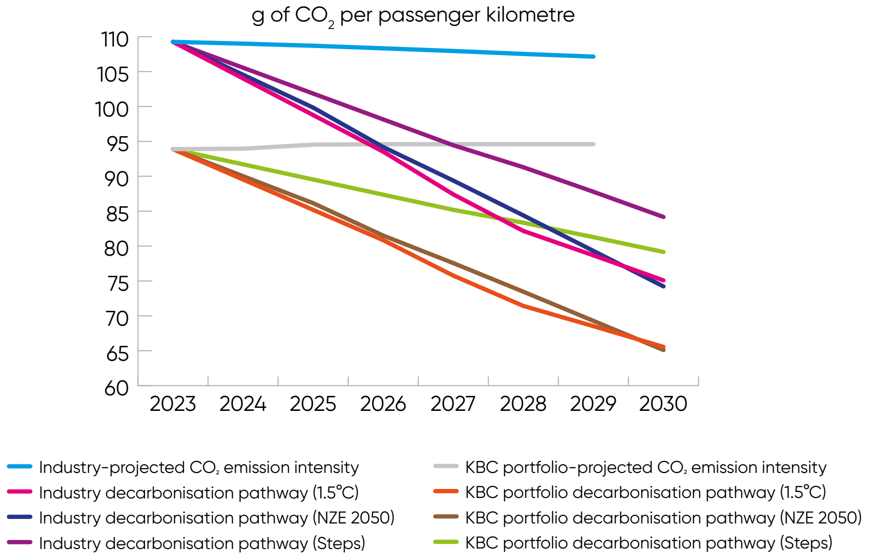
[3] i.e. the PACTA scope within the shipping sector since vessel parts suppliers and ship manufacturers are out of scope of PACTA.
[4] Production and emission information for the maritime transportation sector were overestimated in KBC's 2023 Sustainability Report. KBC's financed emission intensity in this sector was ca. 6.1 g of CO_2 per deadweight tonnage kilometre, rather than the previously reported 10 g of CO_2 per deadweight tonnage kilometre. Likewise, the industry benchmark was ca. 3.5 g of CO_2 per deadweight tonnage kilometre rather than the previously reported 13 g of CO_2 per deadweight tonnage kilometre. This implies, contrary to what was concluded last year, that KBC's financed emission intensity for the ship owner/operator sector is higher than that of the industry average in Asset Impact's universe for this sector.

Aviation

- Within the restricted scope of PACTA, and in observance of the below described limitations in our analysis, we can infer that KBC's corresponding current emission intensity is below the current and projected industry emission intensity. Given the level of technological constraints, both KBC's projected portfolio as well as the industry's projected portfolio are not aligned with either a '1.5°C' pathway, a 'NZE 2050' pathway or a STEPS pathway.
- Since companies in the Aviation operator segment are currently likely to be constrained by similar technologies, the 'Industry-projected, CO_2-intensity pathway' and the 'KBC portfolio-projected CO_2-intensity pathway' hardly show any evolution in Graph 7.4 over the next few years.
- KBC Group's total granted exposure towards the Aviation operator segment[5] is 66 million euros, compared to the 48 million euros total granted exposure reported last year. When comparing this figure to KBC Group's overall industrial loan book, it can be concluded that KBC is only minimally (0.04%) exposed to this important climate-relevant activity.
- Eleven corporates (compared to four last year) in KBC Group's loan portfolio could be matched to Asset Impact's available physical asset-level data. KBC Group's total exposure towards them represents 40% (26 million euros) of KBC Group's aviation exposure in scope of PACTA, therefore the results may not be representative for the whole Aviation sector exposures of KBC Group.
- The PACTA model combines physical asset-level data (i.e. the emission intensity of aviation operators per passenger kilometre up to 2029) with our loan portfolio data. The result of this is a loan portfolio-weighted emission intensity per passenger kilometre.
- As the KBC portfolio's current CO_2 intensity is somewhat below that of the industry (similar to last year's results), the pathway that the companies in KBC's loan portfolio need to follow is less steep than the industry average in the climate risk scenario used. Note that this year's KBC portfolio emission intensity of 93.9 g of CO_2 per passenger kilometre is marginally higher than the 93.3 portfolio emission intensity reported last year.
- However, as mentioned above, the matching rate in this sector is relatively low, as only 40% of the sector exposure could be matched to company physical asset-level data. Consequently, the presented results may not be representative for the whole aviation sector exposure of KBC Group.

