Press Release

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As part of its fight against climate change, KBC will no longer provide credit, advice or insurance to new oil and gas fields (with clarification p4)

In 2016, KBC published its first group-wide Energy Credit Policy. Over the past five years, KBC has systematically strengthened this policy, taking into account society's constantly changing expectations and increasing insight into how using fossil fuels impacts global warming.
Starting from 1 November 2021, KBC will tighten up its policy once again, for the third time in just two years.
KBC's new Energy Credit Policy confirms the strict restrictions on the financing[1] of fossil fuels, which have been in place for some time, and now introduces an end to financing for the exploration and development of new oil and gas fields. This decision from KBC sets out concrete measures in response to the most recent findings of the International Energy Agency, which show that a sufficient number of oil and gas resources have now been tapped.

At the same time, KBC has also committed to gradually increasing the share of renewable energy sources in the total energy loan portfolio to at least 65% by 2030 at the latest. The proportion of such projects is systematically on the rise. In 2018 it was still 56%, while by the end of June this year the proportion reached 60%. This is why KBC is supporting renewable energy such as hydro, solar and wind power, and will only consider financing biomass and biofuel activities under strict conditions, including careful consideration of the environmental impact.

In 2019, KBC signed the *Collective Commitment to Climate Action*, strengthening its determination to work with its customers to stimulate the greening of the economy as much as possible. By signing the CCCA, KBC has committed to aligning its portfolios and business strategy with the Paris Agreement to keep global warming below 2°C while aiming for 1.5°C.

Johan Thijs, CEO of KBC Group, outlines the challenge KBC is taking on: '*KBC recognises that the impact of global warming is one of the greatest challenges facing the world, and that it will have a significant and lasting impact on economic growth and prosperity. As a major international financial institution, KBC wants to play an active role and is aware of the leverage it can generate in the transition to a more sustainable society and a low-carbon economy by working together with all stakeholders. Generating sustainable, profitable growth and contributing to a more sustainable society go hand in hand. This is to say that KBC wants to* ***minimise its negative impact on society as much as possible*** *by applying strict policies and sustainability guidelines, reducing its own environmental footprint, and promoting sustainable investment products.* ***This is why KBC has excluded all fossil fuels from its range of sustainable investment funds since the beginning of 2019, while conventional funds meanwhile have also stopped investing in thermal coal.[2]***

[1] The same rules also apply to all KBC's insurance and business advisory activities.
[2] This is coal used to generate electricity or heat.

A vision for sustainability needs to move with the changing perceptions and expectations of society. KBC stays connected with the latest developments in this area and involves its stakeholders in an open dialogue by means of publications, such as the Report to Society and the integrated Annual Report, and by a dedicated CSR mailbox. KBC also commissions market research to be conducted in all the countries where it is active and invites a number of stakeholders each year to attend a meeting with the company's top management. This gives KBC a clear idea of what is important to its stakeholders and also enables it to adjust its current and future projects and initiatives more effectively to their expectations.'

Systematic tightening of credit policy for fossil fuels

- **2016: KBC's first Energy Credit Policy**
  - End of financing for thermal coal activities, including coal mining and coal-fired power plants.
  - Derogation for the Czech Republic: transition period until 2050 (specific local energy situation: coal accounts for a very large proportion of electricity production and centrally managed heating systems for 40% of Czech households).
  - End of financing for large-scale biomass and biofuel plants.

- **2018:**
  - Stricter rules regarding the derogation for the Czech Republic:
    - ČSOB in the Czech Republic will exit the coal sector.
    - Exposure to coal-based electricity generation should be scaled back to zero by 2023.
    - Existing coal-fired central heating plants may still be financed until 2035 at the latest, but only for the purpose of making environmental improvements, and exposure must be decreased in the interim.
  - End of financing for companies specialising only in the extraction of oil and gas.

- **2020 – KBC kicks it up a notch**
  - KBC stops financing or insuring new customers if they obtain any energy production capacity (electricity and heat) from coal.
  - End of all financing and insurance for coal-related activities and companies by 2030.
  - Financing of import and export transactions relating to thermal coal is excluded.
  - Rules regarding the derogation for the Czech Republic are made stricter still:
    - KBC will no longer finance or insure heat distribution networks.
    - Ongoing coal-related financing and insurance is phased out at an accelerated pace. Existing customers in the sector can only expect financing for projects that improve the environment or have a social benefit.

- **Since April 2021**
  - Widening the scope of the Energy Credit Policy to include companies from all sectors.
  - Additional conditions for existing customers: compulsory submission of a transition plan clearly demonstrating that customers will have fully phased out coal by 2030. (Deadline at end of 2022 for large companies and end of 2023 for smaller companies.)
  - Customers may not expand or replace their existing coal-based energy production capacity.
  - Czech Republic: all remaining coal-related financing must be fully phased out by the end of 2021. ČSOB (Czech Division of KBC Group) already achieved this target by the end of June 2021.
  - For coal producer and power plant subcontractors: no more financing or insurance for specific transactions concerning parts which are essential to the operation of these companies and plants (e.g., cooling towers, conveyor belts for mines, excavators, etc.)
  - For existing customers, KBC is still prepared to finance – under strict conditions – energy transition projects with a demonstrable benefit for the energy transition.

