General information

General | Environment | Social | Governance

A number of terms have been abbreviated as follows in this section of the annual report:

Abbreviation	Term
AC	Audit Committee
Board	Board of Directors
CSRD	Corporate Sustainability Reporting Directive
DCM	Direct Client Money
DDA	Disclosure Delegated Act
ERIM	Environmental Risk Impact Map
ESB	External Sustainability Board
ESG	Environmental, Social and Governance
ESRS	European Sustainability Reporting Standards
ExCo	Executive Committee
FTE	Full-Time Equivalent
GHG	GreenHouse Gases
ISB	Internal Sustainability Board
KPI	Key Performance Indicator
NAPP	New and Active Product Process
NC	Nomination Committee
OECD	Organisation for Economic Co-operation and Development
ORSA	Own Risk and Solvency Assessment
PACTA	Paris Agreement Capital Transition Assessment
PCAF	Partnership for Carbon Accounting Financials
RC	Remuneration Committee
RCC	Risk and Compliance Committee
RI	Responsible Investing

Basis for preparation (1.1)

General basis for preparation of sustainability statements (1.1.1)

The KBC Group Sustainability Statement has been prepared on a consolidated basis, in accordance with the scope applied in the preparation of the consolidated financial statements (we refer to Note 6.5 of the 'Consolidated financial statements' in this report for more information).
The following consolidated subsidiaries are exempted from publishing an individual or consolidated Sustainability Statement:

Exempted KBC subsidiaries	Registered office	Activity
CBC Banque SA	Namur - BE	Credit institution
Československá Obchodní Banka a.s.	Prague - CZ	Credit institution
K&H Bank Zrt.	Budapest - HU	Credit institution
United Bulgarian Bank AD	Sofia - BG	Credit institution
KBC Insurance NV	Leuven - BE	Insurance undertaking
ČSOB Pojišťovna a.s.	Pardubice - CZ	Insurance undertaking

In addition to information on own operations, we have also included material impacts, risks and opportunities related to our upstream and downstream value chain, following the outcome of our due diligence process and of our double materiality assessment.

We did not use the option to omit a specific piece of information corresponding to intellectual property, know-how or the results of innovation that would qualify as a trade secret. Nor did we use the exemption that allows us to decide, in exceptional cases, to omit information relating to impending developments or matters in the course of negotiation, where the disclosure of such information would be seriously prejudicial to the commercial position of the group and provided that such omission does not prevent a fair and balanced understanding of the group's development, performance, and position, and the impact of its activity.

Disclosures in relation to specific circumstances (1.1.2)

Deviating time horizons
In the context of the double materiality assessment (see section 1.4.1), different time intervals as opposed to those defined in the ESRS were applied to determine the financial materiality of the risks, as these are also used in our ESG risk management and decision-making processes:
- For the short-term risk assessment, we used a 0- to 3-year time horizon, differing from the ESRS' 1-year period aligned with the reporting period in the financial statements;
- For the medium-term risk assessment, we applied a 3- to 10-year time horizon, while the ESRS consider up to 5 years;
- For the long-term risk assessment, we used a time horizon of beyond 10 years, in contrast to the ESRS' beyond-5-year approach.

Please note that the time horizons prescribed by the CSRD were used to determine the impact materiality and financial materiality of the opportunities.

Sources of estimation and outcome uncertainty
Some of the metrics we disclose are subject to measurement uncertainty. In most of the cases the source for this uncertainty is linked with data availability and/or quality. In the table below we present an overview of the metrics and quantitative amounts in this Sustainability Statement that are subject to a high level of measurement uncertainty, along with the source of that uncertainty and the assumptions, approximations and judgements used when measuring the amount. For value chain information where we used indirect sources (such as sector averages or other proxies), we give further information on the embedded level of accuracy, and we describe planned actions related to the accuracy of our data in the future, if any.

Metrics subject to measurement uncertainty

Metric	Source of uncertainty	Assumptions, approximations and judgements used
GHG emissions	Data availability	We measure our GHG emissions at situation date 30 September 2024, which serves as an approximation for our emissions as at 31 December 2024. Given relative portfolio stability, this is considered to give a sufficient level of accuracy for the reader. We are taking action to shift the situation date of the emissions to 31 December in the future.
GHG emissions – Scope 1	Data availability	In some cases, the information on Net Calorific Value is not available and is approximated by the Gross Calorific Value, which results in a (slight) overestimation.
GHG emissions – Scope 2	Data availability	For some company-owned electric vehicles, we do not have the information on the kWh charged outside the company premises. In these cases we use distance as a proxy, which leads to a limited overestimation of our emissions.
GHG emissions – Scope 3 – lending	Data availability/quality	For financed emissions associated with our lending activities, we use the PCAF global standard. As part of the standard we assign quality scores which reflect the quality level of the underlying emission data used and the subsequent calculation quality. The weaker the quality score, the higher the level of uncertainty. Proxies / sector-average emission factors are used for some parts of the financed emissions. We refer to section 2.2.3.2 for more information on the quality scores, which reflect the level of accuracy.
GHG emissions – Scope 3 – asset management activities, sovereign bond portfolio of KBC Bank and own investments insurance	Data availability/quality	We use emissions data from an external data provider. This data is based on direct information from the undertakings, but in case of lack of data, the data provider adds estimations.
GHG emissions – Scope 3 – insurance-associated emissions	Data availability	For our insurance-associated emissions we use the PCAF global standard Part C, which currently covers personal motor lines and commercial lines (we only report on insurance-related emissions from our largest business unit (Belgium)). For Private Vehicles we use exact data of the types of vehicles we insure wherever possible, but when this is not available, we approximate by using country-specific proxies. For our commercial lines portfolio, all emissions are calculated using the PCAF emission factor database.
Internal carbon price	Measurement technique	Internal carbon price levels are based on climate scenarios. As these scenarios outline potential future plausible transition pathways, they are not to be mistaken with forecasts. By definition, this creates a level of uncertainty in our internal carbon price measurements. We refer to section 2.2.3.4 for more information.

Incorporation by reference

The following Disclosure Requirements and/or datapoints have been incorporated by reference:

- For the disclosure of ESRS 2 GOV-1 (section 1.2.1) paragraph 21 (c), we refer to the 'Corporate Governance Statement' section and more specifically to the respective paragraphs on the composition of the Board and its committees, the Group ExCo, AC, RCC, RC and the NC.
- For the disclosure of ESRS 2 GOV-3 (section 1.2.3) paragraph 29, we refer to the 'Corporate Governance Statement' section (Remuneration Report).

Disclosures about our (ESG-related) risk management practices are included throughout this Sustainability Statement. All necessary information required by the ESRS is incorporated in this Statement through a high-level explanation on how our risk management is performed. For more detailed information, we refer to the KBC Risk Report (not subject to external assurance), available at www.kbc.com.

Governance (1.2)

Role of the administrative, management and supervisory bodies (1.2.1)

Composition and diversity of members

In the table below, we show the composition and diversity of the members in the administrative, management and supervisory bodies. The bodies included are the ExCo, the RCC, the AC, the NC, the RC and the Board.

Composition and diversity of the Board and its committees and the ExCo, 31-12-2024	ExCo	RCC	AC	NC	RC	Board
Number of executive members	7	0	0	0	0	3
Number of non-executive members	–	5	3	5	3	13
of which number of independent members	–	2	2	2	2	3
Number of years on the body						
0-2 / 3-10 / more than 10 years	2 / 3 / 2 members	–	–	–	–	5 / 4 / 7 members
Average number of years	6 years	–	–	–	–	9 years
Representation of employees and other workers	0	0	0	0	0	0
Age						
41-50 / 51-60 / older than 60 years of age	0 / 5 / 2 members	–	–	–	–	1 / 8 / 7 members
Average age	57 years of age	–	–	–	–	59 years of age
Gender	1 woman / 6 men	3 women / 2 men	2 women /1 man	2 women / 3 men	1 woman / 2 men	5 women / 11 men
Nationality	5 Belgian, 1 Czech, 1 Bulgarian	3 Belgian, 1 Spanish, 1 Czech	1 Belgian, 1 Spanish, 1 Czech	4 Belgian, 1 Czech	2 Belgian, 1 Spanish	14 Belgian, 1 Spanish, 1 Czech
Qualifications*	law 29%, economics/ finance 29%, MBA 14%, actuarial sciences/insurance 14%, other 14%	–	–	–	–	law 25%, economics/ finance 31%, MBA 17%, actuarial sciences/insurance 6%, other 19%

* Rough percentage breakdown based on all qualifications (various individuals have more than one degree)

On the basis of the profiles and competences of the members in the aforementioned bodies, we conclude that all these bodies possess the required skills and experience in accordance with our Corporate Governance Charter. For more information on the experience of the individual members in each body, we refer to the Corporate Governance Statement.

Responsibilities of the bodies regarding the management of impacts, risks and opportunities

As part of the overall strategy of the group, KBC's sustainability strategy is set by the Board. The Board further defines the group's risk appetite taking into account ESG-related risks and decides on the corporate sustainability policies. As the highest-level supervisory body, it oversees the implementation and progress of the sustainability strategy. Oversight of the Board covers ESG-related themes in the broad sense, including climate and other environmental topics, gender diversity and human rights, but also business conduct topics such as ethical behaviour and integrity. Important changes to sustainability policies and sustainability-related reporting are discussed at Board level, when required. Furthermore, the ExCo has defined climate and environmental risk, cyber risk, compliance risk and conduct risk as top risks for KBC. These risks are also closely monitored by the RCC and the Board.

The ExCo is tasked with the operational management of ESG-related matters. This responsibility includes making proposals to the Board on the sustainability strategy and policies as well as monitoring the groupwide implementation thereof. The role of the ExCo further includes assessing ESG impacts, risks and opportunities. They are responsible for internal control measures for impacts and risks as well as for pursuing opportunities within the confines of KBC's overarching strategy as set by the Board. The AC ensures that the ExCo establishes adequate and effective internal control measures and monitors KBC's sustainability reporting processes.

The aforementioned responsibilities for impacts, risks and opportunities of each of the bodies are outlined in our Corporate Governance Charter.

The ExCo has granted decision-making power on both operational and strategical ESG-related issues to other relevant committees and top management positions. The ISB serves as the principal forum at KBC for discussion of ESG-related issues. All ExCo members are either members of or represented on the ISB. In 2024, the ISB met nine times. The members of the ISB are responsible for communicating on sustainability matters within their respective business lines and countries, for creating a support and sponsorship base and for making the group's sustainability strategy work.

Other core components of our sustainability governance include the Sustainability department at group level and the Sustainability departments at local level, as well as several other sustainability committees. The risk function is actively represented in the internal bodies and (sustainability) committees, both at group and local level. The management of ESG-related risks is fully embedded in the existing risk management governance, including the 'Three Lines of Defence Model' (as explained in the 'How do we manage our risks?' section). On top of that, we also have two external boards. The ESB advises Group Corporate Sustainability on sustainability policies and strategy, whereas the RI Advisory Board oversees the screening of the responsible nature of our RI funds.

All ESG-related targets are reviewed and approved by the ExCo and endorsed by the Board. Twice a year, the Board reviews 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 and actions of our sustainability strategy. Progress on the different objectives affects the variable remuneration of the members of the ExCo, as described in section 1.2.3.

Additionally, specific climate-related Key Risk Indicators are monitored via a Climate Risk Dashboard, which is reported to the ExCo and the Board on a semi-annual basis, as part of the Integrated Risk Report.

The following figure depicts an overview of our sustainability governance, including the role of and reporting lines to the different bodies.

Sustainability governance

Board of Directors: sets the sustainability strategy and oversees the implementation thereof by the ExCo. This includes our policy on climate change, as well as other relevant sustainability issues such as gender diversity. Since climate-related and environmental risks have been classified as a top risk, the RCC monitors sustainability risks closely. The Board evaluates the implementation of the sustainability strategy using a Sustainability Dashboard and expresses its opinion on major changes to sustainability policies. The AC monitors the sustainability reporting process.

Executive Committee: is responsible for the implementation of the sustainability strategy, including the policy on climate change. It ratifies the decisions of the ISB and the Sustainable Finance Steering Committee.

Internal Sustainability Board: serves as the principal forum at KBC for the discussion 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 of Group Corporate Sustainability, who is also a member of the ISB.

Group Corporate Sustainability: responsible for developing, implementing and supervising the sustainability strategy. The team reports to the ISB on the implementation of the strategy and prepares the KBC Sustainability Dashboard. The department is led by the Senior General Manager of Group Corporate Sustainability, who reports directly to the Group CEO.

Sustainable Finance Steering Committee: supervises the Sustainable Finance Programme, which specifically focuses on KBC's approach to climate action and other environmental themes such as biodiversity, water and circularity. The committee is chaired by the CFO. It reports to the ExCo and the Board and maintains contact with the ISB.

CSRD Steering Committee: supervises the conceptualisation and implementation of our CSRD programme.

Data and Metrics Steering Committee: manages the challenges relating to sustainability-related data collection and reporting.

Country Sustainability General Managers: bear ultimate responsibility for all matters pertaining to sustainability in their country. They are part of top management. They are responsible for communication on sustainability in every country and for the integration of the sustainability strategy. They are part of the local country organisation and, therefore, are subject to hierarchical reporting. As they work closely with both the local ISB representative and Group Corporate Sustainability, they also come under the functional responsibility of the Senior General Manager of Group Corporate Sustainability.

The Sustainability departments and committees in each core country: are organised in such a way as to support their senior managers, who sit on the Internal Sustainability Board, and the General Manager of Sustainability in integrating our sustainability strategy and organising and communicating local sustainability initiatives. Among other things, the employees and committees involved also supply and validate non-financial information.

External Sustainability Board: consists chiefly of sustainability experts from the academic world and advises Group Corporate Sustainability on sustainability policy and strategy.

Expertise and skills on sustainability matters

The collective suitability matrix, which is used to assess the skills and expertise of the Board and ExCo as a whole, explicitly includes sustainability matters. The suitability assessment covers the capability to understand and critically assess climate-related and environmental risks, cybersecurity and business conduct risks (including money laundering and financing terrorism risks), as well as the capability to critically assess risk, audit and compliance reports and the functioning of the risk, audit and compliance functions. Furthermore, (new) members' expertise in societal issues is also assessed. The outcome of this assessment indicates whether the members of the Board and ExCo have sufficient or in-depth knowledge of the selected matters. Where necessary, members are required to develop their expertise. Hence, by means of the collective suitability matrix, KBC ensures that the Board and ExCo have the necessary skills and expertise to fulfil their role, including the supervision of sustainability matters.

All new Board members follow an onboarding programme, which includes a meeting with the Senior General Manager of Group Corporate Sustainability. During this meeting, the most important sustainability matters for KBC are explained and discussed based on our Sustainability Report and the KBC Sustainability Dashboard. Additionally, sustainability topics are part of the training programme that we provide for the Board and the ExCo. Members of the ExCo and the Board also consult on ESG issues with internal subject matter experts on an ad hoc basis as well as with external experts (e.g., the ESB).

Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (1.2.2)

As mentioned above, twice a year the KBC Sustainability Dashboard is presented to the ISB, ExCo and the Board. The dashboard is presented by the Senior General Manager of Group Corporate Sustainability. Furthermore, the Board and the ExCo review the corporate sustainability strategy, progress on the Sustainable Finance Programme and our external sustainability reports on a regular basis.

The Senior General Manager of Human Resources (HR) regularly reports to the ExCo on different HR topics. This includes matters such as headcount evolution, external hiring and appointments, performance and appraisals, results of our employee engagement survey, and training. Every year, a specific report on diversity and inclusion is also presented to the ExCo. Once per year other selected topics (e.g., succession management) within the remit of the HR function are reported to the ExCo and the Board.

ESG risks are firmly integrated into KBC's Risk Management Framework and risk management governance. The ExCo, the RCC and the Board are the prime recipients of various outputs of our main risk management processes. For example, an Integrated Risk Report is presented to the Board, Exco and RCC eight times per year, and regularly includes ESG-related topics (including a Climate Risk Dashboard). Consistently, the RCC provides advice to the Board on risk management matters within the Board's responsibility. As part of its responsibility to manage ESG-related risks, the ExCo is supported and regularly informed by other committees such as the Group Lending Committee for credit-related topics, the Asset/Liability Committee for balance sheet management, etc.