Graph 7.4: Aviation sector results – emission intensities, weighted by loan size (data per 30 September 2024) for KBC projections (Source: KBC, RMI and Asset Impact)

Industry-projected portfolio, 1.5°C pathways, NZE 2050 pathways, STEPS pathways and KBC-projected portfolio (weighted by loan size)



[5] i.e. the PACTA scope within the aviation sector, since aircraft parts suppliers, aircraft manufacturers and aircraft owners are out of scope of PACTA.

Voluntary EU Taxonomy reporting for mortgages

We offer loans for assets and activities that fully meet the criteria of the EU Taxonomy. When these are offered to corporate clients covered by the Corporate Sustainability Reporting Directive (CSRD) or households, we include them in our Green Asset Ratio (GAR). We refer to this type of reporting as 'Mandatory EU Taxonomy reporting.' This includes the EU taxonomy reporting volumes based on turnover KPI published by the CSRD companies. For further information on our mandatory reporting, we refer to the part on 'Our contribution to environmental objectives' in our Sustainability Report and the KBC Group Annual Report.

We also offer loans that fully meet the criteria of the EU Taxonomy to corporate clients that have no CSRD obligations. We refer to this as 'Voluntary EU Taxonomy reporting.'

Our 'Voluntary EU Taxonomy reporting' also includes mortgage loans for which we do not have access to all the required data for every individual file. We consequently estimated the share of our mortgage portfolio that complies with the EU Taxonomy alignment criteria, based on reliable proxies and statistical evidence. We developed a methodology for this voluntary EU Taxonomy reporting for our Belgian and Bulgarian mortgage portfolios. In the future we will be looking at developing similar methodologies in our other core countries.

In both countries, the methodology is based on two elements:

- **Substantial contribution criteria**: For the substantial contribution criteria we follow the rules as specified in the EU Taxonomy.
- **Do No Significant Harm (DNSH) criteria**: For general DNSH criteria regarding climate change adaptation, we focus on the flood risk of the houses in our mortgage portfolio. More specifically, we exclude all mortgages to houses located in flood-prone areas. This focus was established based upon an internal physical and transition risk analysis that was performed by sector, risk, sustainability and insurance experts. The aim of the analysis was to assess the materiality of different risk drivers (amongst other climate-related hazards). We identified water-related risks as the most material climate-related risk for the Belgian and Bulgarian real estate sectors.

Belgium

In Belgium, we have limited data available for the houses in our historic mortgage portfolio. We therefore developed a methodology that allows us to estimate which share of our mortgage portfolio can be reported under 'Voluntary EU Taxonomy Reporting'.

The methodology is based on Febelfin's definition of energy-efficient mortgages. This definition is agreed upon by the Belgian bank sector and is in line with our Green Bond framework, which is publicly available and verified by an SPO (Second Party Opinion). In addition, we determined extra conservative criteria to prevent an overestimation of the numbers we report. The selection criteria are specified in detail in Table 7.3. The methodology is based on the following elements:

- **Substantial contribution criteria**: We used rules of thumb developed by Febelfin to check the substantial contribution criteria for our Belgian mortgage portfolio. In practical terms, Febelfin has developed guidelines that allow us to use the deed date of the mortgage to determine whether a building was built before or after 31 December 2020. The PED (Primary Energy Demand) value used in the methodology was analysed and agreed upon by all Belgian banks. Furthermore, we apply a 'haircut' of 10% to our new building mortgage portfolio to account for buildings with older building permits or buildings that do not meet the criterion of being 10% more efficient than the NZEB (Nearly Zero-Energy Building) standard.
- **DNSH criteria**: We used publicly available flood map data for the Flanders region, to determine whether the houses in our mortgage portfolio are in flood-prone regions.

