

Transition Plan
for Climate Change
Mitigation
KBC GROUP

April 2026



KBC Group Transition Plan for Climate Change Mitigation

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KBC GROUP TRANSITION PLAN FOR CLIMATE CHANGE MITIGATION



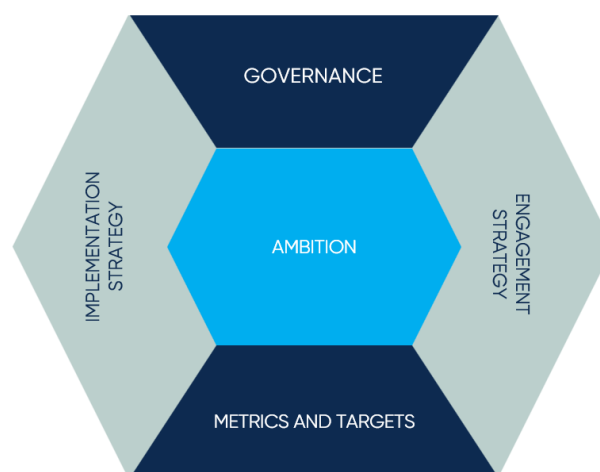
INTRODUCTION

KBC Group's transition plan encompasses our strategy for climate change mitigation in line with our commitment to the Paris Agreement, whilst supporting our clients in their transition towards a low-carbon economy. Aligned with the requirements of the European Sustainability Reporting Standards (ESRS), and specifically in response to Disclosure Requirement E1-1 under the CSRD and the general expectation over different stakeholders, this document aims to consolidate our transition objectives, priorities, and commitments into a single, overarching strategic framework. While the primary focus is on climate mitigation, we recognize that effective climate action often intersects with broader sustainability themes. Therefore, certain sections of this document intentionally broaden the scope to include relevant Environmental, Social, and Governance (ESG) considerations. Approved by our Board of Directors, this document thoroughly outlines our current transition planning approach and illustrates how it is embedded in and aligned with our overall business strategy, risk management and financial planning. This transition plan applies to all entities within KBC Group that fall under the financial consolidation scope, including our banking, insurance and asset management business, and own investments. The scope and coverage of our subject greenhouse gas (GHG) inventory is focused on those segments of the balance sheet for which reliable emissions data is available - primarily the loan portfolio, selected bond holdings, insurance underwriting and assets under management - while other asset classes, such as volatile assets, derivatives, and certain equity holdings, are excluded due to the absence of material emissions, volatility of the underlying assets or the lack of robust calculation methodologies. The scope and coverage of our GHG inventory is yearly reconciled as part of our Sustainability Statement disclosures.

Structure and building blocks of our transition plan

This transition plan document is structured into five major building blocks and sets out the strategic foundation for each, without delving into full implementation details.¹ More information on the progress and implementation of this transition plan is included in KBC Group's most recent Sustainability Statement in the Annual Report, Sustainability Report, and Risk Report, which are published on an annual basis on www.kbc.com.

This transition plan aligns the perspectives of the Board of Directors, the Group Executive Committee and top management, streamlining and stimulating implementation efforts across the organization, and facilitating the further embedding of the transition plan into the business. The structure of the document and its strategic character are illustrated in the transition plan framework below. Each building block is then concisely explained through several subtopics.



¹ The structure of the transition plan is guided by the frameworks developed by the UK Transition Plan Taskforce (TPT) and the Glasgow Financial Alliance for Net Zero (GFANZ), ensuring alignment with internationally recognized best practices for transition plan disclosures.

1. AMBITION

a. Strategic ambition

KBC Group's climate ambition is centred around our formal external commitment to align the climate impact of our operations as well as our business with the Paris Agreement goal of limiting the increase in global average temperature to **well below 2 degrees Celsius, striving for 1.5 degrees Celsius, above pre-industrial levels**. While this strategic ambition means that KBC uses best endeavours to align its business to limit global warming to 1.5°C, no formal commitment is taken to align its business with science-based 1.5°C pathways, which advocate achieving net zero CO₂ emissions by 2050.²

We fully support the need to achieve a climate-neutral society and recognise the vital role of financial institutions in supporting this transition. However, there are still significant uncertainties regarding the best approach to reach this objective. Matters such as the scientific and technological challenges facing the pace of deployment of innovative solutions, energy security and government support are also important elements in determining our current stance.

As an integrated bank-insurer, KBC has the important role of continuing to support both the social and the economic fabric of its core markets. As such, our indirect climate impact will partly have to mirror the evolution and decarbonisation of this social and economic fabric, whilst supporting a clean and just transition.

Given the above, a well-founded, concrete and immediately actionable net-zero commitment does not seem to be within reach at the moment. Therefore, we will continue to support our existing commitment to well below 2 degrees and remain dedicated to setting ambitious targets. We have developed a comprehensive transition plan and are actively engaging with clients and policymakers, while providing green financial service solutions. Our goal is to create value for investors and help clients drive real-world impact through innovative practices and products, as we continuously evaluate the feasibility and impact of more stringent climate commitments.

b. Business model and value chain

KBC's business model as an integrated bank-insurance group is built on creating sustainable value through its core activities, which mainly includes banking, insurance, and asset management. The transition towards a sustainable and low-carbon economy is an important part of KBC's overall corporate strategy and day-to-day business. As a financial institution with a significant direct and indirect impact on society, KBC has made sustainability a strategic priority, aligning it with its ambition to support the transition to a more sustainable and climate-proof society. This commitment is reflected in its sustainability strategy, which focuses on financial resilience and three cornerstones: encouraging responsible behaviour among employees, increasing its positive impact on society, and limiting any adverse impact. These principles guide the development of products and services and shape how KBC operates across all business domains.

c. Key assumptions & external factors

Climate transition planning integrates both measurements and estimates of our current climate impact and sets out the direction of change we want to follow. Naturally, both of these elements

² This reflects the Paris Agreement objective of limiting global warming to well below 2°C, while striving for 1.5°C. Hence, this does not constitute a formal commitment to exclusively follow science-based 1.5°C pathways (such as net zero by 2050), but rather an intention to pursue best-effort alignment with that ambition.

incorporate key assumptions and are dependent on several external factors and therefore introduce a level of uncertainty. Not only may the effective climate transition unfold differently than anticipated through taken assumptions, our understanding and measurement of our climate impact may also improve over time.