In addition, the ExCo and the RCC are advised on a quarterly basis on compliance matters, whereas the Board is updated annually on compliance activities and the management of compliance risks including those related to ESG. This is done through consolidated reports prepared by our Compliance department. The reports cover breaches, if any, and remedial actions taken by management.

As described in section 1.4.1, as part of our double materiality assessment, we have impacts, risks and opportunities (IROs) linked to ESG matters. For a brief overview of our material IROs related to the different sustainability matters, we refer to section 1.3.3.1. The table below lists the material sustainability matters addressed by the governance bodies in 2024.

Material sustainability matters addressed by the governance bodies in 2024		ExCo	RCC	AC	Board
Climate change	Climate change mitigation	■	■	■	■
	Energy	■	■	■	■
	Climate change adaptation	■	■	■	■
Water and marine resources		■	■	■	■
Biodiversity and ecosystems		■	■	■	■
Own workforce	Working conditions	■		■	■
	Equal treatment and opportunities for all	■		■	■
	Other (privacy)	■	■	■	■
Consumers and end-users	Information-related (including cybersecurity)	■	■	■	■
	Social inclusion	■	■	■	■
Business conduct	Business ethics and corporate culture	■	■	■	■
	Relationship with suppliers	■	■	■	■

Integration of sustainability-related performance in incentive schemes (1.2.3)

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 ExCo. The three cornerstones of our sustainability strategy are properly reflected to incentivise our management bodies to limit our negative impact on society, to increase our positive impact and to encourage responsible behaviour among all staff members. Hence, the variable remuneration focuses on enabling the transition to a sustainable future, on good governance, on responsible behaviour and on providing sustainable solutions to our clients. Besides GHG emissions reduction targets (see section 2.2.3.1), there are other qualitative sustainability-related targets. Moreover, sustainability-related matters and metrics are taken into consideration in the overall assessment as described in the Corporate Governance Statement and affect the variable remuneration. Climate-related considerations, which mainly include progress against our GHG emissions reduction targets, form an integral part of the assessment for determining the variable remuneration component. Climate-related considerations also include the development of sustainable products and our own ecological footprint within the implementation of our strategy and stakeholder satisfaction. The proportion of the variable remuneration of the members of the ExCo that is directly related to climate-related considerations is about 8-10%.

For further information, we refer to the Corporate Governance Statement.

Statement on due diligence (1.2.4)

Throughout this document, we touch on various aspects of our due diligence process with regard to material sustainability matters. The table below explains how and where the application of these main steps and aspects are reflected in our Sustainability Statement.

Due diligence in the sustainability statement

Core elements of due diligence	Sections in the sustainability statement
Embedding due diligence in governance, strategy and business model	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies: section 1.2.2 Integration of sustainability-related performance in incentive schemes: section 1.2.3 Material impacts, risks and opportunities and their interaction with strategy and business model: section 1.3.3
Engaging with affected stakeholders in all key steps of the due diligence	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies: section 1.2.2 Interests and views of stakeholders: - General: section 1.3.2 - Own workforce: section 1.3.2 - Consumers and/or end-users: section 1.3.2 Description of the processes to identify and assess material impact, risks and opportunities: section 1.4.1 Policies related to: - Climate change: section 2.2.2.1 - Water and marine resources: section 2.3.1.1 - Biodiversity and ecosystems: section 2.4.2.1 - Own workforce: section 3.1.1.1 - Consumers and/or end-users: section 3.2.1.1
Identifying and assessing adverse impacts	Description of the processes to identify and assess material impact, risks and opportunities: section 1.4.1 Material impacts, risks and opportunities and their interaction with strategy and business model: section 1.3.3
Taking actions to address those adverse impacts	Actions related to: - Climate change: section 2.2.2.2 - Water and marine resources: section 2.3.1.2 - Biodiversity and ecosystems: section 2.4.2.2 - Own workforce: section 3.1.1.4 - Consumers and/or end-users: section 3.2.1.4
Tracking the effectiveness of these efforts and communicating	Tracking effectiveness (through targets or other) related to: - Climate change: section 2.2.3 - Water and marine resources: section 2.3.2 - Biodiversity and ecosystems: section 2.4.3 - Own workforce: section 3.1.2 - Consumers and/or end-users: section 3.2.2 - Business conduct: section 4.1.2 Metrics related to: - Climate change: sections 2.2.3.2, 2.2.3.3 and 2.2.3.4 - Own workforce: sections 3.1.2 - Business conduct: section 4.1.2

Risk management and internal controls over sustainability reporting (1.2.5)

Over the past years, our sustainability reporting processes have evolved to address new regulatory requirements and incorporate voluntary disclosure frameworks and other initiatives. We are continuously striving towards more robust sustainability reporting, and this requires adequate risk management and internal control processes, as further described in this section.

Sustainability reporting at KBC involves a groupwide process with strict hierarchical validation. The preparation of sustainability reports starts from input collected from business and sustainability experts in all core countries. The coordination of our Sustainability Statement is led by our Finance department, which safeguards compliance with the ESRS requirements. As sustainability information and data is processed and consolidated at group level, it is subject to a range of internal controls and reviews on top of the four-eyes principle which is applied throughout the process. For every datapoint, we determine which team is in the lead as well as which stakeholders are involved either as input provider or as challenger. Specifically for our statement under CSRD, a dedicated CSRD Steering Committee was set up to oversee and manage the implementation process. The members of the CSRD Steering Committee represent top management of the main involved internal stakeholders such as the Sustainability, Finance, Risk, Credit Risk, HR and Compliance departments. Furthermore, our statement under CSRD is approved by our Sustainability Statement Approval Committee prior to review and approval by the ExCo, the AC and the Board.

The table below provides an overview of the main risks identified as well as our corresponding mitigation measures and how these are integrated into relevant internal functions and processes. Throughout this sustainability reporting process, the above-mentioned committees were periodically informed about these aspects.

Risk related to sustainability reporting processes

Type of risk	Description	Mitigation of risk
Regulatory risks	Changing external regulatory frameworks and evolving standards can put increasing pressure and non-compliance can result in regulatory fines.	We closely monitor the regulatory landscape and corresponding guidance
Data quality and verification risks	External sustainability data often lacks standardisation, making it challenging to ensure consistent and comparable reporting. Low data quality can lead to immature disclosures	We work with trusted ESG data partners and perform checks on input data. Since 2022, sustainability data is managed via KBC's dedicated Data & Metrics project (with a separate Steering Committee), involving all core countries and group functions
Legal, compliance and reputational risks	Risk of greenwashing	The information in this statement is based on factual information and subject to internal controls, including the four-eyes principle
Operational risks	Sustainability reporting has to be integrated into existing systems, processes and reports which is a complex task that – without proper automation – can lead to inefficiencies and manual errors.	We aim to further automate our sustainability reporting processes. Our Data & Metrics Steering Committee manages the challenges related to sustainability data collection and sustainability reporting

We continue to work on enhancing our reporting processes by closely following up on each of these risks and through various mitigation measures and via several internal functions and processes as shown in the table. Furthermore, we note that internal audits were carried out in 2024 on our double materiality assessment process and EU Taxonomy reporting.

Strategy (1.3)

Strategy, business model and value chain (1.3.1)

Our strategy

KBC is an integrated bank-insurance group (banking, insurance and asset management), mainly active in Belgium, Bulgaria, the Czech Republic, Hungary and Slovakia (our core markets). We are also present to a limited extent in several other countries to support corporate clients from our core markets. We offer a wide range of loan, deposit, asset management, insurance and other financial products and services in all our core countries, through our distribution channels (our network of branches and online channels), where our focus is mainly on retail, private banking, SME and midcap clients. We support our clients in their sustainability transitions through our different core activities.

Our strategy rests on principles such as client centricity, a bank-insurance+ experience, sustainable profitable growth and assuming our role in society. We refer to the 'Our strategy' section for more detailed information on our strategy (not subject to external assurance).

The following table shows our headcount of employees per geographical area:

Employee by country (headcount)	31-12-2024
Belgium	14 553
Czech Republic	11 432
Slovakia	3 279
Hungary	3 912
Bulgaria	6 338
Rest of the world	415
Total	39 929

We want to meet the needs of society and create long-term value for society, local economies and all our stakeholders. Supporting the transition to a more sustainable and resilient society is therefore a crucial part of our overall corporate strategy and our day-to-day business. We want to collaborate with our clients and other stakeholders to achieve this goal. Through the financial products and services we provide, we support, for example, economic growth, good health and well-being, and job creation.

Our sustainability-related goals are linked to the Sustainable Development Goals (SDGs) established by the United Nations. In all our core countries, our current significant products and services and significant client groups are considered in relation to these goals as follows:

SDG 3 Good health and well-being: we value a work-life balance for our employees and design our products to enhance healthcare, quality of life and road 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 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 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.

Our (sustainability) strategy is linked to the SDGs described above:
- Limiting our adverse impact by applying strict rules to our business activities related to the impacts identified: linked to SDG 7, SDG 12 and SDG 13;
- Increasing our positive impact by providing more sustainable finance and supporting our clients in their sustainable transition: linked to SDG 3, SDG 7, SDG 8, SDG 12 and SDG 13;
- Financial resilience: linked to SDG 8.

We encourage responsible behaviour on the part of all our employees who bring our strategy to life. We therefore invest heavily in building sustainable skills and a sustainable vision carried by all employees.

Our business model

Our business model as a bank-insurer is built on the principle of creating sustainable value. As a bank we create this sustainable value by offering, for example, sustainable investments to our clients to enable them to grow their wealth and by lending to different client groups (such as private individuals, companies and governments) and sectors (including, for example, social profit and infrastructure) to support the economy. As an insurer, we support our clients in reducing their risks. We offer several other financial and non-financial services which also contribute to the (local) economy and social network. In all these activities we consider our impacts on the environment and society across our value chain. We create sustainable value thanks to our resources such as our own workforce, our physical and digital distribution network, our different stakeholders (see section 1.3.2) and our financial capital (such as our equity and deposits). For more detailed information, we refer to the 'Our business model' section (which is not subject to external assurance).

Our value chain

Our value chain encompasses all our activities, resources and relationships which are related to our business model and used to create our products and services from conception to delivery. Upstream we rely on three main clusters of activities and their related suppliers and other business relations. The core activities that we perform are situated in our own operations and enable us to deliver products and services (split into our five main activities) to our distributors, clients and business relations downstream. In addition, our value chain also considers the communities in which we operate.

Value chain

Major upstream activities	Major activities in our own operations	Major downstream activities
• ICT (software, hardware, security, etc.) • Services (certain human resources services, professional/consultancy services, etc.) • Facilities (electricity, office furniture, etc.)	• Human resources (our own workforce) • Infrastructure (property and equipment for self-use, etc.) • Sales/marketing (including advice linked to the sales of our products and services, sponsorships and partnerships, advertising, donations, etc.) • Product development (research, handling personal data, etc.) • Business conduct (relationships with suppliers, public relations, etc.)	• Lending • Asset management/investments • (Re)insurance • Other financial services (such as factoring, operational leasing, fleet management, etc.) • Other non-financial services (such as real estate, roadside assistance, employee benefits, support for start-ups, etc.)

Interests and views of stakeholders (1.3.2)

Our stakeholders can be divided into two groups: affected stakeholders (those whose interests are affected or could be affected by our activities and business relationships across our value chain) and users/readers of the Sustainability Statement. The affected stakeholders are our clients (retail, SME and corporates), our employees, our suppliers and society at large (including nature as a silent stakeholder). The users of the Sustainability Statement are not only our investors, core shareholders and public authorities, but also our business partners, trade unions, non-governmental organisations, governments, academics and analysts.

We engage (at group level and in each of our core countries) in dialogue with our stakeholders on a regular basis, as part of our due diligence process (see section 1.2.4) and our materiality assessment process (see section 1.4.1). These engagements are done with the purpose of capturing our stakeholders' views and interests. This underpins our strategy and business model.

Key interactions with our stakeholders

Stakeholder groups	Engagement activities	Their interests and views
Our **consumers** inform us through:	• an annual client satisfaction ranking which is translated into a client net promotor score (NPS) • regular client panels and client consultations • local engagement by the branch network and relationship managers • our Complaints Management, providing us with insights on the views of our clients	• A trustworthy partner • Respect for privacy and protection against cyber risk • Transparency • Broad accessibility • Top expertise • Innovation • Simplicity, relevant solution and personal advice
We are informed by our **employees** through:	• employee surveys (e.g., Shape Your Future survey) • the annual meeting of the European Works Council • regular consultations with the occupational health and safety committees, health, safety and security advisers, and employee representatives • regular progress meetings with all staff	• Work-life balance • Personal and professional development • Health and safety • Ethical conduct
Our **suppliers** give us information through:	• the ESG questionnaire, which is an integral part of our supplier assessments • vendor meetings on all levels of the hierarchy • 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
The view of our **investors and core shareholders** are taken into account through:	• collective or one-on-one meetings with investors and analysts • the Annual General Meeting • reviews by credit rating agencies • sustainability assessments such as the S&P Global Corporate Sustainability Assessment, CDP, Sustainalytics • ad hoc ESG questionnaires of investors	• Value creation • Long-term business model with clear financial and non-financial targets • ESG as part of our strategy • Transparency
We are informed by **public authorities** via:	• our membership of banking and insurance federations • our 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) • via our active participation in networking events	• Compliance with applicable legislation
We are informed about the existing views and interests of the **society** via:	• the membership of local works councils • our membership of sustainability network organisations • research papers and media analysis • advice by external advisory boards on various aspects of our sustainability strategy and their challenge on a wide range of topics (these boards mainly consist of experts from the world of academia)	• Local employment • Transparency and good communication

Members of our ExCo and Board are informed about most of these engagements. Moreover, the outputs from our structured stakeholder dialogues, follow-up on stakeholder concerns, and investor viewpoints serve as key indicators for the KBC Sustainability Dashboard, which is evaluated by the ExCo and the Board (we refer to section 1.2.1). Furthermore, the ExCo and the Board are informed about the outcome of the materiality assessment which also gives insight in the interests and views of the abovementioned stakeholders.

Material impacts, risks and opportunities and their interaction with strategy and business model (1.3.3)

Overview of material impacts, risks and opportunities (1.3.3.1)

During our materiality assessment, we identified actual and potential impacts, risks and opportunities associated with our own operations, and upstream and downstream value chain. We linked the identified impacts, risks and opportunities to the sustainability matters listed in the ESRS and subsequently assessed which impacts, risks and opportunities are material (see section 1.4.1 for more details on our materiality assessment). The table below shows to which material sustainability matters our material impacts, risks and opportunities have been linked and where they are situated within our value chain (own operations (OO), upstream value chain (US), downstream value chain (DS)).

		Impacts			Risks			Opportunities		
Material sustainability matters		OO	US	DS	OO	US	DS	OO	US	DS
Climate change	Climate change mitigation		■	■			■			■
	Energy			■			■			■
	Climate change adaptation						■			■
Water and marine resources							■			■
Biodiversity and ecosystems				■			■			
Own workforce	Working conditions	■								
	Equal treatment and opportunities for all	■								
	Other (privacy)	■			■					
Consumers and end-users	Information-related (incl. cybersecurity)	■			■	■	■			■
	Social inclusion	■			■		■			
Business conduct	Business ethics and corporate culture	■			■	■	■			
	Relationship with suppliers				■					

Climate change

Through its downstream value chain, KBC can have material *impacts* on the environment and its retail and corporate clients in terms of climate change mitigation and energy. Potential negative impacts arise from investing in, funding and insuring carbon-intensive sectors and unsustainable energy solutions (e.g., thermal coal). However, through our loan and lease portfolios we generate a positive impact by offering products and services that contribute to a low-carbon economy and by facilitating financing of renewable energy projects. Also through our investment portfolios (both own investments and on behalf of clients), we have a potential positive impact by investing in companies whose products and services offer solutions on the climate challenges (e.g., promoting the transition to renewable energy) of today and tomorrow. Through our insurance activities, we have a potential positive impact by supporting the transition to alternative energy sources and mitigating the effects of climate change by developing specific insurance products and services and by implementing strict policies on the underlying subject of insurance. We further aim to combat climate change by increasing awareness and directing the buying habits of our retail clients towards products and services which are environmentally friendly. In our upstream value chain, we also have a potential positive impact on climate change mitigation and energy by encouraging our suppliers to reduce GHG emissions and transition to renewable energy sources. With respect to our leasing activities, this particularly includes our suppliers from the automotive sector. The aforementioned impacts are considered to affect climate change over the medium term whereas they affect the consumption and production of energy over the short and medium term.