Table 7.3: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Belgium

	Substantial contribution criteria[1]		DNSH criteria
	Buildings built before 31 December 2020	Buildings built after 31 December 2020	Exclude all mortgages for which an average building lies in a flood prone area. Flood maps used: Flanders: 2023 official flood map[3]
New building mortgage	First drawdown of mortgage after 1/1/2016, but before 31/12/2022. It is assumed that these mortgages finance a new building with sufficiently strict building norms so that the energy efficiency is in the top 15% building stock of Belgium + 'Haircut' of 10% applied to buildings with an older building permit	First drawdown of mortgage after 31/12/2022 + 'Haircut' of 10% applied due to the fact that <10% of new buildings registered do not meet NZEB -10% standard[2]	
Mortgage for purchase (+ renovation)	Include mortgages with a PED <= 159 kWh/m^2 year[4] and with a deed date before 1/1/2022. This category implies that the building permit was most likely requested before 1/1/2021	Deed date after 1/1/2022 (if before that date, then it is most likely a building with a building permit requested before 1 January 2021) + PED value <= 47 kWh/m^2 year. This PED value is an approximation equivalent to the NZEB -10% standard	

[1] The date of 31/12/2020 mentioned in the EU taxonomy is interpreted as the building permit request date. It is assumed that on average: building permit request date + 2 years equals deed date + 1 year equals first drawdown year/first occupying year.
[2] Source: https://opendata.vlaanderen.be/dataset/overzicht-resultaten-epb-aangiftes
[3] Source: http://www.waterinfo.be/informatieplicht
[4] The PED value of 159 kWh/m^2 year has been calculated and agreed upon by all Belgian banks as the top-15% PED quantile in Belgium.

Bulgaria

In Bulgaria, the methodology we used to determine whether a mortgage loan can be reported under 'Voluntary EU Taxonomy Reporting' is based on the EU Taxonomy (2020/852) requirements. The selection criteria for our Bulgarian portfolio are provided in detail in Table 7.4. Our assessment in Bulgaria also consisted of:

- **Substantial contribution criteria**: In Bulgaria, we have access to asset-specific data on the energy performance of the houses in our portfolio. Hence, we were able to define a benchmark that we could use to determine whether the houses in our portfolio fulfilled the criteria specified by the EU Taxonomy. For this, we used data from the Bulgarian Agency for Sustainable Development and Eurointegration (ASDE).
- **DNSH criteria**: We used publicly available flood map data from ASDE to determine whether the houses in our mortgage portfolio are in flood-prone regions.

Table 7.4: Selection criteria for eligibility of mortgages under Voluntary EU Taxonomy reporting in Bulgaria

Substantial contribution criteria		DNSH criteria
Buildings with a construction date before 31 December 2020	**Buildings with a construction date after 31 December 2020**	Exclude all mortgages with high flood risks. The map[3] used is published by the Bulgarian Agency for Sustainable Development and Eurointegration (ASDE).
Single family residential building: Energy performance certificate class A or max 105.4 kWh/m^2 energy consumption (EPmax)[1]	Single family residential building: 1) Energy performance certificate class A 2) Energy consumption (EPmax) ≤ 74.7 kWh/m^2	
Multifamily residential building: Energy performance certificate class A OR max 142 kWh/m^2 energy consumption (EPmax)[1]	Multifamily residential building: 1) Energy performance certificate class A; 2) Energy consumption (EPmax) ≤ 81 kWh/m^2	

[1] The building is within the top 15% of the national building stock expressed as operational Primary Energy Demand (PED). The threshold performance is calculated based on information published by ASDE.
[2] The PED is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements. The threshold performance is calculated based on information published by ASDE.
[3] Flood map used: https://bsdi.asde-bg.org/floods_en.php