Our transition plan is primarily based on the following key assumptions and deliberate choices:

- We follow two guiding principles: (1) we address our direct climate impact as standard practice and have therefore set climate targets on our own carbon footprint, and (2) for our indirect climate impact from business activities, we support client transitions and apply a materiality-driven approach to setting climate targets. In the first phase, targets focus on lending, investment, and asset management, prioritizing areas with the greatest sustainability impact, with coverage disclosed in our Sustainability Statement. Future phases may include dedicated targets on our insurance activities. Capital market activities are currently excluded from the scope of our transition plan as they are not material.
- the climate targets we set as part of our transition plan incorporate assumptions such as (but not limited to) trends and the speed of change incorporated in climate scenario pathways, which inform us on minimum emission reduction ambitions;
- the climate metrics used to track progress against our climate targets depend largely on the availability of client data and therefore are currently based to a large extent on proxy sector-average emission factors. We are continuously working to improve data quality and roll-out business-friendly decision tooling to improve our steering capacity. In parallel, we continuously follow up on and refine the underlying methodologies to ensure they remain robust, transparent, and aligned with evolving standards and best practices.

Our transition plan also depends on the following external factors:

- timely governmental climate action (e.g. supportive, as well as restrictive, measures that stimulate electric vehicle adoption or large-scale renovation of buildings which directly connects with e.g. our residential mortgage loan business);
- clean technology uptake (such as environmental- and cost-effective capital expenditures to reshape industrial processes to low-carbon settings in for example hard-to-abate industries like steel and cement production);
- successful engagement with our clients, both in portfolios with a widespread client base of smaller individual exposures (e.g. in our agricultural client base) as well as portfolios with a limited number of potentially highly emitting counterparties (which is mainly relevant in portfolios related to heavy industries).

Through this document we outline the strategic direction, set of actions, and climate targets to guide our climate transition. Important to note, external factors may ultimately influence the realisation of our climate targets.

d. Materiality assessment

Through our double materiality assessment, we determine which sustainability matters are material to KBC from an impact or financial perspective. The impact perspective considers the positive and negative impacts that KBC has on society and the environment, whereas the financial perspective considers the risks and opportunities for KBC that arise from sustainability matters. To conduct this assessment, we apply the standardized methodology of ESRS and aligned with the EFRAG (European Financial Reporting Advisory Group) Materiality Assessment Implementation.

In this assessment, we identify actual and potential impacts, risks and opportunities associated with our own operations, and upstream and downstream value chain. We link the identified impacts, risks and opportunities to the sustainability matters listed in the ESRS and subsequently assess which impacts, risks and opportunities are material.

2. GOVERNANCE

Our transition plan is overseen by the same governance structure that is in place for our overall sustainability strategy. This means that the governance is built on the following principles:

- Our Board of Directors (BoD) and its dedicated subcommittees, the Group Executive Committee (GExCo), and the Internal Sustainability Board (ISB) determine the overall strategic ambition of KBC Group's transition plan and oversee its overall implementation. Twice a year, the GExCo and the Board review a comprehensive overview of all sustainability-related domains and (climate) targets by means of the KBC Sustainability Dashboard. This dashboard provides measurable and verifiable parameters related to the key themes, actions of our sustainability strategy and transition plan. Also, all of our climate targets are monitored by and reported quarterly (lending) or yearly (investments and asset management) to our ISB. Progress is measured and reported based on a set of KPIs established through the main Steering Committees and/or relevant central decision bodies authorized for dedicated domains (e.g. Finance, Risk, ...).
- The ISB serves as the principal forum at KBC for discussions of overall ESG related issues. The Board is chaired by the Group Chief Executive Officer (CEO) and includes the Group Chief Financial Officer (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 department and the Senior General Manager Group Sustainability, who is also a member of the ISB.
- The Steering Committee Sustainability and the Data & Metrics Steering Committee, the latter of which is co-chaired by the Group CFO and the Senior General Manager Group Finance, decide on the translation and implementation of the strategic ambition. The metrics, targets and other implementation measures defined at this level provide a reporting framework that informs the BoD, GExCo and ISB through existing reporting structures (e.g. Sustainability Dashboard).
- The Senior General Manager of Group Corporate Sustainability (GCS) leads the GCS department, which follows up on ESG-related matters, develops our general sustainability strategy and policies, and ensures its day-to-day implementation across the Group. In each core country, a General Manager Sustainability is appointed to manage local communication, reporting and operational implementation of the sustainability strategy. Local sustainability teams, organized as country departments and committees, are guided by local top management to support the integration and communication of the sustainability strategy and initiatives.
- Other important functions, such as Group Finance, Group Risk, and Group Credit Risk, are actively involved in and responsible for implementing the transition plan within their respective areas. Implementation measures are fully integrated into existing governance frameworks and are overseen by the decision-making bodies within these domains.