As a financial institution, the most material climate-related *risks* are also expected through our lending, insurance and investment activities (financial as well as reputational risks). The identified material risks that relate to climate change are ‘climate change transition risks’ (related to climate change mitigation and energy) and ‘climate change physical risks’ (related to climate change adaptation). The latter can be driven by temperature-, water-, wind- or solid mass-related physical phenomena. These climate risks can lead to financial risks (credit, market, liquidity and technical insurance risk) and non-financial risks (operational, reputational and compliance risk). For example, over the short, medium and long term, transition risks can lead to sudden repricing of assets, market volatility, credit losses and climate-related litigation resulting from financing obsolete (brown) technology or infrastructure, impacting lending and investment portfolios, whereas physical risk can significantly increase the level of claims under the insurance policies we provide as well as impact the value of our assets or collateral over the medium and long term.

The aforementioned impacts and risks also create *opportunities*. These opportunities are mainly situated in our downstream value chain, where we support our clients in preparing and executing their own climate and energy transition plans by offering a broad range of lending, insurance and advisory products and services (including non-financial products and services). We particularly identified short-term opportunities in the ecosystems of housing and mobility, the transition to alternative energy sources (e.g., new technologies including energy storage) and new insurance products related to climate-related risks.

Water and marine resources
From a financial materiality perspective, we consider water as a material topic. *Risks* stemming from water stress in our downstream value chain can result in negative medium- and long-term financial effects for KBC. In this regard, transition risks include, for example, regulatory initiatives to limit the impact of water stress (e.g., redistributing water use from less to more critical sectors), which might impact businesses and hence also our loan and investment portfolios. Physical water-related risks entail, for example, dwindling water supply, which can also cause supply chain disruptions as well as water and food insecurity, potentially impacting the whole economy. On the other hand, we can leverage our lending and investing capabilities to foster the sustainable use of water. Supporting our clients through funding in their water treatment and water saving solutions (including landscaping in the agricultural sector) is regarded as a short-term *opportunity*.

Biodiversity and ecosystems
Our materiality assessment indicates that, for our own operations, biodiversity and ecosystems are not a material topic. Therefore, we did not particularly assess any negative impacts in terms of land degradation, desertification or soil sealing, nor did we assess whether our operations affect threatened species. However, the *impact* of our lending and investing activities on biodiversity and ecosystems is deemed material in the medium term. Potential negative impacts arise from funding and investing in activities (both own investments and on behalf of clients) associated with unsustainable land use and other drivers of biodiversity and ecosystems loss. Potential positive impacts can be realised through investments in companies whose products and services tackle the challenge of scarcity of natural resources.

From a *risk* perspective, we are aware of the potential medium- and long-term negative financial effects from biodiversity loss and damage to ecosystem services. Both the associated physical and transition risks are viewed as material. For example, policies introduced to contain biodiversity loss (e.g., restrictions on deforestation, excessive land use, etc.) might impact businesses and hence also our loan and investment portfolios. Continued biodiversity loss can also lead to more systemic risks with, for instance, supply chain disruptions, increased pandemic risk or food insecurity, potentially impacting the whole economy (including KBC's loan, investment and insurance portfolios).

Own workforce
The identified material impacts, risks and opportunities related to our own workforce pertain to our own employees. In other words, anyone who has signed an employment agreement with an entity within KBC is included in the scope of our Sustainability Statement.

From an *impact* perspective, no material actual negative impacts were identified through our materiality assessment. The identified material impacts affect all of our employees equally and in a positive manner over the short, medium and long term. In terms of working conditions (in particular with respect to secure employment, working time, adequate wages, social dialogue, freedom of association, collective bargaining, work-life balance and health and safety), KBC goes beyond regulatory expectations in all its core countries on a wide range of employee rights and benefits. We also create a positive impact for our employees through equal treatment and opportunities. In this regard, we highly value gender equality and structurally embed equal pay for work of equal value. KBC strives to create a stimulating work environment where our employees get the opportunity to develop themselves, to express their ideas and to take responsibility (corporate citizenship). Here, we particularly have a positive impact on diversity through our recently updated Diversity and Inclusion Policy as well as through the measures we have in place against violence and harassment in the workplace. On top of that, we also focus on the development of talent and skills through extensive training opportunities. Another important impact that KBC has on its employees is in terms of privacy, where we deem this impact positive since data protection is treated as a top-level priority.

Stemming from the impact that KBC has on the privacy of its employees, reputational and litigation *risks* could arise in the short, medium and long term when the privacy of the employees would not be respected or when employee data would leak as the result of a cyberattack. Our materiality assessment did not identify any other risks related to our own workforce. Risks related to incidents, forced labour and child labour are very improbable in the countries and sectors in which we operate.

In addition, we did not identify any material *opportunities* arising from impacts and dependencies on our own workforce.

We further note that the transition plans and actions outlined in section 2 (see sections 2.2.1.1 and 2.4.1.1) do not give rise to any material impacts on our own workforce.

Consumers and end-users
Over the past years, we have worked towards the digital transformation of our core business model and have put the interests and views of all our consumers and end-users at the heart of everything we do. This is the cornerstone of our strategy and we keep a close eye on the impacts on our consumers and end-users (see section 1.3.2 for our key interactions with our stakeholders). The (digital) interactions with our consumers and end-users form the basis of our business model in our strategy, not only in terms of sales and advice, but also in process and product development. In doing so, we take into account potential negative impacts related to matters such as privacy, access to quality information, responsible marketing practices and cybersecurity. We aim to prevent potential material negative impacts in a widespread context, as well as potential negative impacts in individual cases/incidents.

Through our stakeholder engagements (see section 3.2.1.2.), we develop our understanding of how consumers and end-users with particular characteristics or those using particular products or services may be at greater risk of harm. We have not identified specific groups of consumers or end-users which are at a greater risk of harm in relation to particular material risks, as these risks apply to all of our consumers and end-users. Nevertheless, our processes guarantee specific attention for children when offering products and services and processing personal data.

We could have a potential material negative *impact* on the privacy of our consumers (directly and indirectly via third parties) in the short term and consequently also on the fundamental human rights of our clients, which is mitigated by processing personal data with utmost respect for privacy. The processing of personal data also serves to benefit our consumers by offering extra services and convenience. We collect and process sensitive data of our consumers and therefore have a potential negative impact on their privacy should sensitive data leak and privacy be breached. A breach in our cybersecurity could give rise to a material negative impact in the short term as the impact of a cyberattack could not only affect our business and consumers, it could also damage our business' standing and consumer trust. We exert a material positive impact from cybersecurity by taking up our role in society by organising information sessions and campaigns to create awareness among our clients on cyber risks. We also aim to limit the negative medium-term impact that our suppliers (and, more specifically, third parties) could have on the privacy of our clients. We have strong policies and processes in place to reduce the possibility of data loss events caused by third parties. Furthermore, KBC plays an important role in the financial resilience of individuals and businesses over the short term. We protect our clients from the financial consequences of healthcare risks with the insurance products we provide and protect the confidentiality of their health information.
In terms of social inclusion, we could also have a potential material negative medium-term impact on our consumers and end-users when our marketing practices are not clear, straightforward and accurate (in this case the information is not suitable to enable consumers to make informed decisions).

The material *risks* identified for our own operations and upstream activities that relate to consumers and end-users can emerge over the short, medium and long term from the negative impacts as highlighted above (cyber risks, data protection issues, information-related risks, social exclusion) and can lead to non-financial risks (operational, reputational and compliance risk). Risks are also present in our downstream activities: e.g., if our corporate clients do not adequately deal with the above-mentioned social topics, this can also lead to financial risks for KBC (e.g., credit risk).

Providing access to quality information is a material short-term *opportunity*, as we could guide our consumers through their sustainability journey with our advisory services (through webinars, third-party services, face-to-face interactions) related to subsidies, regulations and taxonomy.

Business conduct
In the context of business conduct, KBC aims to have a positive *impact* in the medium term on corporate culture by promoting and safeguarding ethical and responsible behaviour in all our operations. We also take up our role in society and have policies and strict rules in place for our employees to limit the impacts in the short term related to tax avoidance and clients seeking to violate the tax regulations. In terms of financial materiality, we identified material *risks* related to business conduct in different parts of our value chain. Risks could emerge over the short, medium and long term if our own business conduct (i.e. responsible behaviour in general, including our practices regarding responsible tax practices, bribery and corruption, whistle-blowing channels, anti-money laundering and counter terrorist financing) and related policies are not properly established and managed, leading to non-financial risks (legal and compliance risk). Additionally, if our corporate clients or third parties do not actively establish good business conduct-related practices and policies, this can also lead to credit and operational risk. Furthermore, operational and compliance risks can emerge over the short, medium and long term in case the relationships with our suppliers would be damaged by, for example, inadequate payment practices or when KBC would engage/contract suppliers involved in corruption and bribery.

Changes to material IROs
We note that, as this is our first sustainability statement under ESRS, we are not (yet) able to disclose any changes to the material impacts, risks and opportunities compared to the previous reporting period.

Entity-specific disclosures
We highlight that all the material impacts, risks and opportunities are covered by the ESRS Disclosure Requirements; however, in our opinion, cybersecurity and responsible tax practices are not sufficiently covered. We have therefore integrated cybersecurity into section 3.2 (Consumers and end-users) and responsible tax practices into section 4.1 (Business conduct) alongside the relevant disclosure requirements.

Interaction with strategy and business model (1.3.3.2)

Effects on business model and strategy
At KBC, we strive to create value for all our stakeholders through our financial products and services, including the society at large. Throughout our value chain, we examine the current and anticipated effects of our material environmental impacts, risks and opportunities on our sustainability strategy and business model. Recognising the material significance of these effects, we have developed comprehensive strategies aimed at minimising our negative effect on our stakeholders, maximising our positive effect on our stakeholders and pursuing opportunities where identified. These strategies result in policies and concrete actions. For climate change, this is described in section 2.2.2, whereas for biodiversity this is covered in section 2.4.2. Furthermore, the management of our material environmental risks related to climate change, water and marine resources and biodiversity is embedded in our Risk Management Framework (see section 2.2.2.2).

As a bank-insurer, the basis of our business model is client trust. Therefore, client centricity remains a cornerstone of the KBC strategy. We carefully consider consumer protection, investor protection, and data protection in our product development processes. An important focus is to ensure optimal protection against cybercrime for both our clients and our subsidiaries. The Information Security Strategy (see section 3.2.1.1) addresses the negative impacts of security incidents and associated losses. Furthermore, we aim to support our clients in the best possible way by listening to and understanding their needs, by offering products and services that strengthen their financial resilience and by adequately informing them during client interactions and through responsible marketing practices.

With respect to our own workforce, we aim to attract and retain strong profiles who are capable and committed to upholding KBC's high standards across all our business activities and internal operations. We value the day-to-day work of all our employees as a crucial enabler for implementing our strategy and creating sustainable value. In this regard, employee trust and satisfaction are essential prerequisites. To this end, we safeguard the positive impacts we have on our employees throughout the employee lifecycle and in this way also the associated effects on our business in terms of recruitment, employee satisfaction and retention. This includes respecting and protecting the privacy of our employees.

In addition, we want to stress the importance of correct business conduct and responsible behaviour as key foundations in developing and implementing our strategy and business model. We continue our ongoing efforts to foster a culture of ethical and responsible behaviour and to monitor the business conduct risks across our value chain.

Resilience of strategy and business model

We continuously assess the resilience of our sustainability strategy to material impacts, risks and opportunities. Through its sustainability strategy, KBC aims to take up its role in society and create value for its stakeholders. In this regard, we monitor (the implementation of) our policies and adjust them when needed. In general, our strategy seeks to safeguard our business whilst preparing ourselves for the evolving regulatory context, the geopolitical context and macroeconomic changes, rapidly changing technologies, societal changes, shifts in client behaviour and other sustainability evolutions. During our annual financial planning cycle, we explicitly consider sustainability across all levels of the organisation, among other things by including plans to meet our climate targets, detecting opportunities, and integrating ESG risk into the risk appetite. To be less vulnerable to changes in the external environment – including environmental change – we pursue diversification and flexibility in our business mix, client segments, distribution channels and geographies. At all times, we refrain from focusing on short-term gains at the expense of long-term stability. Our solid risk management framework and risk appetite further ensure financial and operational resilience, taking into account all of the identified material risks (as described in section 1.3.3.1) in the short, medium and long term and across environmental, social and governance matters.

When assessing the resilience of our business model and our capacity to honour our financial responsibilities, we consider large societal challenges (e.g., climate change) and apply scenario analysis. Particularly in the context of climate risk management, in addition to participating in regulatory/supervisory exercises, we regularly conduct several internal stress testing exercises to analyse the resilience of our business model in relation to climate change. For this purpose we consider mild, medium and severe climate risk stresses for time horizons aligned with our financial planning cycle (three years), but also beyond, in order to cover risks which are expected to grow in the longer-term. The scenario used assumes that the transition towards a green economy negatively impacts some P&L and capital drivers of our bank and insurance activities, such as operational expenses, net interest income, and insurance claims. Moreover, competition in sustainable products and services is putting pressure on volumes. Although profitability could be impacted under the more severe climate-related stresses, returns for shareholders remain above the cost of equity.

These conclusions are considered in the context of our internal exercises to assess our capital and liquidity adequacy (i.e. the regulatory required Internal Capital/Liquidity Adequacy Assessment Process – ICAAP & ILAAP – for KBC Group as a whole and for our banking activities, and the Own Risk & Solvency Assessment – ORSA – for our insurance activities). In these exercises we also test the adequacy of our capital, by applying more severe stress tests within our reverse stress testing mix and dedicated climate risk stress tests. These cover both highly elevated transition risk and severe physical risk scenarios. Overall, the results of the scenario analyses and stress tests performed demonstrate that no material impact is expected within the short term and that therefore the capital that we hold, also from a Pillar 2 perspective (based on our internal capital model), is adequate. The same holds for the capital that we calculate under Solvency II for the risks associated with natural catastrophe events (physical risks) in our insurance business.

It can be concluded that long-term financial stability is not jeopardised, as even adverse assumptions regarding the severity of transition and physical risks do not jeopardise our solid capital and liquidity position. Nevertheless, we are already proactively adjusting our processes, policies, and portfolios in order to be prepared for possible (disrupting) medium- or long-term climate change impacts on capital and as such avoid severe future impacts caused by transition or physical risks.

Current financial effects related to material risks and opportunities

Whereas the stress tests give a good indication of the order of magnitude of the expected financial impacts in case specific climate scenarios would materialise, the data currently available is not granular enough to perform a precise quantification exercise. Due to the current restrictions regarding the availability of ESG risk data, our calculations are still reliant on proxies (especially for value chain activities). Moreover, ESG risk measurement methodologies are still maturing. This can impact both the reliability and stability of estimates. The same holds for the financial effect of opportunities as the resources are often embedded in the regular business budgets ('sustainability is everyone's responsibility') and some of the financial effects only become visible in the long term. However, as indicated above, we can state with sufficient reliability that no material impact is expected on our consolidated financial position, consolidated financial performance and consolidated cash flows in the short run (i.e. within the next annual reporting period).