Sustainability Report

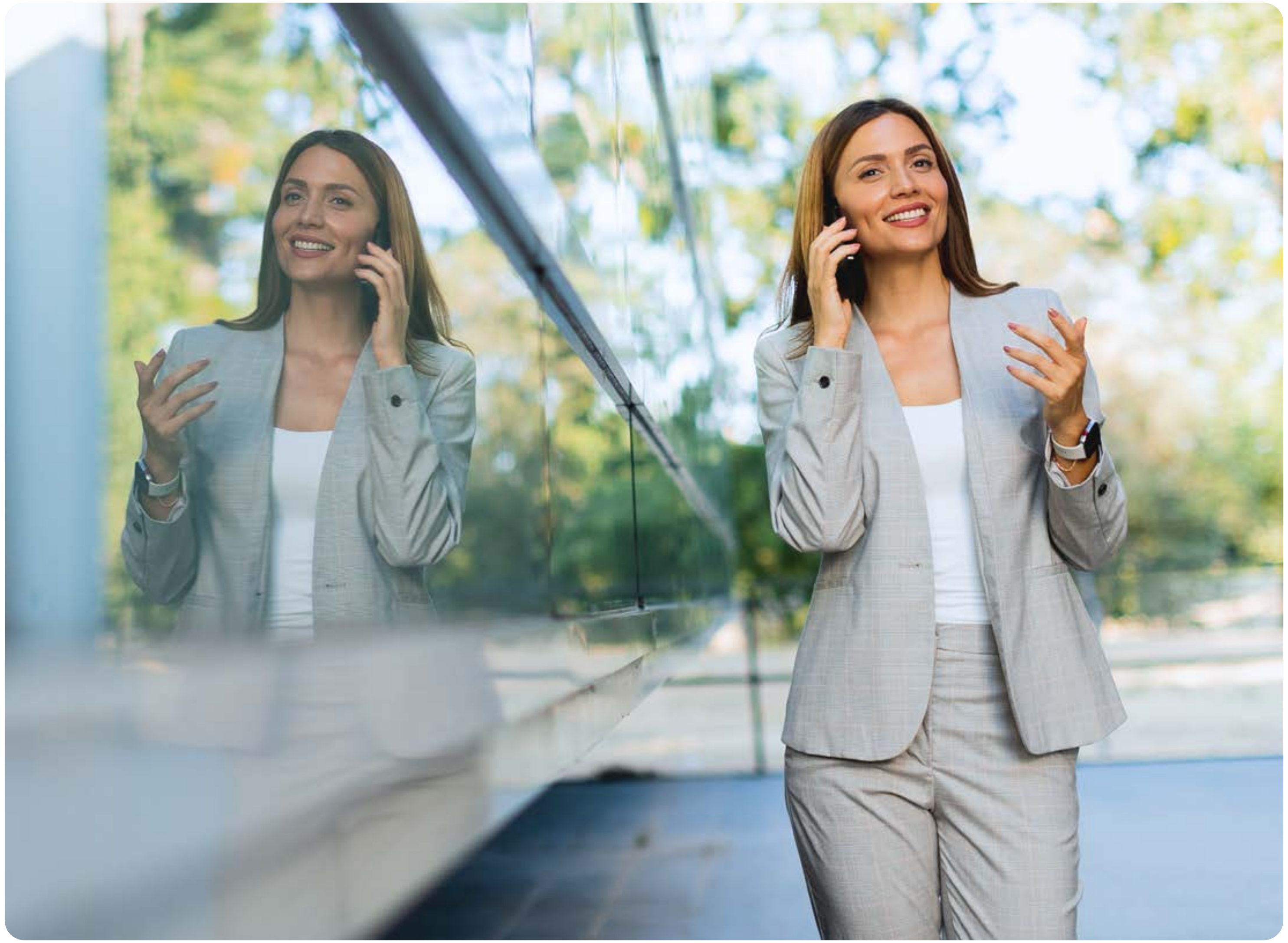
KBC Group

2024

PRB
Responsible Banking
Progress Statement

PRB Responsible Banking Progress Statement

In this report, we report on our commitment and our progress regarding the implementation of the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking ('PRB') according to the Principles for Responsible Banking Report.



In 2019, KBC participated in the launch of the UNEP FI (United Nations Environment Programme Finance Initiative) Principles for Responsible Banking (hereinafter referred to as 'Principles' or 'PRB') and became a Founding Signatory. The Principles clearly represent 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 report on our commitment and our progress regarding the implementation of the Principles in this Responsible Banking Progress Statement.