- **NEW: as from November 2021**
  - **The existing ban on financing unconventional oil and gas fields (Arctic and Antarctic on- and off-shore oil and gas, deep sea drilling, tar sands, and shale oil and gas) is now being extended to all new oil and gas fields.**
  - **In addition, the term of all new credit to integrated oil and gas companies will now be limited to 2030 at the latest, unless these companies commit not to exploit any new oil or gas fields.**

KBC has also spent years striving to reduce its own CO2 emissions

KBC has also made serious efforts year after year to substantially reduce its own CO2 emissions and set itself ambitious targets. By 2030, KBC aims to have reduced group-wide greenhouse gas emissions by 80% (compared to 2015) and to use 100% green electricity.
Furthermore, KBC will be a net climate neutral company by 2021 in terms of its own footprint, as it will be offsetting its emissions.

By the end of 2020, emissions in Belgium were already 40% lower than in 2015, and were in fact 70% lower in comparison to 2007. Emissions amounted to around 22 000 tons of CO2 in 2020, with over half (55%) attributable to staff mobility and the remaining 45% to the operation of the Belgian building stock.
KBC has used 100% green, Belgian electricity in Belgium since as early as 2009, with the exception of a few smaller subsidiaries, which will also switch in 2021. Here, KBC is therefore focusing on alternative energy sources such as solar panels and cogeneration, energy-efficient renovations, and green mobility schemes for employees.
In terms of staff mobility, one in five employees in Belgium have already signed up for the bicycle leasing offer in the flex plan, while half of all new lease cars ordered for staff are already fully electric.

New oil and gas restrictions – KBC clarifies its recent announcement

(17 November 2021) - **KBC wishes to further clarify its position with regard to its recently announced restrictions towards the oil and gas sector.**
KBC acknowledges both the direct climate impact of the oil and gas sector as well as KBC's indirect climate impact through its dealings with this sector (see also more information on KBC's approach in its 2020 Sustainability Report). KBC has opted for a source-oriented approach, focusing on the most climate impactful part of the sector's value chain, i.e. the actual extraction of new fossil fuels.
As such and in response to the learnings of the latest International Energy Agency (IEA) '*Net Zero by 2050*' report, KBC has decided it will restrict its financial services towards the exploration of new oil and gas fields. As recently announced, financing, insurance or advisory services directly related to the exploration of new oil and gas fields, are excluded as of 1 November 2021.

However, the oil and gas sector contains both companies active exclusively in one part of the value chain and companies that operate across the entire value chain, so-called vertically integrated oil and gas companies – the latter having activities from oil extraction, oil refining all the way up to delivering fossil fuels to end-users. KBC believes that an orderly energy transition starts with targeting restrictions to any new activities that take place in the earliest stage of the oil and gas value chain. That is why KBC is currently focusing on restricting financing, insurance and advisory services of the exploration of new oil and gas fields.

Going forward, KBC will apply the two following restrictions when providing financing and advisory services to vertically integrated oil and gas companies:

- as announced earlier (press release of 26 October 2021), the term of all new financing to vertically integrated oil and gas companies will be limited to 2030 at the latest, unless the company concerned has publicly committed to no longer start operating new oil or gas fields;
- additionally and starting from 1 January 2022, KBC will ensure that all new financing and advisory contracts with such large vertically integrated oil and gas companies, will contain a contractual clause in which the client commits that the funding provided by KBC will not be used for the exploration of new oil and gas fields.

KBC believes that the combination of both restrictions allows KBC to make maximal use of its financial lever towards the oil and gas sector. KBC expresses a clear stance about the immediate ceasing of exploring new oil and gas fields, while at the same time not denying vertically integrated energy companies entirely access to financing as KBC is mindful about their remaining importance in securing an orderly energy transition, both from an economic as well as from a societal perspective.

Already in 2019 KBC committed to the Collective Commitment to Climate Action. In doing so, KBC has shown financial leadership and ambition to gradually align its products and services with the Paris Climate Agreement. KBC's gradually and increasingly restrictive policies in the fossil fuel sector – focusing on thermal coal and now also on new oil and gas fields – are a clear and concrete testimony of this ambition.
Besides its own risk-oriented approach, KBC remains fully committed to also engage with all its clients in order to ensure that concrete steps today do lead to a better, more sustainable future for our economies and our societies.

To avoid any doubt and for the sake of completeness, KBC reiterates that long before this and other recent announcements, KBC already had exclusions in place regarding the development of unconventional oil and gas fields such as Arctic and Antarctic on- and off-shore oil and gas, deep-water drilling, tar sands and shale oil and gas.

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