Impact, risk and opportunity (1.4)

Description of the processes to identify and assess material impact, risks and opportunities (1.4.1)

Our double materiality assessment forms the foundation of this Sustainability Statement. Through this assessment, we have determined 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. This section describes our processes for identifying and assessing our material impacts, risks and opportunities. Once an identified impact, risk or opportunity is assessed as material, the associated sustainability matter is also marked as material.

Overall, the methodology we applied when carrying out this assessment is based on ESRS and aligned with the EFRAG (European Financial Reporting Advisory Group) Materiality Assessment Implementation Guidance. Based on this guidance, we defined a scoring method to assess our (potential) impacts and opportunities. The quantitative thresholds set to determine the materiality of our identified impacts were inspired by the five-point scale as outlined in the EFRAG Materiality Assessment Implementation Guidance. In this way, the impacts were classified into five categories ranging from 'Minimal' to 'Critical' for KBC. Material risks were predominantly identified based on existing risk identification exercises, our risk measurement tools and risk assessments. To complement our existing risk exercises, additional assessments were carried out based on expert judgement. The assessment of opportunities was based on a scoring mechanism similar to the risk scoring.

In 2024, we performed the double materiality assessment in its current form for the first time. We aim to investigate on a yearly basis whether there are substantial changes to be made to this assessment.

Impact materiality assessment
As a first step in our impact materiality assessment, we conducted a mapping of the business relationships in our value chain, taking into account the countries in which we operate, our stakeholder dialogues and other relevant sources. By doing this early in the process, we were able to clearly distinguish between impacts related to our own operations and indirect impacts we have through our business relationships. As a bank-insurer, we recognise the importance of identifying the broad range of indirect impacts related to our lending and investment portfolios (our own and on behalf of our clients) as well as through our insurance activities.

To identify our impacts on the environment and society, we engaged with relevant internal and external stakeholders and experts. The views and concerns of our stakeholders regarding environmental, social and governance issues were gathered through different engagement activities that were carried out throughout the year. Engagement activities included surveys, stakeholder dialogue and (client) meetings. They provided us with valuable insights which served as input for our impact materiality assessment. We also collected input from various experts across all relevant internal stakeholder departments.
For our lending portfolio in particular, we used UNEP FI (United Nations Environment Programme Finance Initiative) impact identification tools and our strategic White Papers to identify relevant impacts. Furthermore, for our financing of and advisory services for major industrial and infrastructure (including real estate) projects, we have adopted the Equator Principles, a framework for determining, assessing and managing environmental and social impacts. The Equator Principles include the consultation of affected communities and the implementation of effective grievance mechanisms to resolve social and environmental concerns related to these projects.
When identifying, assessing and monitoring the sustainability-related impacts of our investment portfolios, we use our responsible investing methodology. This entails that we actively investigate the sustainability-related characteristics of companies, not only based on their policies, products and services, but also based on the share of their turnover that is related to sustainable activities.
In addition, we engaged with our ESB, which consists of external experts. The aforementioned inputs were further complemented with external sources such as sector organisations, various sector reports (e.g., S&P Global ESG Materiality Maps), ESG rating agencies, frameworks (e.g., Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), etc.) and our peers.

In this way, we ensured that our impacts related to environmental (climate change, pollution, water and marine resources, biodiversity and ecosystems as well as resource use and circular economy), social and business conduct matters were appropriately identified and that all topics listed in the ESRS were taken into consideration. Through a desktop analysis (bottom-up approach), we finally derived a list of potential material topics from all the information collected.

More specifically for our impact on climate change, we leveraged our Scope 1, 2 and 3 GHG emission calculations as the primary source for the materiality assessment. These calculations show that the largest share of our emissions comes from our lending, investment and insurance underwriting activities, i.e. our portfolio emissions accounted under Scope 3 Category 15 'Investments'. For KBC, the indirect emissions from our business activities (i.e. Scope 3 Category 15 GHG emissions) are the most material source of our emissions and hence our impact on climate change. We refer to sections 2.2.1.1 (on locked-in GHG emissions), 2.2.3.1 (climate-related targets) and 2.2.3.2 (our GHG emissions inventory) for further information on our climate-related impact.

With regard to biodiversity, we assessed our potential direct impact by mapping whether our own offices in our core countries are located in or near biodiversity-sensitive areas. Biodiversity-sensitive areas we considered include Natura 2000, UNESCO and other protected areas (excluding Key Biodiversity Areas). We concluded that none of our buildings are located in strictly protected areas (IUCN category IV and above). Furthermore, we found that a number of our offices are located in protected landscapes such as Bird Directive areas. However, based on the best available expert knowledge and given the nature of our bank-insurance business, we concluded that our activities do not negatively impact these protected areas. Accordingly, we did not assess the need to implement mitigation measures at these sites any further.
As a financial institution, we mainly affect biodiversity and ecosystems through our corporate lending services and investment portfolios. We assessed the potential impacts and dependencies of our corporate lending portfolio on nature using the tool 'Exploring Natural Capital Opportunities, Risks and Exposure' ('ENCORE'). The top three sectors with a very high impact are Building and Construction, Agriculture and Energy and the most material impact drivers are terrestrial land use, water use and marine ecosystem use.

The materiality assessment of the identified impacts was conducted together with in-house experts, the general managers of sustainability, the CEOs of our core countries (or their representatives) and a selection of our senior general managers. They acted as credible proxies of the affected stakeholders identified and helped to convey the concerns of these stakeholders based on their experience and region of operation. Each (potential) negative and positive impact was scored on a number of parameters. The parameters assessed include scale and scope for both positive and negative impacts, complemented by likelihood for potential impacts as well as irremediability for (potential) negative impacts. During this exercise, we differentiated between our own operations and our value chain and considered short-, medium- and long-term time horizons. The results were evaluated based on our internally developed scoring method and classified accordingly on a five-point scale. This enabled us to draw a conclusion on the materiality of each impact and ultimately the corresponding sustainability matter.

For an overview of the material impacts identified within our own operations and value chain, we refer to section 1.3.3.1.

Financial materiality assessment
The financial materiality assessment involves identifying and assessing our sustainability-related risks and opportunities. This section describes the underlying processes for risks and opportunities.

Risks
First of all, we point out that ESG risks are considered important risk drivers of the external environment that manifest themselves through all other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational and compliance risk and reputational risk. Consequently, sustainability-related risks are not considered in isolation but are firmly embedded in all aspects and areas of KBC's Risk Management Framework and the underlying processes. To assess which sustainability matters are material from a risk perspective, it was thus necessary to determine the effect of the risks stemming from the sustainability matters assessed on the financial and non-financial risk areas. Looking at our business model and from a financial perspective, it does not make sense to assess every prescribed sustainability matter separately. For that reason, certain sustainability matters were aggregated so that a meaningful financial materiality assessment of the risks could be performed, considering all underlying components. During this exercise, we maximally leveraged existing risk identification and measurement processes. In particular, KBC has developed an ERIM to assess the impact of environmental risks (see below), and the management of social and governance risks is an integral part of compliance and operational risk management. Both the ERIM and the underpinning of expert judgement are based on several inputs, such as portfolio distributions, the geographical location of our operations and clients, product characteristics, client and asset data, internal monitoring and modelling exercises, external sources (e.g., physical hazard maps), and so on.

As part of our financial materiality assessment of risks, we considered the following elements:

- The *context* KBC operates in (see section 1.3.1), including the *entire value chain* (see section 1.3.1), for three distinct *time horizons* (see section 1.1.2);
- The *likelihood* that the effects related to the matter materialise, scored on a four-point scale (ranging from exceptional to frequent);
- The *magnitude* of the potential financial impact if and when the effects associated with a group of sustainability matters materialise. To this end, the financial effect of a group of sustainability matters was scored separately for every risk type (such as credit risk, technical insurance risk, reputational risk, etc.). We also considered risks that could be derived from previously identified material impacts. For specific areas, the assessment was based on expert judgement, underpinned by available internal and external information. The financial effect dimension was scored on a four-point scale (ranging from a minor to a severe financial effect).

For every group of sustainability matters, which combined the likelihood and financial effect per risk type, the assessment resulted in a materiality classification per risk type (on a four-point scale: low, medium, high, severe). In the final stage, the risk-type-specific materiality scores were combined to determine whether the group of sustainability matters assessed was material from an integrated perspective. To this end, predefined materiality thresholds were put in place.

The financial materiality assessment of the environmental risks was predominantly based on our existing ERIM. This is our main internal process for identifying and assessing the impact of environmental risks on our value chain, which encompasses:

- estimating the risks for the financial and non-financial risk types;
- distinguishing between different drivers of transition and physical risks associated with climate change, biodiversity loss, water stress and pollution as well as risks related to non-circularity;
- considering three distinct scenarios which assume different levels of transition and physical risk for climate change and nature loss;
- using three different time horizons.

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 made for our core countries, given that the materiality of environmental risks can differ across jurisdictions and locations, resulting in possibly different transition and physical risks.

Specially for climate-risk-related analyses, risk impacts are estimated for three distinct climate scenarios as made available by the Network for Greening the Financial System (NGFS). More specifically, separate assessments are made for an Orderly transition scenario (in which global warming is limited to 1.5°C), a Disorderly transition scenario (global warming is limited to 2°C) and a Hot House World scenario (an increase in global warming to about 3°C). These scenarios are compatible with the climate-related assumptions made in the financial statements. We refer to Note 3.9 of the ‘Consolidated financial statements’ section in this report for more detailed information.

With regard to:

- climate-related transition risks, the ERIM considers the risks stemming from changing policies and regulations, technologies and changing consumer and/or investor preferences. We estimate the transition-risk-related impacts for the three aforementioned NGFS scenarios and time horizons, as the timing and severity of transition risks depends on government and policy action. The materiality assessment in the ERIM is underpinned by several internal exercises, such as monitoring of the alignment of our corporate industrial loan portfolio with decarbonisation pathways (using the PACTA tool), climate-related sector and asset-based portfolio reporting and the sectoral deep dives on sectors vulnerable to transition risk via our White Papers. These analyses also provide further insight into the assets and business activities which could be vulnerable to transition risks (i.e. assets and business activities which are incompatible with or need significant efforts to be compatible with a transition to a climate-neutral economy). The identified vulnerability depends on the climate scenario and the time horizon considered within these analyses. With respect to assets and business activities vulnerable to transition risks, we also refer to section 2.2.1.1 (on locked-in emissions) and section 2.2.2 (policies and actions related to climate change);
- climate-related physical risks, the ERIM considers both chronic and acute temperature-related, water-related, wind-related and solid-mass-related physical risks. The materiality assessment in the ERIM is underpinned by several internal exercises. With respect to flood risk, for example, which is considered the most relevant physical risk driver for KBC Group, various portfolios throughout KBC Group were analysed. The assessments were geographically tailored to the territories of the five KBC core countries (Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria). The flood risk analyses cover both bank and insurance portfolios, as well as KBC's own critical infrastructure. Furthermore, risk assessments on heat stress, drought, wildfires, windstorms, landslides, subsidence and erosion were also performed for selected portfolios;
- risks stemming from biodiversity loss and ecosystem damage, the ERIM considers both transition and chronic and acute physical risks. We focused on the physical risk assessment to identify and assess dependencies on biodiversity and ecosystems for our own operations and in our value chain (e.g., natural resource scarcity leading to macroeconomic impacts, operational and supply chain disruptions, and higher consumer prices), whereas transition risks were considered to identify and assess our impact on biodiversity and ecosystems. Within these exercises, we also consider potential future macroeconomic developments and systemic risks related to biodiversity loss and underpin the conclusion by internal exercises such as the ENCORE analysis;
- the assessment of current and potential future risks stemming from the transition to a circular economy, expert judgement was applied.

Opportunities

To identify our material opportunities, we considered the sustainability matters described in the ESRS as well as opportunities that could be derived from previously identified material impacts. The assessment was performed by internal experts whose knowledge covered the different sustainability matters listed in the ESRS as well as our business activities and the local (geographical) situations. The experts identified opportunities throughout our entire value chain and with different time horizons. The identified opportunities were assessed on the likelihood and magnitude of their financial effect (comparable to our approach to risks), which resulted in a materiality classification from which material opportunities could be derived using predefined materiality thresholds.

Regarding opportunities, we particularly encourage the incorporation of sustainability-related opportunities into our core products and services, such as bonds, loans, investments, insurance contracts and advisory services. In this context, we are also closely monitoring the EU Taxonomy evolutions. Across our White Paper sectors (energy, real estate, transport, agriculture, food and beverages, building and construction, metals and chemicals), we screen and identify sector-relevant sustainability-related opportunities during each White Paper assessment cycle.

Compared to our impacts and risks, the identification, assessment and management of opportunities are not yet integrated into our overall management process with the same degree of maturity. The outcome of the materiality assessment was presented to the appropriate management bodies. There are continuous efforts by the business and other departments to define and implement opportunities, which is supported by the structural embedding of opportunities in our White Paper approach. In the yearly budgeting round, all countries also need to consider sustainability opportunities and develop a plan to capitalise on these opportunities. All these initiatives form a good basis for further maturing our identification and materiality assessment of opportunities in the future.

For an overview of the material risks and opportunities across our value chain, we refer to section 1.3.3.1.

Decision-making process

In each step of the process for identification and assessment of the impacts, the intermediate results were discussed in the Group Corporate Sustainability department. For impacts related to our own workforce, the outcome of the assessment was validated by the Corporate HR managers and the local HR managers of the core countries in the international HR community. This was followed by approval from the CSRD Steering Committee. Subsequently, the outcome of the assessment was also presented to and validated by the European Works Council.

Similarly, the outcome of the risk assessment was discussed with and approved by the management of the risk functions involved before being approved by the CSRD Steering Committee.

The outcome of the impact materiality and the financial materiality exercises was also discussed in a dedicated working group set up around our double materiality assessment (which included colleagues from all main departments involved in our materiality assessment).

Disclosure requirements in ESRS covered by the undertaking's sustainability statement (1.4.2)

Overview of disclosure requirements

Below, we have listed all disclosure requirements covered in this Sustainability Statement.

For the disclosure requirements related to the identified material sustainability matters, we performed expert-based evaluations to determine whether all the underlying information requirements are also material for KBC. To this end, we took into account whether the information is significant as well as whether it could meet the decision-making needs of the users of the Statement.