- As a testimony of the above, ESG risk management is fully embedded in KBC's existing risk management framework. The Group Chief Risk Officer (CRO) is a member of the GExCo. This committee holds the highest level of direct responsibility for managing the risks with respect to sustainability management and climate change and monitoring the ESG key risk indicators. Senior risk leaders are also represented on the ISB and key steering committees, ensuring alignment across functions. This governance structure is mirrored in each core country, where local sustainability general managers and risk functions actively participate in local sustainability committees. Compliance functions contribute by monitoring adherence to ESG-related regulatory requirements and internal policies, reinforcing the integrity of the framework. Internal Audit, as the third line of defence, reinforces this framework by incorporating ESG risks into multiple audit scopes and dedicating specific audits to ESG topics within its multi-year plan.
- Sustainability has been integrated into the remuneration systems for our employees and especially our top management and members of the GExCo. We continue to take several initiatives to further increase ESG risk awareness, for example by following up on new and changing regulations through a Sustainable Finance Legal Working Group and by organising internal communication and training for (risk) staff and management.
- Finally, we are supported by two advisory boards on sustainability topics. The External Sustainability Board (ESB), composed of independent experts from academia, provides advice on sustainability policy and strategy, representing the interests of key (external) stakeholders. Also, the Responsible Investing (RI) Advisory Board oversees the integrity of our Responsible Investing fund selection and policy implementation.

Through the above outlined existing governance structure, it is ensured that our transition plan and its implementation is fully embedded within the organization across several departments (including sustainability, risk, finance, ...) at both group and local levels.

3. IMPLEMENTATION STRATEGY

a. Business operations

In this section, we outline the key actions and plans we are implementing to achieve our transition goals. These actions cover both our direct carbon footprint, and the indirect carbon footprint related to our business activities. We believe these strategies will help us meet our sustainability targets.

Own operations

We are executing our plan to reduce our **own carbon footprint by 80% by 2030, compared to 2015 levels, and continue offsetting any remaining emissions with high-quality carbon offsets**. While our current plans for decarbonization in the countries where KBC operates are sufficient to meet the target, the Group Corporate Sustainability (GCS) Department continually monitors progress, and local facilities and Human Resources departments handle local execution.

General principles for transitioning our business

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 restrict activities that have

a harmful impact on the environment, human rights and other important issues. We also use the framework to control and effectively manage reputational and litigation risks. Examples include our Energy Policy which excludes financing for thermal coal-related projects and unconventional oil and gas fields (and companies only active in aforesaid activities), the KBC Blacklist, the KBC Human Rights Offenders List and the KBC Controversial Regimes List.

We update our sustainability policies at least once every two years, supported by the advices of the independent experts of our External Sustainability Board (ESB), and use these to steer our business in line with our strategic ambition. Adjustment to our policies may be needed for 1) adapting to changing societal expectations, 2) evolving technical capabilities that can support the transition, or 3) phasing-out or exiting from certain activities in case they do not transition.

Developing products and solutions within an ecosystem approach. KBC aims to be a partner in its customers' transition. We have established an intensive customer engagement strategy for this purpose. We want to contribute to this objective through the services and products we offer, and by incorporating 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 within our broader ecosystem partnerships. This proposition includes providing advice and support concerning renewable energy solutions and on renovations of buildings. Also, our renewable energy target ensures that our growth ambitions are biased towards renewable energy development through active financing of cleantech solutions.

We leverage on KBC's ecosystem-based service model, defined by the acronym S.T.E.M. (Save Time and Earn Money) through two main routes:

1. the integration of banking, insurance and third-party partnerships to provide clients with integrated solutions across key areas such as mobility and housing. This same model is suitable to support the transition plans of our customers to a more sustainable future. Through dedicated solutions such as Greenometer in Czech Republic and ecoWise in Belgium, we aim to support our SME clients in their sustainability transition. Greenometer, developed in collaboration with Czech start-up Digital & Legal, is a sustainability assessment and reporting tool that helps companies measure their carbon footprint and provides tailored recommendations to reduce their environmental impact. In 2023, KBC Belgium launched ecoWise, a subsidiary offering independent advice to SMEs and agricultural clients in Flanders. 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.
2. Kate, KBC's personal digital assistant, plays a significant role in the implementation of our transition plan towards low emissions. As Kate integrates various digital and sustainability solutions and uses data analysis to provide personalised and proactive advisory services, she helps our retail clients to make informed decisions that align with sustainability goals.

Specific principles for transitioning our lending and insurance business, and own investments

Our climate lending and investment portfolio targets serve as a guiding compass for our transition plan implementation. The overview of our targets based on our Paris Agreement commitment as well as their level of compatibility with 1.5°C is available in annex.

For lending, we measure our indirect climate impact through calculating and inventorising financed emissions for our entire loan portfolio. As explained in Section 1. c. of this transition plan, we apply a materiality-driven approach and subsequently set specific targets to steer the

decarbonisation for the most material high-carbon-intensive activities within our loan portfolio.³ Based on our 2024 disclosures, these climate targets covered around 62% of our total loan portfolio associated financed Scope 1 and 2 emissions. The realisation of our targets is mainly supported and achieved through the general implementation principles described above.

Our insurance underwriting business, focusing on our non-life insurance portfolio, contributes to our overall transition plan by developing specific products and insurance solutions supporting e.g. the electrification of mobility and the transition towards renewable energy, while excluding coverage for certain high-carbon activities cfr. the general implementation principles described above. We already calculate insurance-associated emissions for our personal motor and commercial lines portfolios, providing a clear view of our indirect climate impact. In the next phase, we will use these insights to assess and set potential climate targets for our insurance activities.