Principle 1

Alignment

KBC is an integrated bank-insurance group active in its core markets of Belgium, Bulgaria, Czech Republic, Hungary and Slovakia. We offer a wide range of loan, insurance and asset management products and services to private individuals, SMEs and corporates. For more details on our business model, please refer to the KBC Group Sustainability Report 2024: 'Our sustainability strategy' section. Our approach to sustainability is integrated into our corporate strategy and aligned with the UN SDGs.

In 2019 we launched the KBC Sustainable Finance Programme. The focus of this programme has been expanded in recent years from climate to include biodiversity, circularity, pollution and water. Our reporting is in alignment with Task Force on Climate-related Disclosures (TCFD) and Task Force on Nature-related Disclosures (TNFD) which analyse nature- and climate-related risks, opportunities, dependencies and impacts. For more details on our strategy alignment, please refer to the KBC Group Sustainability Report 2024: 'Sustainable finance' section.

Principle 2

Impact & target setting

In 2024 we performed an updated impact analysis of our corporate banking portfolio in all our core markets. The results of this analysis was used as input for our Double Materiality Assessment (DMA). The impact areas prioritised for the PRBs were also identified as material topics for our Corporate Sustainability Reporting Directive (CSRD) disclosures: climate change and biodiversity. The challenges and priorities of our retail portfolio were identified in 2023: housing, mobility and finance. For more information on our retail impact analysis, please refer to the KBC Sustainability Report 2023: 'Appendices: Principles for Responsible Banking'. For more information on our DMA, please refer to the KBC Group Annual Report 2024: 'Sustainability Statement'.

We have set group-wide climate targets and a social target for housing in Belgium. Various actions have been undertaken in pursuit of our targets. For more information on our targets, target implementation and monitoring, please refer to the KBC Group Sustainability Report 2024: 'Sustainable finance' section.

Principle 3

Clients & Customers

Customer engagement is a central part of our sustainability strategy, focusing on climate change and other environmental issues such as deforestation. Thousands of conversations with clients have been conducted to raise awareness and to support their sustainable transition. More information on our customer engagement track, we refer to the KBC Group Sustainability Report 2024: 'Sustainable finance' section.

We have issued social and green bonds to finance our clients' sustainable projects and we continue to grant Sustainability-Linked Loans to our clients. In addition, our work to improve the alignment of these financial products to EU Taxonomy criteria is ongoing. Other climate and environmental objectives as well as related opportunities are described in the KBC Group Sustainability Report 2024: 'Sustainable finance' section, as are our products and services focusing on financial health, financial inclusion and affordable housing, among other themes.

Principle 4

Stakeholders

As part of our process in undertaking our DMA, we have consulted different internal and external stakeholders to identify and assess the most relevant impacts related to sustainable development in all our core countries. Stakeholders were identified through a robust stakeholder identification and mapping exercise.

We regularly consult with experts from the academic world to understand their views and the challenges that we face. In 2024 we hosted a roundtable discussion for the second consecutive year. This year's focus was the accessibility of our products and services.

In addition to consulting and engaging with stakeholders, we also set up partnerships to steer the economy towards a low-carbon future. For more details on our stakeholder engagement process and initiatives, please refer to the KBC Group Sustainability Report 2024: 'Our sustainability strategy' section.

Principle 5

Governance & Culture

KBC has implemented a hybrid organisational structure and governance to ensure the group-wide implementation of our sustainability strategy. The implementation of our principles is overseen by our highest decision-making bodies. For more information on our governance, please refer to the KBC Group Sustainability Report 2024: 'Our sustainability strategy' section.

We prioritise responsible behaviour among our employees, guided by our KBC Group Code of Conduct for Employees and the 'Compass for Responsible Behaviour.' To ensure this, we have implemented a mandatory e-learning course that is part of our onboarding program, and which includes training and awareness on ethical decision-making. For more information on responsible behaviour, please refer to the KBC Group Sustainability Report 2024: 'Our responsibility' section.

Our Sustainability Framework helps us to identify and mitigate potentially adverse impacts while managing impacts on the environment, climate and human rights. In the event of an infringement of our policies, we have set up a specific due diligence process. For more information on our policies and due diligence process, please refer to the 'KBC Group Sustainability Policy Framework'.