List of Disclosure Requirements

ESRS standard	Disclosure Requirement	Full name of the Disclosure Requirement	Section
ESRS 2 General disclosures	BP-1	General basis for preparation of sustainability statements	1.1.1
	BP-2	Disclosures in relation to specific circumstances	1.1.2
	GOV-1	Role of the administrative, management and supervisory bodies	1.2.1
	GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	1.2.2
	GOV-3	Integration of sustainability-related performance in incentive schemes	1.2.3
	GOV-4	Statement on due diligence	1.2.4
	GOV-5	Risk management and internal controls over sustainability reporting	1.2.5
	SBM-1	Strategy, business model and value chain	1.3.1
	SBM-2	Interests and views of stakeholders	1.3.2
	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3
	IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	1.4.1
	IRO-2	Disclosure requirements in ESRS covered by the undertaking's sustainability statement	1.4.2
ESRS E1 Climate change	ESRS 2 GOV-3	Integration of sustainability-related performance in incentive schemes	1.2.3
	E1-1	Transition plan for climate change mitigation	2.2.1.1
	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3
	ESRS 2 IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	1.4.1
	E1-2	Policies related to climate change mitigation and adaptation	2.2.2.1
	E1-3	Actions and resources in relation to climate change policies	2.2.2.2
	E1-4	Targets related to climate change mitigation and adaptation	2.2.3.1
	E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	2.2.3.2
	E1-7	GHG removals and GHG mitigation projects financed through carbon credits	2.2.3.3
	E1-8	Internal carbon pricing	2.2.3.4
ESRS E2 Pollution	ESRS 2 IRO-1	Description of processes to identify and assess material pollution-related impacts, risks and opportunities	1.4.1
ESRS E3 Water and marine resources	ESRS 2 IRO-1	Description of processes to identify and assess material water and marine resources-related impacts, risks and opportunities	1.4.1
	E3-1	Policies related to water and marine resources	2.3.1.1
	E3-2	Actions and resources related to water and marine resources	2.3.1.2
	E3-3	Targets related to water and marine resources	2.3.2.1
ESRS E4 Biodiversity and ecosystems	E4-1	Transition plan and consideration of biodiversity and ecosystems in strategy and business model	2.4.1.1
	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3
	ESRS 2 IRO-1	Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities	1.4.1
	E4-2	Policies related to biodiversity and ecosystems	2.4.2.1
	E4-3	Actions and resources related to biodiversity and ecosystems	2.4.2.2
	E4-4	Targets related to biodiversity and ecosystems	2.4.3.1

ESRS E5 Resource use and circular economy	ESRS 2 IRO-1	Description of processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities	1.4.1
ESRS S1 Own workforce	ESRS 2 SBM-2	Interests and views of stakeholders	1.3.2
	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3
	S1-1	Policies related to own workforce	3.1.1.1
	S1-2	Processes for engaging with own workers and workers' representatives about impacts	3.1.1.2
	S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	3.1.1.3
	S1-4	Taking action on material impacts and approaches to mitigating risks related to own workforce	3.1.1.4
	S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.1.2.1
	S1-6	Characteristics of the undertaking's employees	3.1.2.2
	S1-8	Collective bargaining coverage and social dialogue	3.1.2.3
	S1-9	Diversity metrics	3.1.2.4
	S1-10	Adequate wages	3.1.2.5
	S1-14	Health and safety metrics	3.1.2.6
	S1-16	Compensation metrics (pay gap and total remuneration)	3.1.2.7
	S1-17	Incidents, complaints and severe human rights impacts	3.1.2.8
ESRS S4 Consumers and end-users	ESRS 2 SBM-2	Interests and views of stakeholders	1.3.2
	ESRS 2 SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	1.3.3
	S4-1	Policies related to consumers and end-users	3.2.1.1
	S4-2	Processes for engaging with consumers and end-users about impacts	3.2.1.2
	S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	3.2.1.3
	S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	3.2.1.4
	S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	3.2.2.1
ESRS G1 Business conduct	ESRS 2 GOV-1	The role of the administrative, supervisory and management bodies	1.2.1
	ESRS 2 IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	1.4.1
	G1-1	Business conduct policies and corporate culture	4.1.1.1
	G1-2	Management of relationships with suppliers	4.1.1.2
	G1 – MDR-A	Minimum Disclosure Requirements on actions in relation to business conduct polices	4.1.1.3
	G1-3	Prevention and detection of corruption and bribery	4.1.1.4
	G1-4	Confirmed incidents of corruption or bribery	4.1.2.1
	G1-6	Payment practices	4.1.2.2

Other EU legislation

In what follows, we give an overview of all datapoints linked with other EU legislation, indicating where they can be found in this Sustainability Statement, and including those that we assessed as not material. For the datapoints marked as 'Not applicable', we note that the non-applicability pertains only to the information that is required by the paragraph in the ESRS indicated in the list below.

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference	Section
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 Table #1 of Annex I		Commission Delegated Regulation (EU) 2020/1816, Annex II		1.2.1
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		1.2.1
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 Table #3 of Annex I				1.2.4
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicator number 4 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Table 1: Qualitative information on Environmental risk and Table 2: Qualitative information on Social risk	Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 Table #1 of Annex I		Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not applicable
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	2.2.1.1
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate Change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2		2.2.1.1

ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 Table #2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 6		2.2.3.1
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 Table #1 of Annex I Indicator number 5 Table #2 of Annex I				Not material
ESRS E1-5 Energy consumption and mix paragraph 37	Indicator number 5 Table #1 of Annex I				Not material
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 Table #1 of Annex I				Not material
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 Table #1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		2.2.3.2
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicators number 3 Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		2.2.3.2
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	2.2.3.3
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Subject to phase-in
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk.			Subject to phase-in

ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book – Climate change physical risk: Exposures subject to physical risk.			Subject to phase-in
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34; Template 2: Banking book – Climate change transition risk: Loans collateralised by immovable property – Energy efficiency of the collateral			Subject to phase-in
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Subject to phase-in
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil paragraph 28	Indicator number 8 Table #1 of Annex I Indicator number 2 Table #2 of Annex I Indicator number 1 Table #2 of Annex I Indicator number 3 Table #2 of Annex I				Not material
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 Table #2 of Annex I				2.3.1.1
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 Table 2 of Annex I				2.3.1.1
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 Table #2 of Annex I				Not material
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 Table #2 of Annex I				Not material
ESRS E3-4 Total water consumption in m^3 per net revenue on own operations paragraph 29	Indicator number 6.1 Table #2 of Annex I				Not material
ESRS 2- IRO 1 - E4 paragraph 16 (a) i	Indicator number 7 Table #1 of Annex I				1.4.1
ESRS 2- IRO 1 - E4 paragraph 16 (b)	Indicator number 10 Table #2 of Annex I				1.4.1
ESRS 2- IRO 1 - E4 paragraph 16 (c)	Indicator number 14 Table #2 of Annex I				1.4.1

ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 Table #2 of Annex I		2.4.2.1
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 Table #2 of Annex I		2.4.2.1
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 Table #2 of Annex I		2.4.2.1
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 Table #2 of Annex I		Not material
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 Table #1 of Annex I		Not material
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 Table #3 of Annex I		1.3.3
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 Table #3 of Annex I		1.3.3
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 Table #3 of Annex I Indicator number 11 Table #1 of Annex I		3.1.1.1
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8 paragraph 21		Delegated Regulation (EU) 2020/1816, Annex II	3.1.1.1
ESRS S1-1 processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 Table #3 of Annex I		3.1.1.1
ESRS S1-1 workplace accident prevention policy or management system paragraph 23	Indicator number 1 Table #3 of Annex I		3.1.1.1
ESRS S1-3 grievance/ complaints handling mechanisms paragraph 32 (c)	Indicator number 5 Table #3 of Annex I		3.1.1.3
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 Table #3 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II	3.1.2.6
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 Table #3 of Annex I		Subject to phase-in
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 Table #1 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II	3.1.2.7

ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 Table #3 of Annex I		3.1.2.7
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 Table #3 of Annex I		3.1.2.8
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 Table #1 of Annex I Indicator number 14 Table #3 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818 Art 12 (1)	3.1.2.8
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and 13 Table #3 of Annex I		Not material
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 Table #3 of Annex I Indicator number 11 Table #1 of Annex I		Not material
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and 4 Table #3 of Annex I		Not material
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 Table #1 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not material
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labour Organisation Conventions 1 to 8 paragraph 19		Delegated Regulation (EU) 2020/1816, Annex II	Not material
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 Table #3 of Annex I		Not material
ESRS S3-1 Human Rights Policy commitments paragraph 16	Indicator number 9 Table #3 of Annex 1 Indicator number 11 Table #1 of Annex I		Not material
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 Table #1 Annex I	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	Not material
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 Table #3 of Annex I		Not material
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 Table #3 of Annex I Indicator number 11 Table #1 of Annex I		3.2.1.1
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 Table #1 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II Delegated Regulation (EU) 2020/1818, Art 12 (1)	3.2.1.1

ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 Table #3 of Annex I		3.2.1.4
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 Table #3 of Annex I		Not applicable
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 Table #3 of Annex I		Not applicable
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 Table #3 of Annex I	Delegated Regulation (EU) 2020/1816, Annex II	4.1.2.1
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)	Indicator number 16 Table #3 of Annex I		4.1.2.1

Environmental information

Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 (Taxonomy Regulation) (2.1)

The Taxonomy Regulation establishes an EU-wide framework according to which investors and businesses can assess whether certain economic activities are environmentally sustainable. In order to be environmentally sustainable and thus taxonomy aligned, the activity must:

- be a relevant activity, i.e. the activity is on the list of activities which are considered as most relevant for achieving the environmental goals defined by Europe. The relevant activities are called taxonomy-eligible activities and are described in Delegated Acts;
- comply with the Technical Screening Criteria for substantial contribution to the environmental objectives and do no significant harm to these objectives;
- be carried out in compliance with minimum social and governance safeguards.

Six environmental objectives are laid out in the Taxonomy Regulation:

- Climate change mitigation (CCM);
- Climate change adaptation (CCA);
- Sustainable use and protection of water and marine resources (WTR);
- Transition to a circular economy (CE);

- Pollution prevention and control (PPC);
- Protection and restoration of biodiversity and ecosystems (BIO).

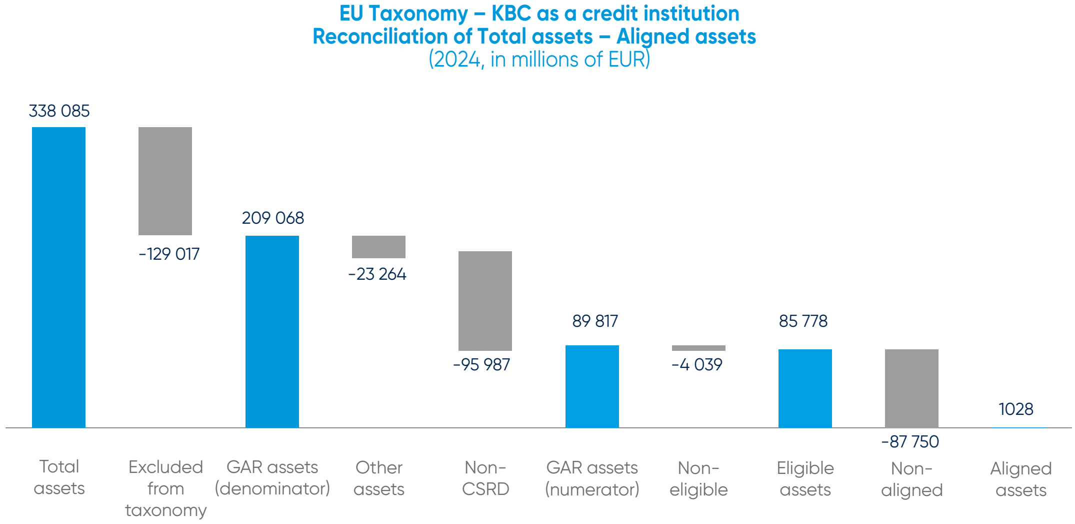
KBC is a large undertaking subject to the disclosure obligations described in the EU Taxonomy Disclosure Delegated Act (DDA). We report on our activities as credit institution, as insurer/reinsurer and as asset manager. Various working groups, with representatives from our core countries, address different themes, such as various forms of lending contributing to sustainability objectives and non-life insurance aimed at promoting climate change adaptation. Individual purpose-driven credit applications are also thoroughly screened to verify compliance with the technical criteria and social minimum safeguards. Non-purpose-driven credit applications are reported based on the Turnover and CapEX KPI of the counterparty.

Data availability remains a challenge.

- As the European Single Access Point database is not yet operational, finding all the relevant counterparty information in the published reports is a major challenge. Although data providers, collecting EU Taxonomy data, make progress, it remains a challenge for them, too.
- Many of our corporate counterparties are not (yet) subject to CSRD. As a result, these companies are not required to report on EU Taxonomy and we cannot include these counterparties in eligible and/or aligned assets.
- We are currently unable to carry out a full alignment assessment for loans to households (real estate and motor vehicles) due to a lack of individual data on the underlying assets. For instance, we do not have all individual data on the houses being financed, and for many financed electric vehicles we lack information on car tyres and the circular use of materials.

We therefore chose to also disclose voluntary taxonomy percentages in our Sustainability Report (at www.kbc.com), which are based on approximations and information available in the group (not subject to assurance).

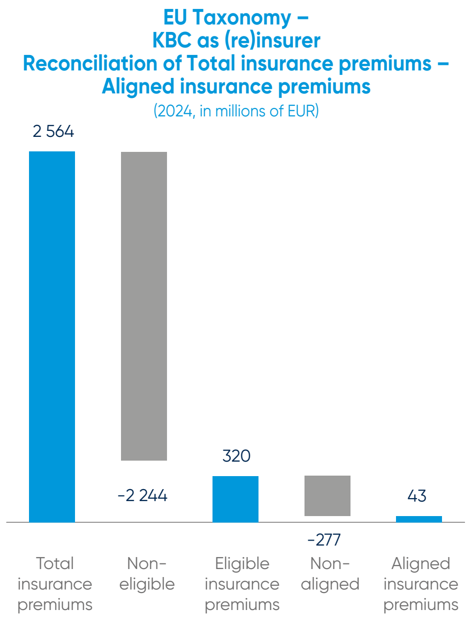
This section is focused on mandatory disclosures. The DDA prescribes a number of detailed tables for credit institutions, insurers/reinsurers and asset managers. We have included them in the 'EU Taxonomy – detailed tables' section in the 'Additional information' section of this annual report. When the DDA prescribes that calculations must be made on the basis of Turnover and CapEx data of the counterparties, these tables are presented twice (once for Turnover, once for Capex). The discussion below is limited to the data based on the counterparty's Turnover KPIs (if applicable).

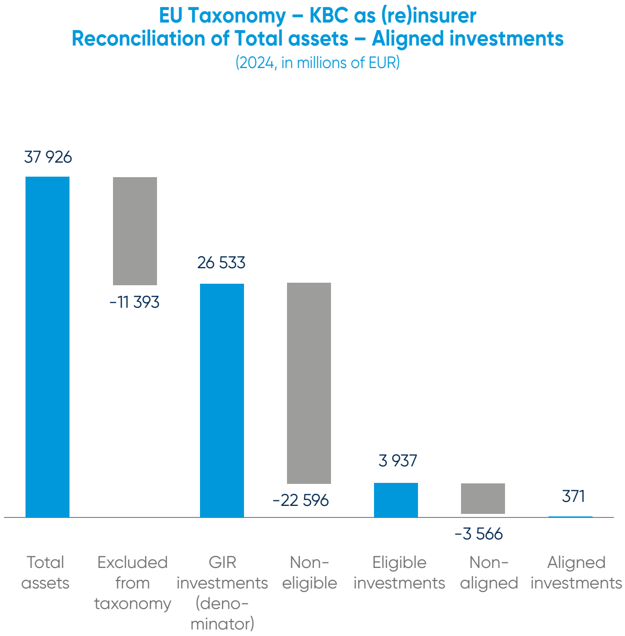


KBC as a credit institution
In this section, all assets are considered from the credit institutions in the group, i.e. those entities defined in Article 4(1), point (1), of Regulation (EU) No 575/2013 of the European Parliament and of the Council (prudential requirements for credit institutions). As defined in the DDA, disclosures are to be based on the scope of KBC's prudential consolidation. This scope is in line with the accounting scope (Note 6.5 of the 'Consolidated financial statements').

The mandatory eligibility percentage for the assets of our credit institutions is 41.0% (40.8% in 2023). It includes mortgage loans and car loans to households, as well as the eligible exposure to financial and non-financial counterparties (subject to CSRD). The alignment percentage (GAR, green asset ratio) is 0.5% (0.2% in 2023). The difference between the 2024 and 2023 figure is due mainly to the 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 nevertheless 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. In the chart, we reconcile total assets (before deduction of impairment) with aligned assets (based on the counterparties' turnover KPIs). The trading portfolio and amounts involving central banks and central governments are excluded. The alignment percentage for financial guarantees (off-balance) is 1.4% (0.4% in 2023).

KBC as (re)insurer
In this section, all activities from the insurance undertakings in the group are considered, i.e. those entities as defined in Article 13, point (1), of Directive 2009/138/EC, and from the reinsurance undertakings in the group, i.e. those entities as defined in Article 13, point (4) of the same Directive. The figures below are based on the insurance accounting scope of KBC. For (re)insurance, two KPIs are required: one KPI related to underwriting activities and one KPI related to investments.