Frequent White Papers ensure that our Internal Sustainability Board (ISB) can continuously follow up on relevant developments affecting sectors and product lines with the largest environmental impact. In these White Papers 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, plastic pollution and water. The assessments from the White Papers feed into our strategy and policy decisions, ultimately influencing our portfolio mixes, revenue generation, and capital adequacy assessment based on the findings.

For our own investment portfolios, we have in place targets on the corporate investment portfolios of the insurance entities (see annex for an overview). New investments in certain issuers or sectors are excluded by a dedicated exclusion policy for Responsible Investing which is also applicable to our asset management business (see below). In addition to exclusions, the portfolio managers can take into account the emission intensities and their impact place targets. Also, KBC Pension Funds, which manage retirement benefits for Belgium-based staff of KBC Bank, KBC Insurance, and most of their Belgian subsidiaries, are also aligned with our ESG approach.

Specific principles for transitioning our asset management business

For our Responsible Investing (RI), we have established clear targets (see annex for an overview of these) and we apply additional exclusion policies. Guided by our dedicated Investment Policy for Responsible Investment funds, KBC Asset Management (AM) prioritises RI funds as the preferred option to offer our clients. The RI fund's portfolio includes funds that are classified as Article 8 and Article 9 under Sustainable Finance Disclosure Regulation (SFDR) and must achieve specific ESG objectives depending on the type of fund. 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.

Green bond issuance

Green funding provides an opportunity for KBC to further enhance its ability to finance the green projects of its clients and to mobilise all its stakeholders around this objective.

³ Target scopes were initially driven by the scope of our White Paper sectors. These sectors were selected in 2020 based on a materiality analysis, as stipulated in the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). White Paper sector selection criteria included granted loan volumes representing more than 5% of industrial loans the sector having a significant impact on climate change.

The proceeds of the issued KBC Green Bonds are used to finance projects that have a positive impact on the environment by avoiding or reducing the emissions of greenhouse gases, specifically in energy-efficient buildings, renewable energy, and clean transportation.

These initiatives are incorporated in the Green Bond Framework and are mobilising KBC corporate and retail bankers across our organisation, such as the project finance, autolease and real estate teams, to develop business solutions to promote and provide financing for energy efficiency and renewable energy.

The KBC Green Bond Framework is aligned with regulatory frameworks such as the ICMA Green Bond Principles (ICMA GBP) (2021, with 2022 Annex) and aims to progressively integrate the eligibility criteria for environmentally sustainable economic activities as outlined in the EU Taxonomy Climate Delegated Act (June 2021) for Climate Change Mitigation. In doing so, KBC intends to gradually align with the Substantial Contribution Criteria of the EU Taxonomy when practically feasible, while also evolving in line with emerging best practices such as the European Green Bond Standard (EU GBS) and other relevant forthcoming regulatory requirements and guidelines.

Upon submission of projects by the business units, the Green & Social Bond Committee, comprised of representatives including at least one general manager from Group Treasury and GCS, and representatives from the business units (in scope of Eligible Green Assets), verify the compliance of the projects with the Use of Proceeds requirements and select projects as Eligible Green Assets and monitor it on a quarterly basis.

b. Financial planning

As described in Chapter 2 ‘Governance’, our sustainability governance is structured around the Board of Directors (BoD), Group Executive Committee (GExCo), and ISB (and supporting Steering Committees). As these bodies oversee environmental issues, integrate them into the business strategy, and ensure accountability at all levels, it follows by definition that climate strategy, target setting, and other relevant transition and financial planning elements are managed and approved by the highest decision-making bodies within our organization.

Financial impact of risks and opportunities

As described in Chapter 1.d ‘Ambition - Materiality assessment’, positive and negative financial implications (opportunities and risks) of our climate strategy are analysed and revised on a regular basis for their materiality. The outcome of this continuous risk and opportunity management is also reflected in our annual financial planning cycle.

In our financial planning we will foresee and follow up that our sales volume targets on lending, insurance, investment and asset management business for the products and services we created to help our clients in their sustainability transition are in line with climate targets so that we can achieve our climate ambitions. Progress is monitored at the ISB on a quarterly basis.

We also ask the business units to ensure which investments are planned on developing their sustainable business (e.g. product development, ICT solutions, ...) in order to reach our climate targets.

Finally, we also monitor the potential risks related to climate change (as described in part c of Chapter 3), as well as the related risk appetite. The financial planning is also aligned with the scenarios of group economist where ESG is taken into account.

Funding

The investments and operation expenses we have to make to realise the ambitions set for the carbon footprint of our own operations are not very material and are incorporated within our normal operating budgets.

Locked in-emissions and potentially stranded assets

To our knowledge, there are no locked-in emissions detected for own operations that would significantly jeopardise the achievement of our GHG emissions reduction targets. Our climate change lending targets form an important pillar in supporting decarbonisation efforts in some of the highest carbon-intensive activities in our loan portfolio. These targets also serve as a mechanism for identifying and managing exposure to stranded asset risk (i.e. the risk of assets losing their economic value ahead of their anticipated useful life). While we have not quantified potential locked-in GHG emissions at this moment, we continue to identify assets with potential stranded risk via measurement updates of our climate target progress and White Paper exercises.

c. ESG integration in risk management

ESG risks are integrated in our risk management process. If unaddressed, environmental change is expected to have devastating effects (e.g., extreme storms, floods, natural resource shortages, pandemics, mass migration, economic crisis), with potentially extremely high costs for society, as well as for financial institutions and their clients. The path towards a greener economy on the other hand remains highly dependent on technological breakthroughs, upcoming (EU) policies, regulations and actions by governments. These can impact the stability and value of our loan, insurance and investment portfolios.