Principle 6

Transparency & Accountability

Limited independent assurance has been undertaken on our DMA, our climate targets and their implementation and monitoring, as well as on our governance structure. For more information on assurance, we refer to the KBC Group Annual Report 2024.

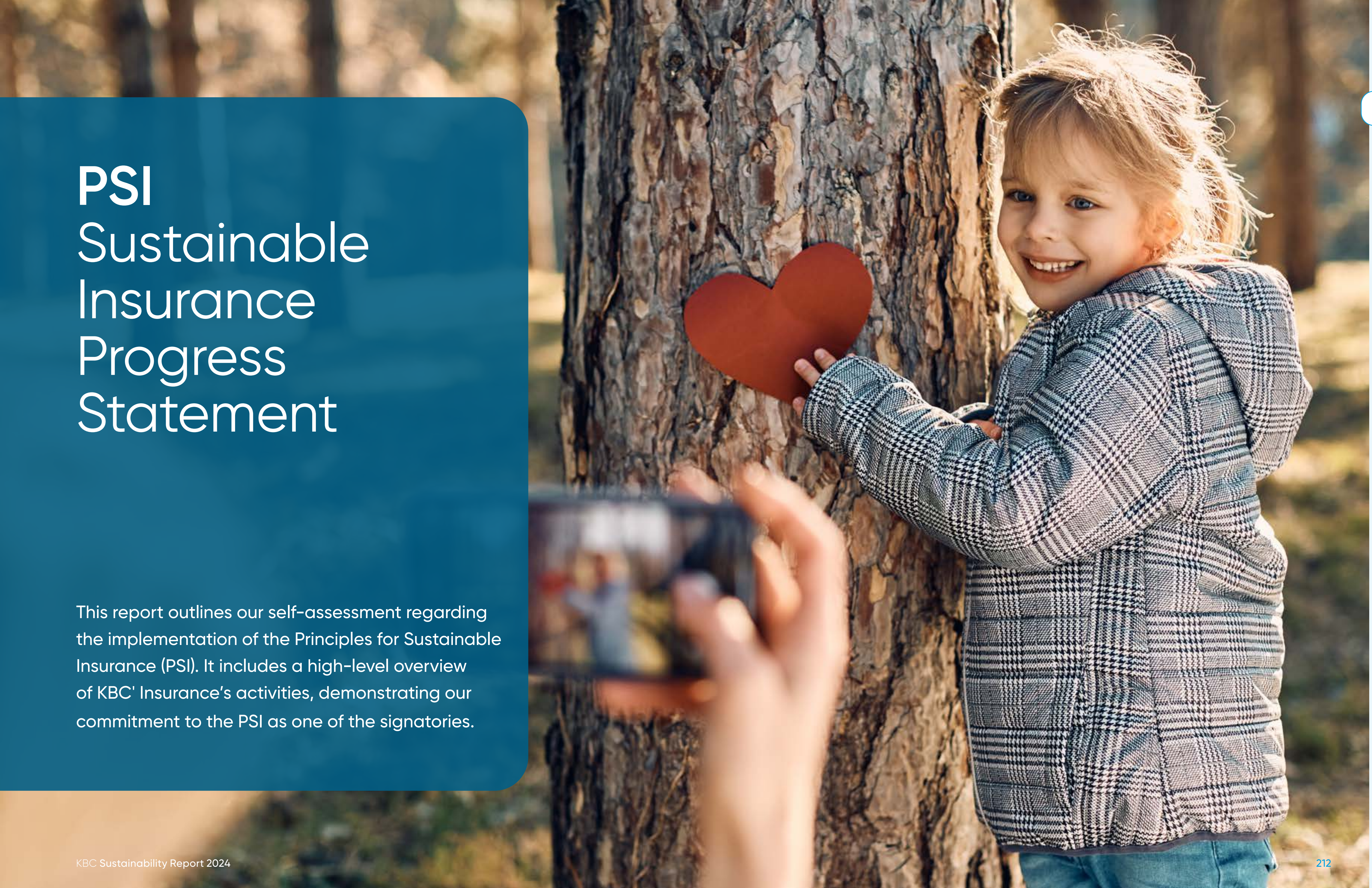
KBC also discloses sustainability information in line with other standards and frameworks, for example, the CDP, TCFD and TNFD. For more information on other standards and frameworks, we refer to the KBC Group Annual Report 2024: 'Sustainability Statement'.