Underwriting activities

The percentages related to underwriting activities are expressed relative to the gross written premiums of non-life insurance. The eligible premiums reflect the portion of the gross written premiums that is linked to the coverage of climate-related perils (within non-life insurance activities 'other motor insurance' – predominantly linked to hail and windstorm damage – and 'fire and other damage to property insurance' – predominantly linked to windstorms and floods). The eligibility percentage related to underwriting activities is 12.5% (14.3% in 2023). The alignment percentage is 1.7% and is solely linked to the corporate portfolio of fire and other property damage insurance in Belgium. The difference between the 2024 and 2023 figure (6.6% in 2023) mainly results from methodological improvements, 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, related 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 in 2023, we now limit this specifically to the corporate segment. The more standardised underwriting in the mass retail segment, which typically does not include a risk assessment and underwriting process tailored to the specifics of an individual client, makes it more difficult to meet all of the technical screening criteria as outlined in the EU Taxonomy. The criteria related to providing incentives for risk reduction and embedding risk-based rewards for preventive measures into the product design are considered particularly challenging in this regard. A gap analysis has been performed and, in the years to come, we will continue our efforts to align our range of insurance products with the taxonomy criteria in all our other core countries. 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. In addition, we are exploring possibilities on how to incentivise policyholders to take preventive measures against climate-related perils. In the chart, we reconcile total insurance premiums with aligned premiums.

Investments

Investments comprise all direct and indirect investments of the insurers, including loans, advances and buildings. The mandatory eligibility percentage related to investments is 14.8% (8.5% in 2023). It includes the eligible exposure to financial and non-financial counterparties and a number of loans (including a mortgage loan portfolio acquired from KBC Bank). The alignment percentage (GIR, green investment ratio) is 1.4% (0.5% in 2023). The difference between the 2024 and 2023 figure mainly results from increased data availability.
Investments are mainly managed by KBC Asset Management (AM), which has engaged an external data provider to deliver the taxonomy data.
In the chart, we reconcile total assets with aligned investments. Amounts involving central banks and central governments are excluded.

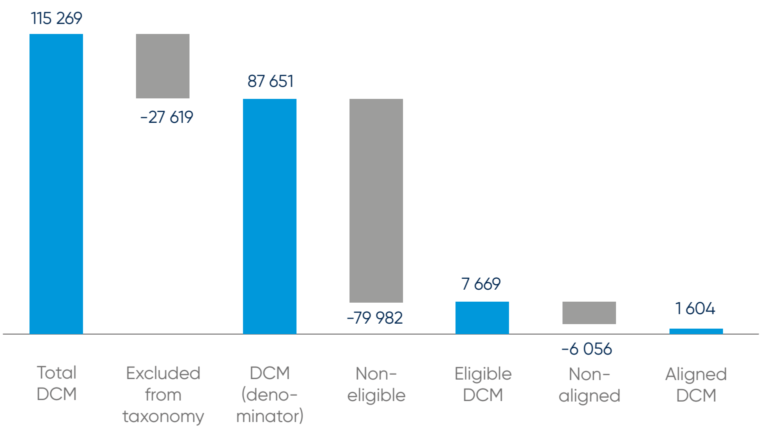
KBC as asset manager

In this section, all assets under management related to DCM are considered (see glossary of financial ratios and terms). This DCM is managed by KBC Asset Management (taxonomy data via an external data provider).

The mandatory eligibility percentage related to DCM is 8.7% (2.0% in 2023). The alignment percentage (KPI for asset managers) is 1.8% (0.9% in 2023). The difference between the 2024 and 2023 figure mainly results from increased data availability.

In the chart, we reconcile total DCM with aligned DCM. Amounts involving central banks and central governments are excluded.

EU taxonomy – KBC as asset manager
Reconciliation of DCM (direct client money) – Aligned DCM
(2024, in millions of EUR)



KBC as a financial conglomerate

KBC calculates consolidated KPI using a revenue based weighted average.

Consolidated KPI	KPI	Turnover based alignment	Capex based alignment
KBC as a credit institution	GAR	0.5%	0.4%
KBC as a (re)insurer	Combined	1.4%	1.5%
	Underwriting KPI	1.7%	1.7%
	Investment KPI	1.4%	1.8%
KBC as an asset manager	AM KPI	1.8%	2.6%
KBC as a financial conglomerate	Consolidated KPI	0.8%	0.9%

Climate change (2.2)

Climate change strategy (2.2.1)

Transition plan for climate change mitigation (2.2.1.1)

In an initial phase, KBC has focused on several important pillars in order to embed climate transition plan elements within its overall sustainability governance and strategy but has so far not formalised these into an integrated single document. At the time of reporting, no decision had been taken as to whether and by when such integrated transition plan will be adopted. The important pillars, related to transition planning, which are currently embedded into our overall sustainability governance and strategy are:

- Governance;
- Strategy;
- Scenario analysis;
- Risk and opportunity management;
- Financial planning;
- Target setting;
- Engagement.

Our sustainability governance is structured around the Sustainable Finance Steering Committee, the ISB, the ExCo and the Board. As these bodies oversee environmental issues, integrate them into the business strategy, and ensure accountability at all levels, it by definition has the consequence that climate strategy, target setting (see also section 2.2.3.1), and other relevant transition planning elements as listed above are managed and approved by the highest decision bodies within our organisation. As these decision bodies oversee the entire business model, value creation strategy, and financial planning of KBC, there is an intrinsic strong connection between these elements and our climate strategy. A dedicated Sustainable Finance Programme is in place to coordinate the implementation of the overall sustainability strategy. In order to manage the challenges linked to climate-related data collection and reporting, we installed a dedicated Data and Metrics Steering Programme. This governance framework (including its own Steering Committee) ensures that sustainability is embedded into the organisation.

Our current climate transition planning approach includes climate-related targets on our own operations' emissions as well as on some of the most material emissions that are associated with our financing or investment activities, some of which are compatible with pathways that limit global warming to 1.5°C. Consequently, our climate transition planning in its current form is partly aligned with a 1.5°C world, which is described more thoroughly in section 2.2.3 of this statement. Our climate strategy focuses on managing both our direct and indirect carbon footprints. We report every six months to the ISB, ExCo and Board on the implementation of our climate transition strategy, via a dedicated Sustainability Dashboard, which includes, among other things, the progress on our key climate targets. The dashboard outlines measurable and verifiable parameters related to the key themes and actions of the climate strategy as well as the decarbonisation levers and actions deployed (see section 2.2.2.2). This illustrates that transition planning elements are embedded within our overall business strategy. Our yearly financial planning exercise also incorporates certain transition plan building blocks. For example: climate is included in the economic scenarios of the Chief Economist which form the basis of our budgeting cycle; we follow up on climate-related volumes and targets; the potential impact of climate-related risks on the risk profile is considered. Based on our latest climate target progress measurements, we conclude to be overall well on track in meeting our targets and will continue to proceed with the implementation of key actions.

We identify climate-related risks and opportunities through strategic analyses (the so-called sectoral or thematic 'White Papers') and tailored risk and opportunity assessments. The management of ESG risk, including climate-related risks, is firmly embedded in all building blocks of our Risk Management Framework (see section 2.2.2.2). During the White Paper analyses we detect opportunities and translate them into concrete service offerings and products. We engage with our clients to support their transition, develop sustainable products and monitor decarbonisation progress. The outcome of this continuous risk and opportunity management is closely linked with our climate strategy and target follow-up and is also taken into account in our financial planning cycle, touching directly on our portfolio mix, expenses and capital adequacy assessment. Regular monitoring and management reporting on all of the above-stated topics ensures transparency and accountability, enabling internal and external stakeholders to track progress and assess the effectiveness of our climate strategy and risk and opportunity management.

We use a set of climate scenarios to support transition planning, including those from the International Energy Agency (IEA), the NGFS (Network for Greening the Financial System) and more customised scenarios. This set of scenarios reflects various models, time perspectives, climate temperature objectives (including 1.5°C alignment) and regional coverage. The use of these scenarios supports our overall risk identification and measurement, strategic planning, and resilience assessments for potential future outcomes. Scenario analysis therefore influences and makes more robust our strategy, financial planning, target setting, capacity building, and risk and opportunity management. See sections 1.4.1 (financial materiality assessment) and 2.2.3.1 for more information.

Lastly, the implementation of our current climate transition planning approach includes engagement with various stakeholders including policymakers and clients. Our aim is to create a ripple effect that extends a positive impact beyond our own operations by fostering strong relationships and sharing best practices (see also section 1.3.2).

To our knowledge, there are no locked-in emissions detected for own operations which jeopardise the achievement of our GHG emissions reduction targets. Our climate change lending targets form an important pillar in supporting decarbonisation in some of the highest carbon-intensive activities in our loan portfolio. Progressing on our targets intrinsically also contributes to avoiding exposure to stranded asset risk (risk of losing their economic value ahead of their anticipated useful life). Potential locked-in GHG emissions are not quantified, but assets that have the potential to become stranded are identified via measurement updates of our climate target progress and White Paper exercises.

KBC is not meeting any of the exclusion criteria listed in Articles 12.1 and 12.2 of the EU Climate Benchmark Regulation (Commission Delegated Regulation (EU) 2020/1818).

Climate change: Impact, risk and opportunity management (2.2.2)

Policies related to climate change mitigation and adaptation (2.2.2.1)

All sustainability-related policies are bundled in our Sustainability Policy Framework, offering a condensed but comprehensive overview of these policies. This framework defines the scope of our policies, summarises the governance on how policies are determined and implemented, and describes our actual policies, based on a combination of exclusion of certain companies, sectors or activities and the application of certain conditions. It relates to all material impacts, risks and opportunities that were identified for KBC, and as such, we will refer to this Framework (available on www.kbc.com) when disclosing on different matters in this Sustainability Statement.

A strict due diligence process is in place to monitor compliance with these policies, including the possibility of requesting advice from sustainability experts on sustainability-related matters for individual cases. We also take into account reputational risk aspects within the scope of such advice, which in some cases are mandatory.

The framework is applicable worldwide to all of our core business activities (lending, insurance, advisory services and investment advice) as well as supporting activities (own investments and procurement), and covers all sectors and activities deemed (potentially) controversial and for which we have developed policies (human rights, energy, steel, cement and aluminium, mining, defence, biodiversity, gambling, tobacco, animal-related activities, and prostitution).

We update our sustainability policies at least once every two years. We consider the interests of key stakeholders, as all policies in the Sustainability Framework are challenged by the ISB, and some are also discussed with our ESB, which represents the interests of key (external) stakeholders.

For all of our sustainability policies, final ratification and accountability lies with the ExCo. However, all staff involved are responsible for the implementation. Environmental responsibility is one of the focus areas of our sustainability strategy, meaning that we are committed to managing the direct and indirect environmental impact of our business in a responsible way. It also means that we are committed to increasing our positive impact while limiting our adverse impact on the environment. Specifically for climate change, this means that we are supporting the transition towards a sustainable, low-carbon economy.

Environmental Policy

Our Environmental Policy sets out a series of general guidelines, such as:

- developing and offering banking, insurance and investment products and services that support a sustainable, low-carbon and climate-resilient society;
- applying and regularly reviewing strict policies to limit the environmental impact of our core activities by reducing the environmental and climate impact of our portfolio of loans, investments, insurance and advisory services;
- creating awareness of environmental responsibility among our internal and external stakeholders, empowering employees to implement this policy and encouraging suppliers to adopt a similar approach.

These general guidelines are further translated into specific policies, such as the Energy Policy and the Mining Policy (see below).

A dedicated sustainability team at group level is responsible for

- challenging the internal business stakeholders on their sustainable product offering;
- regularly reviewing the specific policies;
- providing guidelines for the implementation of the restrictions in these policies.

Environmental Policy

Scope	Applicable worldwide and covering all business activities and operations throughout the group	
Reference to third party agreements	Paris Agreement Taskforce on Climate-related Financial Disclosure (TCFD) Greenhouse Gas Protocol Collective Commitment to Climate Action (CCCA) UNEP FI Principles for Responsible Banking (UNEP FI PRB)	
Areas addressed:		
Climate change mitigation	Yes	Examples: specific Energy Policy with restrictions on coal/oil/gas, own footprint targets
Climate change adaptation	Yes	Examples: development of products and services like multi-peril crop insurance, financing/insuring of water-saving projects
Energy efficiency	Yes	Examples: own footprint targets, specific products linked to EPC (Energy Performance Certificate)
Renewable energy deployment	Yes	Example: financing of renewable energy projects
Other climate change-related areas	No	-

Energy Policy

As demonstrated by our signing of the Collective Commitment to Climate Action (CCCA) in 2019, we have the ambition to contribute to a low-carbon society. The CCCA was adopted by some signatories to the UNEP FI Principles for Responsible Banking (PRB) as an additional climate commitment when it was launched in September 2019. Through our CCCA commitment, we have committed ourselves to align our portfolios with the Paris Agreement goal to limit global warming to well-below 2 degrees, striving for 1.5 degrees Celsius. Our Energy Policy aims to exclude or restrict the use of fossil energy and to support the development of renewable energy. It excludes any financing and insurance of, or advisory services related to, direct thermal coal-related projects, and subjects any other financing and insurance of, or advisory services related to, companies still involved in thermal coal to strict conditions. It also excludes any financing and insurance of, or advisory services related to, the exploration and development of unconventional oil and gas fields as well as any other new oil or gas fields.

Energy Policy

Scope	This policy has a worldwide scope and applies to all financing, insurance and advisory services related to companies involved in the generation of electricity or heating, either as producers or as suppliers or contractors to such companies	
Areas addressed:		
Climate change mitigation	Yes	This policy addresses climate change mitigation by focusing on transitioning from a fossil-fuel energy system towards a renewable energy system
Climate change adaptation	No	-
Energy efficiency	No	-
Renewable energy deployment	Yes	This policy addresses renewable energy deployment by focusing on transitioning from a fossil-fuel energy system towards a renewable energy system
Other climate change-related areas	No	-

Recalculation Policy

We have external targets both for our own and for financed greenhouse gas emissions (see section 2.2.3.1.). These targets refer to the emissions of a particular fixed base year. To anticipate events which require a restatement of this base-year calculation, we have a policy describing the process and recommended methods of recalculation. The final decision to restate a baseline, the recalculation method and the possible impact on the relevant target is taken by the ISB, which can delegate this to the Sustainable Finance Steering Committee. If a previous calculation was externally assured, the recalculation is fully disclosed to the assurance provider so they can prepare their potential re-assurance.

Recalculation Policy

Scope	This policy applies to our external targets related to own footprint and financed emissions. More specifically for the financed emissions, this policy is applicable for each sector/ domain for which we have set external emission targets. Targets are defined at KBC Group level. KBC Asset Management and own investments are not in scope of this Recalculation Policy for the time being.	
Reference to third-party agreements	This policy is based on the Greenhouse Gas Protocol	
Areas addressed:		
Climate change mitigation	Yes	This policy addresses the restatement of our external climate targets (emissions reduction)
Climate change adaptation	No	-
Energy efficiency	No	-
Renewable energy deployment	No	-
Other climate change-related areas	No	-

Investment Policy

This policy aims to determine strict ethical restrictions with regard to investments. We exclude investments in companies listed on the KBC Blacklist, on the KBC Human Rights Offenders List and investments in governments or other public authorities within a country listed on the KBC Controversial Regimes List. This also applies to investments in companies that are in any way involved in the extraction of thermal coal and/or power generation companies using thermal coal. Investments in companies involved in tobacco are also excluded. Compliance with this policy is fully embedded in the investment processes of KBC Asset Management.

Investment Policy

Scope	This policy has a worldwide scope and is applicable to all of KBC's investment activities, both for the account of clients as well as for KBC subsidiaries' own account	
Areas addressed:		
Climate change mitigation	Yes	This policy addresses climate change mitigation by excluding from our investments some parties and activities with negative impact
Climate change adaptation	No	-
Energy efficiency	No	-
Renewable energy deployment	Yes	This policy addresses renewable energy deployment by excluding some parties and activities with negative impact
Other climate change-related areas	No	-

Investment Policy for Responsible Investing funds

With responsible investing, KBC Asset Management aims to support the evolution towards a more sustainable world by:

- not investing in activities with a severe negative impact on ESG themes;
- promoting ESG principles through our investments;
- encouraging countries and companies to consider sustainability and climate change in their decision-making process;
- promoting sustainable development by investing in green, social and sustainability bonds and in issuers contributing to the UN SDGs.