Since 2018, climate risk has been identified as a top risk for KBC in the annual Risk Scan exercise. In 2023, 'other environmental risks' were added, highlighting the increasing importance of environmental degradation. When managing climate and other environmental risks, we differentiate between transition and physical risks. In our risk taxonomy, Environmental, Social and Governance (ESG) risks are identified as key risks related to KBC's business environment which manifest themselves through (all) other traditional risk areas, such as credit, technical insurance, market, operational, and reputational risk.

As a financial institution, we are vulnerable to ESG risks mostly indirectly, i.e. with impacts through our core activities (lending, insurance and investments). Nevertheless, we consider three angles when managing ESG risks:

- direct risks and impacts through our own operations, e.g., our own environmental footprint, workforce considerations, diversity and inclusion, corporate governance and codes of conduct;
- risk and impacts through our outsourced activities and suppliers (related to the ESG profile of these third parties);
- indirect risk and impacts through our core activities (lending, insurance and investment) and clients/exposures.

As such, ESG is not considered in isolation but firmly embedded in all aspects and areas of KBC's risk management. This includes risk identification and mitigation for client facing products and services, in outsourcing processes, and in lending, insurance and investment processes. We are advancing our practices by taking a step-by-step approach, where follow-up actions are defined based on the insights gained from our previous actions and analyses, and depending on factors such as the availability of data and methodologies and further regulatory developments.

Below, a summary is provided of how ESG is embedded in our risk management. A more detailed overview is included in the KBC Risk Report.

Addressing uncertainty by considering different time horizons and scenarios

When developing our ESG risk management approach, we incorporate steps to address specific challenges that are inherent to the assessment of ESG risks. These relate in particular to uncertainties regarding the speed and effectiveness of the green transition (e.g., policy and technological developments) and the timing of potential impacts.

Given that the materialisation of environmental risks builds up over an extended period (with transition risks dominating in the short and medium term, and potential severe physical hazards occurring more frequently in the longer term), we have adjusted our risk processes to ensure that, in addition to the more traditional short-term impacts, medium- and long-term considerations are also integrated into risk identification, risk appetite, stress testing and risk reporting. In this way, we incorporate a forward-looking perspective.

Depending on the external measures adopted to contain the ongoing deterioration of environmental conditions and its impacts, different economic and social implications are conceivable. In order to deal with this uncertainty in our environmental risk assessments, we consider a range of climate scenarios. More specifically, we build upon industry-standard climate scenarios from the Network for Greening the Financial System (NGFS) in our materiality and quantification exercises.

Strong focus on risk identification

Several processes are in place to ensure proactive risk identification, such as:

- via our Environmental Risk Impact Map we structurally identify environmental risks (climate change, nature loss, pollution, water stress and non-circularity). The Environmental Risk Impact Map (ERIM) reflects, for every risk type, the materiality of each considered environmental risk.
- to detect ESG risks, we have developed a specific due diligence process to monitor compliance of our lending, insurance activities and advisory services with our sustainability framework. This incorporates procedures to deal with any infringements that are detected. For this purpose, third-party ESG analysts' data is also used. Additionally, our due diligence process includes the possibility of requesting advice on sustainability-related matters (incl. reputational risk aspects) for individual cases by sustainability experts.
- ESG considerations are explicitly taken into account when deciding on new products or services. Particular attention is paid to the adequate 'green' labelling of newly developed products, aligned with regulatory frameworks such as the EU Taxonomy and the ICMA Green Bond framework. A mandatory advice of sustainability experts is required when the product is labelled as 'green' or 'towards green'.

Strengthening ESG risk measurement and stress testing

We make use of a series of tools and methodologies to strengthen our ability to identify, measure and analyse climate-related risks. In doing so, we leverage industry practices (such as the Partnership for Carbon Accounting Financials (PCAF) and the Paris Agreement Capital Transition Assessment (PACTA)) and we have also developed internal tools and methodologies. These provide further insights into the impact of climate change on our business model, as well as the impact of our lending, investment and insurance activities on the environment.

We cover multiple time horizons and use a combination of methodologies, including:

- exposure-based methodologies (e.g., when required, we conduct an ESG assessment at counterparty level for material credit files during the loan origination and review process);
- portfolio alignment-based methodologies (e.g., in the context of our climate targets, PACTA, TRUCOST); and
- scenario-based methodologies (e.g., scenario analyses and stress testing).

The results of these exercises provide further insights into the impact of climate change on our business model, as well as the impact of our lending, investment and insurance activities on the environment (double materiality). Integrating these methodologies enables us to gradually improve credit and insurance underwriting and investment policies, and support us in engaging with our clients.

Climate risk and other ESG risks have a prominent role in the scenarios of KBC's stress tests and sensitivity analyses. ESG-related stress testing exercises and the use of ESG scenarios are continuously enhanced following new insights from, for instance, our Environmental Risk Impact Map or other methodological tracks. In particular, we conduct internal climate risk stress testing, covering both transition and physical risk scenarios.

In tandem, KBC continues to make significant efforts to enhance data availability which will further enable accurate quantification of the climate and other ESG risks we are exposed to. We continuously investigate external developments and potential new methodologies, tools and services, to continue to build up relevant knowledge and expertise, and gradually gain more insights. This enables us to take additional steps to advance our risk management processes and practices.