Sustainability Report
KBC Group

PSI

2024 Sustainable Insurance Progress Statement

KBC



PSI Sustainable Insurance Progress Statement

This report outlines our self-assessment regarding the implementation of the Principles for Sustainable Insurance (PSI). It includes a high-level overview of KBC' Insurance's activities, demonstrating our commitment to the PSI as one of the signatories.

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 following sections provide a high-level overview of KBC Insurance activities, demonstrating its commitment to the PSI as one of the signatories.

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 fully apply to our insurance activities and are complementary to our sustainability governance, which covers our insurance underwriting and investment activities. KBC's Internal Sustainability Board, 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, both from a climate change mitigation and a climate change adaptation perspective. Since 2022, we have been reporting on insurance-associated emissions, based on the Partnership for Carbon Accounting Financials (PCAF) methodology. Starting with an initial pilot related to KBC Insurance NV's personal motor vehicles, we have gradually extended our reporting to also include KBC Insurance NV's commercial lines. In addition, we are piloting the calculation of insurance-associated emissions in our other core countries. We are following the PCAF methodology for calculation of and reporting on insurance-associated emissions closely and, as and when guidelines are made available for more lines of business than is currently the case, we will initiate additional pilot projects to report on these as well. In the meantime, KBC Insurance continues its efforts to collect the necessary data from its clients to further strengthen its sustainability reporting.

This year we are reporting for the second time on the part of our gross written premium that is considered 'EU Taxonomy-aligned' (i.e. which makes a substantial contribution to the environmental objective of climate change adaptation). Throughout 2024 we have further fine-tuned our methodology and consequently can now report taxonomy-alignment for KBC Insurance NV's 'Corporate fire and other damage to property' portfolio. A gap analysis has been performed, comparing our updated interpretation of technical screening criteria put forward in the EU Taxonomy, and we continue our work to further align our policies with the EU Taxonomy criteria. For instance, to the extent that this is not already the case, all our insurance companies are preparing to use flood maps in insurance underwriting and are analysing ways to further embed forward-looking flood maps in relevant insurance risk management processes.

References and more information

- KBC Group Sustainability Report 2024:
  'Our sustainability strategy'
  'Our responsibility'
  'Sustainable finance: Our sustainability policies'
  'Sustainable finance: Our commitment concerning our social impact'
  'Sustainable finance: Investment portfolio assessment'
  'Sustainable finance: Assessment of the insurance underwriting portfolio'
- KBC Group Annual Report 2024
  Sustainability Statement

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's Insurance companies have launched several initiatives to raise awareness of sustainability among our clients, stakeholders and employees. Firstly, we rolled out an exercise on data capture, identifying the required data points more specifically and exploring the market of data suppliers. This allows us to gain a better insight into the market and the needs within the various sectors. In the product development stage, we assessed the sustainability risks and opportunities.

Examples in our Non-life Insurance business include:

- All insurance companies in our group have developed specific insurance solutions/conditions for electric vehicles, in an effort to support the electrification of mobility. This is exemplified by our insurance company in Hungary, K&H Insurance, which in 2024 introduced a specific assistance service for electric vehicles and plug-in hybrids in the event of unexpected battery discharge. K&H Insurance also began providing favourable tariffs for specific micromobility devices subject to third-party liability insurance by local regulation. ČSOB Poisťovňa in Slovakia, for instance, offers additional coverage options for electric vehicles, including insurance of a home wall-box charger and waives deductibles for damage caused by climate-related perils, such as flood, hail and windstorm.
- All insurance companies in our group – and in most cases within the standard home insurance policies – cover renewable energy sources for private use (i.e. solar panels, home batteries and charging points).
- In the event of severe damage, all insurance companies within the KBC Group cover the additional costs (up to a certain limit) of reconstructing residential buildings, in accordance with the latest building regulations and/or using more environmentally friendly materials. Note that KBC Insurance NV's corporate Property Insurance policy in Belgium now also offers policyholders the option of receiving insights and advice from an energy consultant on opportunities for rebuilding in a more sustainable and/or resilient manner after a substantial loss event. In the Czech Republic, ČSOB Pojišťovna won in the Visa Best Insurance Company competition's category recognising the ESG (environmental, social and governance) achievements of financial institutions for its apartment building insurance product. Amongst other features, it offers a discount for low-energy consuming buildings. Inspired by the technical screening criteria in the EU Taxonomy for Non-life insurance, we will also begin investigating opportunities for promoting climate change adaptation measures in a similar manner.
- K&H Insurance in Hungary offers an environmental impairment liability cover for small- and medium-sized enterprises, which facilitates relevant policyholders' access to the statutorily required insurance for the costs of site clean-up or biodiversity restoration.

With respect to life insurance, KBC Insurance fully complies with the KBC Group Investment Policy, which includes clear ESG-related investment criteria. In this year's Sustainability Report, we also report on the progress made on our climate target for reducing the carbon intensity of the combined equity and corporate bond portfolio of KBC Insurance consolidated, which we reported for the first time last year. Over the course of 2024, K&H Insurance in Hungary launched a digital pension insurance product (DigiPension), as a unique solution on the Hungarian market with a specific 'Do it for me' investment strategy that offers only Responsible Investing funds. In terms of health insurance, DZI in Bulgaria has a long-term partnership with The First Aid Academy, the only academy offering Ministry of Education-recognised first aid training. In addition, it ensures high-quality healthcare for its policyholders through a collaboration with an external party to host an all-digital online healthcare consulting platform. KBC Insurance NV in Belgium has also partnered with a third party to begin offering services to help customers adopt a healthy lifestyle. By doing so, it also demonstrates its commitment to prevention next to providing life and health insurance solutions.

References and more information

- KBC Group Sustainability Report 2024:
  'Sustainable finance'
  'Our people'

Principle 3

We will work together with governments, regulators, and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

KBC Insurance works with the local insurance associations to – amongst other things – receive and give feedback in the field of ESG and collaborate with a view to expanding the role of insurance companies. For instance, ČSOB Pojišťovna supports the 'Digital academy for secondary schools' project, aimed at educating young people about navigating the online world in a secure and healthy way and to support their path towards digital wellbeing. These efforts were recognised when ČSOB Pojišťovna won third place in the Mastercard Bank of the Year competition's Responsible Insurance Company of the Year category. In Bulgaria, our insurance company DZI collaborates with key stakeholders such as the Gabrovo Municipality, major European insurers and other expert organisations in a Horizon Europe-funded project aimed at fostering region resilience and protection in the face of climate hazards. This project, called 'Soteria' *(Solutions Testing for Regions through Insurance for Climate Adaptation)*, embodies a comprehensive and co-creative approach aimed at addressing the pressing challenges (e.g. reducing the insurance protection gap) posed by climate change through innovative insurance strategies. In Hungary, we have been working intensively on a self-assessment of 'green recommendations for insurers,' issued by the Hungarian National Bank (MNB). MNB reviewed our self-assessment and – based on their assessment – ranked K&H Insurance as one of the top insurers on the Hungarian market in terms of overall sustainability readiness and performance. Going forward, we will continue to provide input to MNB about potential steps that could help us in continuing to promote sustainability in society at large (e.g. through increased availability of relevant data). Such collaborations also provide us with a platform to reach out to policy makers, regulators and government bodies, at EU, national and regional levels.

We also engage in dialogue with internal and external stakeholders through our materiality assessment and define the most material topics that are relevant to our insurance business. 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, we refer to the 'Our sustainability strategy' section of the Sustainability Report.

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 seventh progress report. We will continue to disclose our progress publicly and to be fully transparent regarding our implementation of the PSIs. This report is fully aligned with KBC Group 2024 Sustainability Report.

References and more information

- KBC Group Sustainability Report 2024:
  'Our sustainability strategy: The world in which we operate'