As such, our Responsible Investing funds apply a dualistic approach, based on a negative screening (see the policy below) and a positive selection methodology. The Responsible Investing funds portfolio includes funds that are classified as Article 8 and Article 9 under SFDR (Sustainable Finance Disclosure Regulation).

All our Responsible Investing funds must achieve specific ESG objectives, which depend on the type of fund. Concrete portfolio targets are set with regard to ESG (risk) scores, GHG emissions, Green, Social & Sustainability bonds, and sustainable investments. In addition, KBC Asset Management will protect the interests of its investors and continue to promote responsible conduct through proxy voting and engagement.

A review of this policy is part of the yearly review of the responsible investing methodology.

Investment Policy for Responsible Investing funds

Scope	This policy is applicable to all Responsible Investing funds managed by (all subsidiaries of) KBC Asset Management	
Most senior level accountable	This policy is formally approved by the ExCo of KBC Asset Management and submitted to the ISB for review. The KBC Asset Management Financial Risk Committee is accountable with regard to the implementation. However, all staff involved are responsible for its implementation, both within the countries and at the level of relevant group departments	
Reference to third-party agreements	For all our Responsible Investing funds, we apply the standards of the Towards Sustainability Labelling Agency, which is a not-for-profit association incorporated under Belgian law. The label is awarded to financial products that are compliant with the Agency's Quality Standard for sustainable and responsible financial products, ensuring that all labelled products contain a minimum of sustainability elements.	
Consideration key stakeholders	This policy has, on top of the challenge by the ISB, been presented to KBC Asset Management's external Responsible Investing Advisory Board	
Areas addressed:		
Climate change mitigation	Yes	This policy addresses climate change mitigation by setting portfolio targets on greenhouse gas emissions as well as by investing in green bonds
Climate change adaptation	No	-
Energy efficiency	No	-
Renewable energy deployment	Yes	This policy addresses renewable energy deployment by setting portfolio targets on greenhouse gas emissions as well as by investing in green bonds
Other climate change-related areas	No	-

Exclusion Policy for Responsible Investing funds

KBC Asset Management invests systematically in companies or governments from responsible investing universes, whereby all issuers must be screened on a predetermined set of criteria. The Responsible Investing research team of KBC Asset Management defines these criteria, based on the advice of the Responsible Investing Advisory Board.

In this policy, all negative screening criteria (exclusion criteria) are described. The negative screening entails exclusion of:

- issuers that do not align with the exclusion policies from the responsible investment universe by the (sub-)fund or issuers that are manually excluded based on the advice of the Responsible Investing Advisory Board;
- issuers involved in activities such as fossil fuels, the tobacco industry, arms, gambling and adult entertainment from the (sub-)fund's investment universe;
- investments in financial instruments linked to livestock and food prices;
- all companies that derive at least 5% of their revenues from the production or 10% of their revenues from the sale of fur or special leather.

We do not accept in our (sub-)fund's investment universe issuers based in countries that:

- encourage unfair tax practices;
- seriously violate fundamental principles of environmental protection, social responsibility and good governance.

A review of the negative screening criteria is part of the yearly review of the responsible investing methodology.

Exclusion Policy for Responsible Investing Funds

Scope	This policy is applicable to all Responsible Investing funds managed by (all subsidiaries of) KBC Asset Management	
Most senior level accountable	This policy is formally approved by the ExCo of KBC Asset Management and submitted to the ISB for review. The KBC Asset Management Financial Risk Committee is accountable with regard to the implementation. However, all staff involved are responsible for its implementation, both within the countries and at the level of relevant group departments	
Reference to third-party agreements	For all our Responsible Investing funds, we apply the standards of the Towards Sustainability Labelling Agency (see Investment Policy for Responsible Investing Funds above)	
Consideration key stakeholders	This policy has, on top of the challenge of the ISB, been presented to KBC Asset Management's external Responsible Investing Advisory Board	
Areas addressed:		
Climate change mitigation	Yes	This policy addresses climate change mitigation by excluding issuers that are involved in fossil fuels
Climate change adaptation	No	-
Energy efficiency	No	-
Renewable energy deployment	Yes	This policy addresses renewable energy deployment by excluding issuers that are involved in fossil fuels
Other climate change-related areas	No	-

Actions and resources in relation to climate change policies (2.2.2.2)

In addition to having policies in place to prevent, mitigate and remediate actual and potential impacts, and to address risks, we also take numerous measures to put our commitment to climate into practice. Within the framework of our Sustainable Finance Programme, we are working on our environmental impact while mitigating environmental risks. At the start of the programme in 2019, its focus was solely on climate. Since 2022, it has been expanded to also include other environmental themes such as biodiversity and water. We refer to the sections on these matters (section 2.3. on water; section 2.4 on biodiversity) for more information. Our key climate-related actions are described below.

Managing our own footprint

Each year, the GHG emissions from our own operations are measured and actions are taken, such as:

- implementing an ISO 14001 environmental management system in all core countries to manage and reduce direct environmental impact;
- reducing our energy need and transitioning to renewable energy (both self-generated and purchased);
- 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 (electric) bicycles for commuter travel, promoting public transport and supporting the transition to a greener and electric car fleet;
- reducing waste production, and paper and water consumption.

This enables us to follow up on our own footprint targets and to provide guidance for local actions where needed. Examples are:

- replacing cooling installations by heating pumps in Belgium;
- reusing residual heat from the server room in our headquarter buildings in Prague using a heat pump installation.

Managing our own footprint

Scope	The GHG inventory is made for the entire group, for all subsidiaries over which there is operational control
Time horizons	Yearly actions in order to achieve our longer term targets – see section 2.2.3.1 (climate-related targets)
Quantitative and qualitative information	Sections 2.2.3.1 (climate-related targets), 2.2.3.2 (emissions) and 2.2.3.3 (offsetting)
Climate change mitigation actions by decarbonisation lever	• Energy efficiency (isolation, telework, energy-efficient data centres) • Switch to renewable energy (gas transition plans, heating plans) • Increase our own energy production (photovoltaic panels, heat pumps) • Switch to low-carbon transport (encouraging public transport, bicycle leasing, electrification of the company fleet)
Achieved GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Expected GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Ability to implement	Fully integrated into our regular operations and follow-up at head office

Yearly calculation of portfolio emissions and steering of the local implementation of loan portfolio decarbonisation

Similar as for our own emissions, our loan portfolio emissions are measured and actions are taken based on this measurement. Key actions implemented for all sectors and products for which climate lending targets are in place include:

- financing zero/low-carbon activities or solutions (e.g., renewable energy projects, electric vehicles or low-to-zero-emission buildings);
- financing to support decarbonisation efforts (e.g., renovation loans) or transition efforts;
- exiting the relationship.

Yearly calculation of portfolio emissions and steering of the local implementation of loan portfolio decarbonisation

Scope	Key action with regard to the yearly calculation of portfolio emissions is implemented across all lending activities (including operational and financial leasing) within KBC. Key action with regard to the local implementation of loan portfolio decarbonisation is performed on specific target sectors as further defined in section 2.2.3.1.2
Time horizons	The targets range up to 2050 with intermediate targets being set in 2030. The key actions apply consistently over this time horizon
Quantitative and qualitative information	Sections 2.2.3.1 (climate-related targets) and 2.2.3.2 (emissions)
Climate change mitigation actions by decarbonisation lever	• Supporting the build-out of a renewable energy system (energy targets) and phasing out fossil fuel-based energy production (energy and thermal coal targets) • Supporting the decarbonisation of road transport activities (vehicle financing targets) • Supporting the decarbonisation of the building sector (real estate targets) • Supporting the decarbonisation of the agricultural sector (agriculture targets) • Supporting the decarbonisation of the cement sector (cement targets) • Supporting the decarbonisation of the steel sector (steel targets) • Supporting the decarbonisation of the aluminium sector (aluminium targets)
Achieved GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Expected GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Ability to implement	Our ability to implement the key actions mainly depend on a governmental policy environment that fully accommodates societal decarbonisation in line with the Paris Agreement goals

Continuous monitoring of GHG reduction target of Responsible funds

The average GHG intensity of Responsible funds is continuously measured and we also make simulations when considering trades. This enables the portfolio manager to continuously monitor the GHG reduction target specifically for that portfolio. Responsible funds must comply with the target at all times, or adjust their portfolio composition in order to comply, in a timeframe that is in the best interest of the client and taking into account other factors such as liquidity.

Continuous monitoring of GHG reduction target of Responsible funds

Scope	Responsible funds make up the bulk of the Responsible Investing funds (with the exception of specific thematic funds), representing more than 40% of direct client money (see glossary of financial ratios and terms for an explanation of 'direct client money')
Time horizons	Monitoring at individual portfolio level is performed on a daily basis. The GHG reduction targets have a horizon until 2030 and are recalculated every quarter to arrive in a linear way at the 50% reduction by 2030 after an initial 30% reduction. The overall target is a weighted average of all individual funds having a GHG reduction target.
Quantitative and qualitative information	Section 2.2.3.1 (climate-related targets)
Climate change mitigation actions by decarbonisation lever	Certain issuers or sectors are excluded by the exclusion policy, but other than that it is up to the portfolio managers of the Responsible fund to take into account the emission intensities and their impact on the weighted average at portfolio level by making investment decisions
Achieved GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Expected GHG emission reductions	Section 2.2.3.1 (climate-related targets)
Ability to implement	The actual achievement of targets depends on the evolution of GHG intensities of issuers in the benchmark of these funds. The update of GHG intensity numbers of issuers is dependent on our data providers

Continuous monitoring of GHG reduction target of KBC Insurance's investment portfolio

We calculate on a regular basis the weighted average GHG intensity of KBC Insurance's own investments. This is used to monitor our path towards the reduction target for KBC Insurance's own corporate investments.

Continuous monitoring of GHG reduction target of KBC Insurance's investment portfolio

Scope	Corporate Investments (corporate bonds and listed equity, excluding unit-linked investments) made by all insurance entities
Time horizons	Continuous monitoring
Quantitative and qualitative information	Included annually in this Sustainability Statement, see sections 2.2.3.1.4 and 2.2.3.2.2
Climate change mitigation actions by decarbonisation lever	New investments in certain issuers or sectors are excluded by the Responsible Investing Exclusion Policy which is also applicable to all new own investments. In addition to exclusions, the portfolio managers can take into account the emission intensities and their impact
Achieved GHG emission reductions	See section 2.2.3.1 (climate-related targets)
Expected GHG emission reductions	See section 2.2.3.1 (climate-related targets)
Ability to implement	The achievement of this target depends on the GHG intensity of our investments/the overall market and our ability to intervene given other constraints (e.g., accounting classifications)

Climate White Papers

We assess the impacts, dependencies and associated risks and opportunities of different environmental challenges in the sectors in scope of our White Paper approach. This continuous and cyclical process feeds into decision-making around future actions with respect to policy and/or client engagement strategies, policy establishments or changes and – where relevant – the establishment or change of targets.

Climate White Papers

Scope	The White Papers apply across all lending activities (including operational and financial leasing) and insurance activities within KBC
Time horizons	This is a continuous process. Each year, the White Paper scopes and sectors or themes are defined and decided at management level (ISB). In deciding the White Paper scopes, the ISB takes into account the materiality of evolutions which take place in sectors or environmental domains as well as the materiality of the exposures to the sectors associated with those evolutions
Climate change mitigation actions by decarbonisation lever	Each White Paper addresses the need to quickly follow-up on decarbonisation evolutions in high-carbon-intensive activities and industries. As a main lever we use the risk and opportunity assessments that come out of the White Paper assessments, to feed into strategy and policy decisions and decisions on next actions to be taken in terms of risk/opportunity management and engagement. One main decarbonisation lever is addressed here, i.e. to support the transition of the targeted sectors/activities to a more environmentally and climate-friendly state. This is done by either stopping the financing of environmentally polluting activities or by supporting the transition of sectors to a low-carbon state
Ability to implement	Our ability to implement the key actions mainly depends on a policy environment that fully accommodates societal decarbonisation in line with the Paris Agreement goals (this includes, among other things, timely government action to stimulate sustainable technologies as well as more sustainable mobility, living and lifestyle)

Green bond issuance

We issue Green Bonds whose proceeds are used to finance projects that have a positive impact on the environment by avoiding or reducing the emissions of greenhouse gases. There are currently two bonds issued outstanding under our former Green Bond Framework (total amount of 1.25 billion euros) and one bond issuance in 2024 under the updated Green Bond Framework (750 million euros). This update was done in November 2023 (adding eligibility criteria, aligning with the ICMA (International Capital Markets Association) Green Bond Principles 2021 and further aligning with the EU Taxonomy criteria for environmentally sustainable economic activities when practically feasible). More information on our Green Bond Framework is available at www.kbc.com. KBC plans to issue Green bonds in the future, with a view to contributing to a more sustainable future.

Green bond issuance

Scope	All green bonds issued by KBC
Time horizons	Green Bond 2 of 500 million euros was issued on 16 June 2020 and will expire on 16 June 2027 Green Bond 3 of 750 million euros was issued on 1 December 2021 and will expire on 1 March 2027 Green Bond 4 of 750 million euros was issued on 27 March 2024 and will expire on 27 March 2032
Climate change mitigation actions by decarbonisation lever	Decarbonisation levers are: • energy-efficient buildings – mortgage loans and commercial loans to (re)finance new and existent residential buildings in Belgium • renewable energy – loans to (re)finance equipment, development, manufacturing, construction, operation, distribution and maintenance of renewable energy sources in the EU and the UK • clean transportation – (re)financing of the purchase, renting, leasing and operation of zero-emission vehicles in Belgium
Achieved GHG emission reductions	The avoided emission reductions are reported each year in our Green Bond Impact Report (integrated in The Green and Social Bond Report as of reporting year 2024), published on our website
Expected GHG emission reductions	Future quantification is uncertain
Ability to implement	The implementation of actions in the future will depend on the availability of sustainable (mostly renewable energy) projects, demand for electric vehicles and energy efficient buildings and on government measures (such as incentive schemes)

Integrating climate and other ESG risks into the risk management framework

The KBC Risk Management Framework (RMF) covers all (material) risks KBC is exposed to, including ESG risks (see the 'How do we manage our risks?' section in this report). The main building blocks of the RMF are risk identification, risk measurement, setting and cascading risk appetite, risk analysis, reporting and follow-up. We identify ESG risks in our internal risk taxonomy as key risks related to our business environment which manifest themselves through all other traditional risk areas, such as credit risk, technical insurance risk, market risk, operational risk and reputational risk. As such, we do not regard ESG risks as stand-alone risk types.

We are making continuous efforts to further integrate ESG risks into our RMF and underlying risk management processes. Actions are taken across the group and implemented for all our activities in all our core countries. Depending on the context, our actions relate to risk management for our own operations, upstream activities (e.g., third-party risk management) or downstream activities (e.g., credit, market, insurance risk in our lending, investment and insurance portfolios).

A number of key actions are listed below.

- *Risk identification and materiality assessment*: we use a variety of approaches to identify ESG risks in the short term (0- to 3-year horizon), the medium term (3- to 10-year horizon) and the long term (beyond 10-year horizon). To ensure proactive risk identification, several processes are in place such as:
  - the ERIM (see section 1.4.1 on financial materiality assessment) and 2024 pilot risk identification exercises on social risks. We perform these assessments from a group perspective but also construct separate maps for the banking, insurance and asset management activities. For the ERIM, further breakdowns are made for our core countries;
  - the New and Active Product Process (NAPP) (see below);
  - the use of a sectoral Environmental & Social Heatmap in the loan origination and review process;
  - consideration of reputational ESG risk scores for large companies in vulnerable sectors;
  - ESG risk assessments executed in the context of credit underwriting for corporates and outsourcing;
  - deep dives on climate and environmental risks and opportunities (our White Papers). These are prepared for climate-relevant sectors and product lines and for emerging environmental topics.
- *Risk measurement and stress testing*: we make use of a series of methodologies to strengthen our ability to identify, measure and analyse ESG-related risks. We complement the application of methodological tracks (scenario-based) with internal scenario analysis and stress testing. Furthermore, we are integrating ESG risk drivers into our internal stress test exercises (considering availability of data and quantification methodologies).
- *Risk appetite*: 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 do 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 our risk identification exercises 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. KBC's risk appetite is supported by our groupwide policies and sustainability targets (see the different sections on policies and targets under each topic). These policies define our risk playing field and are translated into underlying standards such as the Credit Risk Standards for Responsible and Sustainable Lending and the Investment Policy.
- *Risk analysis, monitoring and follow-up*: ESG-related data is increasingly included in both internal and external reporting (e.g., EBA Pillar 3 ESG disclosures). ESG risks are well-integrated and extensively addressed in several of our main risk management reports (e.g., Internal Capital Adequacy Assessment Process (ICAAP) reporting reassessment of capital adequacy, Integrated Risk Report) which are distributed to the ExCo, the RCC and the Board.