ESG risk is embedded in the risk appetite process

When integrating climate-related and other ESG risks into our risk appetite process, we not only focus on short-term impacts, but also take extended time horizons into consideration. Potential short-, medium- and long-term impacts, as identified in the Environmental Risk Impact Map provide input for our risk appetite discussions so that (early) warning signals can be given in case of expected material impacts (for all time horizons) with the aim of steering the strategic debate and initiating risk-mitigation actions in a timely manner (e.g., making policy adjustments or setting additional targets and limits). In our yearly financial planning exercise, climate evolutions are included in the economic scenarios which form the basis of our budgeting cycle, we follow up on climate-related volumes and targets and the expected impact of climate-related risks on the risk profile is considered.

Being part of the Sustainability Policy Framework (as explained in the section on "Implementation strategy"), our sustainability policies clearly define the ESG risk playing field for credit, insurance, advisory services and investments (asset management and own investments) as well as supporting activities such as procurement.

To be less vulnerable to changes in the external environment – including environmental change – we pursue diversity and flexibility in our business mix, client segments, distribution channels and geographies, where we refrain from focusing on short-term gains at the expense of long-term stability.

In addition to the bans, zero tolerances and targets (as explained in the section on "Implementation strategy"), we have introduced a set of climate-related Key Risk Indicators (KRIs) into our risk appetite process. These are defined for the most material transition and physical risks as identified in the Environmental Risk Impact Map, covering a large part of KBC's activities and portfolios. They were defined for several traditional risk areas (such as credit risk,

technical insurance risk, market risk and operational risk). These KRIs are taken into consideration when assessing the impact of ESG risk on KBC's risk profiles. Early warning levels for a selection of these KRIs are intended to draw attention to any adverse evolution. Going forward, we aim to further enhance the set of climate-related KRIs, leveraging improved data and insights.

Risk analysis, monitoring, reporting and follow-up

Climate-related and environmental data are increasingly embedded in both internal and external reporting.

ESG risks are well integrated and extensively addressed in several of our core risk management reports (e.g., ICAAP/ILAAP/ORSA, Integrated Risk Report, Risk Appetite Statement, Pillar 3 Risk Report, etc.) which are distributed to the BoD, the Risk & Compliance Committee and the GExCo. Since 2023, a Climate Risk Dashboard is included in the Integrated Risk Report on semi-annual basis. The dashboard includes an analysis and monitoring of climate-related transition and physical risk metrics for KBC's most relevant portfolios and business lines, and allows to take timely action in case adverse evolutions.

4. ENGAGEMENT STRATEGY

The implementation of our climate transition planning approach involves active engagement with a diverse range of stakeholders, including but not limited to policymakers and clients. Our goal is to amplify positive impact beyond our operations by cultivating strong relationships and exchanging best practices.

Through our sector-specific White Papers we identify opportunities and risks, which inform client engagement discussions on their transition strategies. We actively foster dialogue with stakeholders to promote sustainable practices and share best practices to create a ripple effect beyond our own operations.

We categorize our stakeholders into three main groups:

- 1) affected stakeholders, whose interests are impacted or could be impacted by our activities and business relationships across the value chain,
- 2) users/readers of our various external reports, who seek information and insights on our sustainability efforts, and
- 3) regulators and policy makers who set the regulatory framework and policies within which KBC operates.

The affected stakeholders are our clients (retail, SME and corporates), our employees, our suppliers and society at large (including nature as a silent stakeholder). We support our **clients'** transition to sustainable practices by creating awareness of our sustainable products and solutions. Our aim is to be a partner in our clients' sustainability transition and to encourage them to take necessary steps to make their businesses more sustainable. We primarily achieve this through direct conversations with our clients. Additionally, we engage and inspire them on sustainability topics through webinars, testimonials on our website, our award-winning mobile app, as well as through training sessions and events.

Moreover, we regularly train our **relationship managers** to enhance their awareness about ESG topics and their knowledge of sustainability-related risks and opportunities. This training equips them with the tools needed to support our clients in their sustainability transitions. In some cases, the training is tailored to specific sectors. **Supplier relationships** are managed through

ESG assessments, vendor meetings, and transparent communications. We also engage in dialogue with **society** on a regular basis through various initiatives, such as our memberships in local councils and sustainability networks, roundtables on relevant societal topics and by consulting external advisory boards for societal insights. Given the amount of information and the expectations of our various stakeholders, we have divided our reporting across different channels, including our voluntary Sustainability Report, Risk Report, and our externally assured Sustainability Statement integrated in our Annual Report. This approach is designed for our diverse audience, including investors, core shareholders, public authorities, business partners, trade unions, non-governmental organizations, governments, academics, and analysts.

Regulators and policymakers are key stakeholders in our ecosystem. This group includes regulatory bodies, supervisory authorities, and policymakers who shape the regulatory landscape, implement policies, and oversee financial institutions to ensure compliance and stability within the sector. We engage with these entities through active participation in sectoral working groups, maintaining dedicated teams for continuous dialogue, producing memorandums and training materials, and conducting impact assessments to align our products and processes with evolving regulatory requirements.

Concerning asset management, KBC AM safeguards investor interests and promotes responsible conduct through proxy voting and engagement. This includes direct dialogue with companies and policymakers on ESG issues, as well as collective initiatives such as Climate Action 100+ and Nature Action 100.

5. METRICS AND TARGETS

Reducing our negative impact while advancing our positive impact on the environment is an integral part of our Sustainability Strategy. With regards to climate change, we focus on diminishing our negative impact by reducing our direct and indirect carbon footprint, while increasing our positive impact by offering products and services that support a low-carbon economy, providing sustainable finance, and investing in companies addressing climate challenges. In line with this objective, we have set various climate-related targets for which we closely monitor our progress on a regular basis and report this to the Board of Directors (BoD) and Internal Sustainability Board (ISB). For all of our disclosed targets and metrics we obtain limited assurance from an external auditor before external publication in our Sustainability Statement in the Annual Report. Also, the part of our financed emissions that are covered by our climate targets for our lending portfolio are reported and disclosed yearly in our Sustainability Statement. A Recalculation Policy is in place for both our own footprint and lending climate targets. This policy outlines the process and recommended methods for recalculation in cases where changes a.o. to our organizational structure—such as divestments or acquisitions—affect our progress measurements and targets. All of our environmental targets have been reviewed and approved by the Group Executive Committee (GExCo) and ISB, and endorsed by the BoD. The sections below describe our main decarbonisation levers and actions.

a. Decarbonisation of own footprint

We are committed to reducing the carbon footprint of our own operations by focusing on energy efficiency, switching to renewable energy, promoting greener employee mobility, and reducing waste and water consumption. Our measures include implementing ISO 14001 environmental management systems across our core countries, installing photovoltaic panels and heat pumps, transitioning the company fleet towards electric vehicles. Additionally, we support the shift to greener employee mobility by implementing a teleworking policy in all our core countries,

incentivising the use of (electric) bicycles for commuting, and promoting public transport. Our objective to reach 100% renewable electricity consumption in own operations by 2030 underpins our GHG emissions reduction targets. Emissions that cannot be eliminated are offset annually using high-quality carbon credits. Moreover, to reduce our direct impact we largely depend on our suppliers. Through the Sustainability Code of Conduct for Suppliers, we ensure that our procurement activities support our climate-related objectives. Progress on our own carbon footprint target is monitored and reported annually to our BoD and ISB through the Sustainability Dashboard.

b. Decarbonisation in our lending, asset management business, and own investments (see annex for overview)

For **lending**, we actively steer decarbonisation of our business by setting climate targets. The targets are expressed in emission intensity metrics. As part of our commitment under the United Nations Environment Programme Finance Initiative (UNEP FI)-convened Collective Commitment to Climate Action (CCCA), these targets follow UNEP FI guidelines which require using science-based decarbonisation scenarios aligned with the Paris Agreement's goal of limiting global warming to well below 2°C, aiming for 1.5°C. These targets serve multiple purposes, including monitoring climate-related transition risks and ensuring our loan portfolio aligns with our climate objectives.

Cfr. Section 1. c. of this transition plan, the scope of our climate lending targets is materiality-driven, taking into account both the materiality of climate impact and the significance of exposures within our loan portfolio. Accordingly, specific sectoral targets have been set for energy, transport, real estate, agriculture, steel, cement, and aluminium loan portfolios, aligning them with Paris Agreement goals through science-based target setting methodologies. Portfolio emissions measurements are based on market-practiced methodologies such as PCAF and PACTA, and climate scenarios from credible sources like NGFS⁴. We monitor our progress on these targets on a quarterly basis and integrate forward-looking information if available and report this to the ISB. Progress is also reported to and monitored by the BoD twice a year through the Sustainability Dashboard. Key actions include financing renewable energy projects, energy-efficient buildings, and electric vehicles, as well as offering renovation loans to support energy efficiency improvements.

For the **investment portfolio** of KBC Insurance, we ensure that investments gradually shift towards greener activities and technologies, supported by updated data and external sustainability assessments. We have set targets for the carbon intensity of KBC Insurance's own investments (excluding unit-linked investments) covering Scope 1 and Scope 2 emissions from corporate investments, such as corporate bonds and equity, using Trucost data, a subsidiary of S&P. Cfr. Section 1. c. of this transition plan, the scope of our climate targets is materiality-driven and is subsequently currently focused on listed equity and corporate bonds only, targeting the direct GHG emitters (i.e. the underlying issuers). Progress on this target is twice a year reported to and monitored by our BoD and ISB through the Sustainability Dashboard.

For our **asset management business**, we also set and monitor climate-related targets. Cfr. Section 1. c. of this transition plan, the scope of our climate targets is materiality-driven and is

⁴ The Network for Greening the Financial System (NGFS) is an international network of central banks and supervisors that provides climate scenarios to help financial institutions assess the impact of climate change on their portfolios. KBC uses these scenarios for risk identification, measurement, strategic planning, and resilience assessments to enhance strategy and financial planning.

subsequently currently focused on responsible investments only, targeting only the Responsible funds of the Direct Client Money⁵ managed by KBC Asset Management and its subsidiaries. We apply a strict responsible investment policy that includes exclusion lists and positive ESG selection, aiming to align portfolios with Paris Agreement goals. Progress on these targets is measured yearly, and investments are steered based on carbon intensity metrics and sustainability performance. We aim to continue growing the share of responsible investments in our portfolio. In this regard, we note that the RI funds focus on sustainability objectives beyond climate change mitigation. Considering our entire portfolio of RI funds, climate change mitigation is the most widely applied sustainability objective. For some funds, however, it is not the main sustainability-related focus. Additionally, by 2030, we are committed to reducing the carbon intensity of corporate investees within our Responsible funds. Progress on these targets is reported to and monitored by our BoD and ISB twice a year through the Sustainability Dashboard.

Overview of the main decarbonisation levers and actions for our targets

Domain	Decarbonisation levers and actions considered for implementation
Own operations	<ul style="list-style-type: none"> - implementing ISO 14001 environmental management systems - installing photovoltaic panels and heat pumps - electrification of company fleet - implementing teleworking policy and promoting clean commuting - offsetting residual emissions
Lending	
Energy	<ul style="list-style-type: none"> - financing renewable energy projects and companies in transition - financing fossil fuel energy projects only if in line with conditions/restrictions set out in our sustainability framework - on portfolio level fossil fuel financing is counterbalanced by renewable energy financing - engaging with clients - engaging with policymakers
Real estate	<ul style="list-style-type: none"> - renovation loans and price incentives - engaging with clients - engaging with policymakers
Agriculture	<ul style="list-style-type: none"> - engaging with clients
Transport	<ul style="list-style-type: none"> - financing electric vehicles - engaging with clients
Cement	
Steel	<ul style="list-style-type: none"> - financing companies in transition
Aluminium	<ul style="list-style-type: none"> - engaging with existing clients and restrictive acceptance of new clients
Investments	
Asset Management	<ul style="list-style-type: none"> - excluding investments if not compliant with the Responsible Investing Policy - emission intensity profile of investment and impact on weighted average portfolio emission intensity used as a guiding parameter in investment decisions

⁵ Assets under distribution for retail, private banking and institutional clients.

ANNEX: OVERVIEW CLIMATE TARGETS

a. Targets for our lending business

Overview of the climate-related targets for our loan and lease portfolios	Target based on granted or outstanding loan exposure	Base year	Unit	Base year value	2030 Target	2050 Target	Benchmark scientific scenarios	Policy ambition expressed in global warming
Thermal coal								
Direct exposure	Granted	2021	m euros	16	0	0	IEA Net Zero 2050	1.5°C
Energy								
Share of renewables in total energy loan portfolio (excluding transmission and distribution)	Granted	2021	%	63%	75%	-	-	-
Electricity – GHG intensity ¹	Outstanding	2021	kg CO ₂ e / MWh	210	127	49	NGFS (Phase 2)	1.7°C
% change		2021	%	-	-39%	-77%		
Energy whole sector – GHG intensity ²	Outstanding	2021	t CO ₂ e / m euros	453	300	82	-	-
% change		2021	%	-	-34%	-82%		
Real estate								
Residential real estate – GHG intensity ²	Outstanding	2025	kg CO ₂ e / m ²	52	39	7	NGFS (Phase 2)	1.7°C
% change		2025	%	-	-26%	-86%		
Real estate (whole sector) – GHG intensity ²	Outstanding	2025	t CO ₂ e / m euros	33	25	11	-	-
% change		2025	%	-	-23%	-66%		
Agriculture								
GHG intensity ²	Outstanding	2021	t CO ₂ e / m euros	1405	1103	934	NGFS (Phase 2)	1.7°C
% change		2021	%	-	-21%	-34%		
Transport								
Passenger car loan and financial leasing – GHG intensity ¹	Outstanding	2021	g CO ₂ / km	139	81	0	EU MIX	1.5°C
% change		2021	%	-	-42%	-100%		
Light commercial vehicle loan and financial leasing – GHG intensity ¹	Outstanding	2021	g CO ₂ / km	208	145	33	EU MIX	1.5°C
% change		2021	%	-	-30%	-84%		
Passenger car operational leasing – GHG intensity ¹	Outstanding	2021	g CO ₂ / km	133	25	0	EU MIX	1.5°C
% change		2021	%	-	-81%	-100%		
Light commercial vehicle operational leasing – GHG intensity ¹	Outstanding	2021	g CO ₂ / km	196	132	19	EU MIX	1.5°C
% change		2021	%	-	-33%	-90%		
Cement								
GHG intensity ²	Granted	2021	t CO ₂ e / t cement	0.69	0.58	0.22	IEA ETP 2020	1.7°C

% change		2021	%	-	-16%	-68%		
Steel								
GHG intensity ²	Granted	2021	t CO ₂ e / t steel	1.34	1.15	0.59	IEA ETP 2020	1.7°C
% change		2021	%	-	-14%	-56%		
Aluminium								
GHG intensity ²	Granted	2021	t CO ₂ e / t aluminium	0.59	Stay well below the global sectoral intensity climate benchmark		Yes	TPI <2°C
% change		2021	%	-				

b. Targets for our investment business

Climate-related targets for own investments of KBC Insurance	Base year	Unit	Base year value	2025 Target	2030 Target	Benchmark scientific scenario	Policy ambition expressed in global warming
Carbon intensity (Scope 1 + 2) of listed equity and corporate bonds portfolio of KBC Insurance	2019	tCO ₂ e/million USD revenue	112	84	67	-	-
% change	2019	%	-	-25%	-40%		

c. Targets for our asset management business

Climate-related targets for asset management activities	Base year	Unit	Base year value	2025 Target	2030 Target	Benchmark scientific scenario	Policy ambition expressed in global warming
Share of RI funds in total DCM	2021	%	33%	45%	55%	-	
Share of RI funds in total annual fund production (gross sales)	2021	%	55%	-	65%	-	
Carbon intensity (Scope 1 + 2) of corporate investees in Responsible funds	2019	tCO ₂ e/million USD revenue	196	-	98	-	
% change	2019	%	-	-	-50%		

LIST OF ABBREVIATIONS

Abbreviation	Definition
AM	Asset Management
BoD	Board of Directors
CCCA	Collective Commitment to Climate Action
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CRO	Chief Risk Officer
ERIM	Environmental Risk Impact Map
ESB	External Sustainability Board
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
GCS	Group Corporate Sustainability
GExCo	Group Executive Committee
ISB	Internal Sustainability Board
KRI	Key Risk Indicators
NGFS	Network for Greening the Financial System
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
RI	Responsible Investing
SFDR	Sustainable Finance Disclosure Regulation
UNEP FI	United Nations Environment Programme Finance Initiative