Specifically for climate risk, additional to the above, we highlight the following:

- In the ERIM, a dedicated Impact Map is in place for Climate Change, considering several physical and transition risk drivers.
- To assess our climate-related transition risks, we leverage industry practices such as PACTA (to measure the alignment of our corporate industrial loan portfolio with the Paris Agreement climate goals), TRUCOST (for our Asset Management and the insurer's investment portfolio) and PCAF (to estimate the greenhouse gas emissions of our loan, investment and insurance portfolios). 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.
- 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 our core countries. In particular, the impact of flood risk on our mortgage and property insurance portfolios was estimated.
- Climate transition and physical risk drivers have already been integrated into several internal stress test exercises, e.g., in reverse stress testing, stress testing done in the context of ICAAP/ILAAP/ORSA (see 1.3.3.2 in the 'How do we manage our risks?'

section in this report on climate change resilience analysis). Both short-term and long-term climate scenarios are being considered. Climate stress test exercises and usage of climate scenarios are continuously enhanced following new insights from, for instance, our internal ERIM or other methodological tracks which help us to better translate the impact of climate pathways into financial parameters. These methodologies will also enable us to gradually improve credit underwriting and investment policies, and support us in engaging with our clients.

- In support of our risk appetite process and as part of our internal monitoring, we introduced a set of climate-related KRIs (Key Risk Indicator). These are defined for the most material transition and physical risks as identified in the ERIM, covering a large part of KBC's activities and portfolios. They are integrated into a Climate Risk Dashboard which is presented to the Board (every six months) as part of Integrated Risk Reporting.

New and Active Product Process (NAPP)

The NAPP is a group-wide, formalised process to identify and mitigate product-related risks, both for KBC and for its clients. No products, processes or services can be created, purchased, changed or sold without approval in line with NAPP governance. Furthermore, changes in the internal and external environment need to be monitored in order to trigger an ad hoc review of the product or service when needed. The Risk department also conducts periodic assessments of the impact of the expanded and/or updated product and service offering on the group's risk profile. As the NAPP covers all risk types, the NAPP standard is positioned as a key building block of the Risk Management Framework and applies to all material subsidiaries which provide financial services. It covers all products and services offered by these subsidiaries and all client-facing processes.

More specifically, the NAPP aims to:

- ensure fair treatment of the client;
- safeguard the strategic fit of products/services;
- pro-actively identify and mitigate risks related to products, services and changes to client-facing processes which might negatively impact the client and/or KBC;
- comply with regulation.

It is hence also considered as an important tool to mitigate several ESG risks (including risks related to consumer protection and greenwashing). The Board at group and local level is accountable for the design of a sound NAPP governance and for the implementation thereof throughout the group. NAPP committees are installed to debate and decide whether products, services and changes in client-facing processes are ready for launch based on advice and, where appropriate, conditions imposed by a set of advisory functions such as Risk, Compliance, Legal and the Actuarial Function Holder (for insurance products). The NAPP Committee follows up on the fulfilment of the risk-mitigating actions.

Sustainability and climate-related policies are explicitly taken into account when deciding on new products or services through the NAPP:

- 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 referring to external frameworks which claim environmental or sustainable contribution;
- Several ESG risks are assessed by the risk and compliance function, as part of the mandatory risk and compliance advice within NAPP.

Climate change metrics and targets (2.2.3)

Targets related to climate change mitigation and adaptation (2.2.3.1)

We focus on diminishing our negative impact on climate change through the reduction of our direct and indirect carbon footprint. We have set various climate-related targets and closely monitor our progress. The targets and corresponding emission intensity metrics for our loan portfolio also serve as a tool to monitor climate-related transition risk. These intensity metrics are also monitored as part of our Climate Risk Dashboard to assess credit and reputational risk (see section 2.2.2.2).

In this section, our climate-related targets are described separately for our own carbon footprint, our loan portfolio and our investment portfolios.
Our own carbon footprint includes:
- 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, and emissions from sources over which we have direct operational control (such as paper and water consumption and waste generation).

Scope 3 Category 15 emissions include the indirect emissions related to our financing, investing and insurance activities. For financial institutions, this is the most significant emission category.
We refer to section 2.2.3.2 for more detailed information on our GHG emissions as defined above.

Own carbon footprint targets (2.2.3.1.1)
The ambition to reduce our negative impact on the environment is stipulated as a key objective in the Environmental Policy. The targets for our own carbon footprint underpin this objective. Achieving these targets largely depends on our ability to reduce the indirect impact from our own operations. Engaging with our suppliers is a prerequisite here. Through the Sustainability Code of Conduct for Suppliers (see section 4.1.1.1), we ensure that our suppliers support our climate-related objectives.
Climate-related targets related to our own carbon footprint are set in collaboration with stakeholders in our core countries. All of our environmental targets have been reviewed and approved by the ISB and ExCo and endorsed by the Board.

Own carbon footprint	Base year	Unit	Base year value	2024	Target year	Target value	Progress in line with target?
CO_2e emissions from own operations	2015	tCO_2e	170 735	53 934	2030	34 147	Yes
% change			-	*-68%*		*-80%*	*Yes*
Renewable electricity in % of purchased electricity	-		100%	100%	2030	100%	Yes

The GHG Protocol Corporate Standard serves as the basis for determining the scope of the GHG emissions reduction targets for our own carbon footprint. The target for CO_2e emissions includes our Scope 1 and 2 emissions as well as a selection of Scope 3 emission categories. The selected Scope 3 GHG emissions include the indirect emissions from purchased goods and services (category 1), waste generated (category 5), business travel (category 6) and employee commuting (category 7), categories over which we have direct operational control and which we can use to raise awareness amongst staff. This is in line with the Scope 3 categories included in our GHG emissions inventory as described in section 2.2.3.2. Our GHG emissions inventory as well as our GHG reduction targets cover the following greenhouse gases: CO_2, CH_4, N_2O, PFC's, HFC's, SF_6 and NF_3. With respect to the scope of entities covered by the targets, we note that they do not fully cover the scope of our GHG inventory. The targets for our own carbon footprint cover all entities included in our financial consolidation to the extent that they operate within our bank-insurance business context, whereas our GHG inventory also includes entities that are not fully consolidated and entities with activities that are not related to our bank-insurance business context.

In 2023, we put a Recalculation Policy in place for both our own carbon footprint as well as for our loan portfolio climate targets. The procedure is based on the Greenhouse Gas Protocol. In general, we aim for continuity in the baselines we use to assess the direct and indirect greenhouse gas emissions targets. Three situations can possibly trigger a base-year recalculation:

- Structural non-organic changes via acquisitions, divestures or mergers;
- Calculation methodology changes, including changes in the assumptions used;
- The discovery of data, calculation or methodological errors.

Improvements in data quality are not part of our recalculation criteria. An evaluation to recalculate the base year is triggered if the assessment shows that the cumulative effect(s) of these three situations in scope exceed(s) a threshold of 5% change versus the actuals of a KPI. The Recalculation Policy is described in section 2.2.2.1.

For financial year 2024, there were some small changes in the underlying measurement methodologies related to our own carbon footprint (see section 2.2.3.2.1 for more details). Since the combined impact of these changes was below our recalculation threshold, no restatement of the target or recalculation of the previous year's figures was needed.

The GHG emissions reduction target for our own carbon footprint is set using a bottom-up approach gathering feedback from the core countries on their current decarbonisation approach and their expectations. It has been tightened over the years, reflecting the progress we have made and is set, since 2020, at –80% by 2030 (i.e. an annual linear reduction rate of 5.33%). For the calculation and monitoring of the target, Scope 2 market-based emissions are considered. Furthermore, this target is combined with a commitment to offset all our remaining own emissions as from 2021, as described in section 2.2.3.3. This ambition is aligned with the CDP technical note on science-based targets, which states that GHG emissions reduction targets need to meet a minimum annual linear reduction rate of 4.2% to be considered 1.5°C-aligned.

Our objective to reach 100% renewable electricity consumption in own operations by 2030 underpins our GHG emissions reduction targets. To determine the share of renewable electricity consumption in our own operations, we follow the same methodology and reporting process as the calculation of our own carbon footprint (see section 2.2.3.2.1), relying on consumption data collected from the local subsidiaries in the core countries.

We monitor the progress on our targets on a yearly basis and received a reasonable assurance on our disclosed target metrics since 2016. Despite some slowdown in the reduction rate over the past two years, we are still well on track for our target. The efforts to make our buildings more energy efficient and to electrify our company-owned fleet are starting to bear fruit, but we still have some way to go to reduce emissions from commuter travel.

Loan and lease portfolio targets (2.2.3.1.2)

The environmental targets set on our lending portfolios must be understood in the overarching context of KBC's commitment to align our activities with the Paris Agreement goal of limiting global warming to well below 2°C, striving for 1.5°C. Under our Sustainability Policy Framework, we have set up sectoral policies detailing our stance on activities with a harmful impact on the environment, human rights and other sustainability-related issues. The objectives and criteria formulated in our policies underpin the achievement of our GHG emissions reduction targets, as described in the table below, specifically the ban on financing certain fossil fuel activities and our stringent lending criteria for steel, cement and aluminium producers. These policies are applicable to all of our business units, consistent with the scope of our climate targets and our financial accounting consolidation. For more detailed information on our climate-related policies, see section 2.2.2.1.

All of our environmental targets (including non-GHG emissions reduction targets) have been reviewed and approved by the ISB, ExCo and endorsed by the Board. Furthermore, we have consulted with all core countries to define our loan portfolio projections (see below in the description of our target-setting approach). These projections include estimates on the growth of our portfolio and consider the local regulatory landscape that was in place at the time we set our targets. Our targets therefore depend to a large extent on timely governmental action and also reflect the engagement with our clients, especially in sectors with a limited number of highly emitting counterparties such as steel, cement and aluminium.

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	2024	2030 Target	2050 Target	Progress in line with target?[3]
Thermal coal								
Direct exposure	Granted	2016	m euros	16	0	0	0	Yes
Energy								
Share of renewables in total energy loan portfolio (excluding transmission and distribution)	Granted	2021	%	63%	67%	75%	-	Yes
Electricity – GHG intensity[1]	Outstanding	2021	kg CO_2e / MWh	210	93	127	49	Yes
% change		2021	%	-	-56%	-39%	-77%	
Energy whole sector – GHG intensity[2]	Outstanding	2021	t CO_2e / m euros	453	265	300	82	Yes
% change		2021	%	-	-42%	-34%	-82%	
Real estate								
Residential real estate – GHG intensity[2]	Outstanding	2021	kg CO_2e / m^2	50	45	29	7	No
% change		2021	%	-	-10%	-43%	-85%	
Real estate (whole sector) – GHG intensity[2]	Outstanding	2021	t CO_2e / m euros	27	23	17	8	Yes
% change		2021	%	-	-15%	-38%	-72%	
Agriculture								
GHG intensity[2]	Outstanding	2021	t CO_2e / m euros	1 405	1 059	1 103	934	Yes
% change		2021	%	-	-25%	-21%	-34%	
Transport								
Passenger car loan and financial leasing – GHG intensity[1]	Outstanding	2021	g CO_2 / km	139	124	81	0	Yes
% change		2021	%	-	-11%	-42%	-100%	
Light commercial vehicle loan and financial leasing – GHG intensity[1]	Outstanding	2021	g CO_2 / km	208	205	145	33	Yes
% change		2021	%	-	-1%	-30%	-84%	
Passenger car operational leasing – GHG intensity[1]	Outstanding	2021	g CO_2 / km	133	77	25	0	Yes
% change		2021	%	-	-42%	-81%	-100%	
Light commercial vehicle operational leasing – GHG intensity[1]	Outstanding	2021	g CO_2 / km	196	186	132	19	Yes
% change		2021	%	-	-5%	-33%	-90%	
Cement								
GHG intensity[2]	Granted	2021	t CO_2e / t cement	0.69	0.62	0.58	0.22	Yes
% change		2021	%	-	-9%	-16%	-68%	
Steel								
GHG intensity[2]	Granted	2021	t CO_2e / t steel	1.34	1.50	1.15	0.59	No
% change		2021	%	-	+12%	-14%	-56%	
Aluminium								
GHG intensity[2]	Granted	2021	t CO_2e / t aluminium	0.59	0.21	Stay well below the global sectoral intensity climate benchmark		Yes
% change		2021	%	-	-63%			

1 Includes Scope 1 emissions

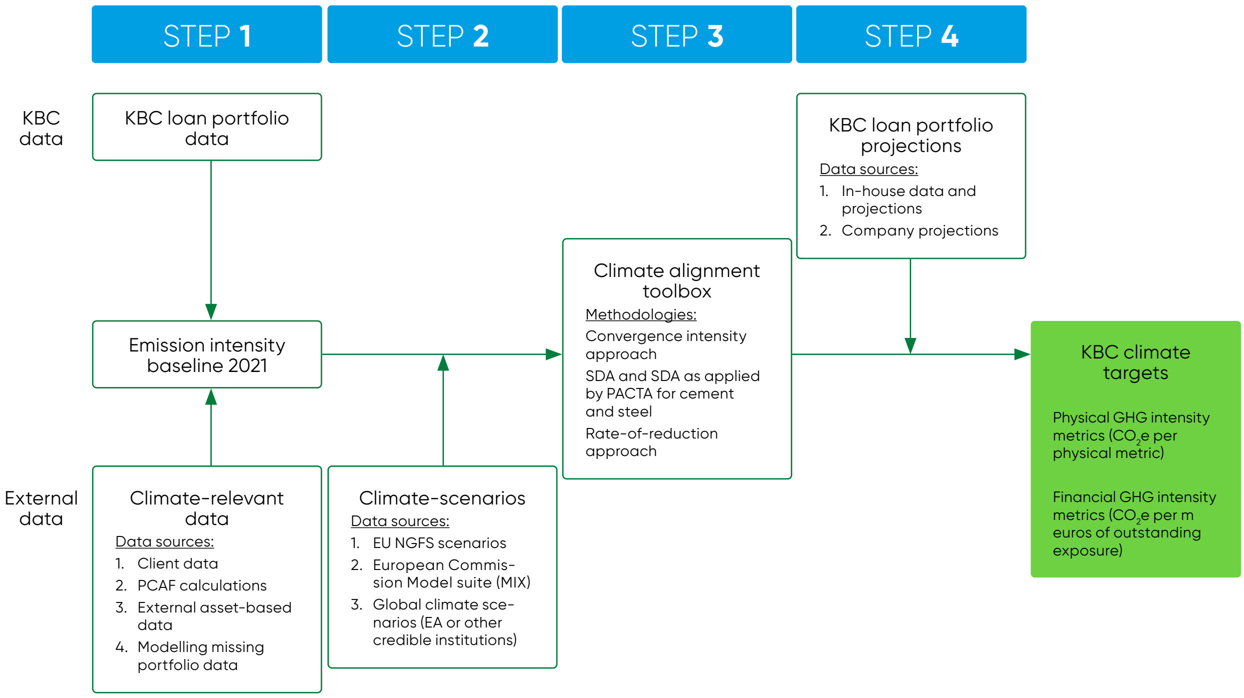
2 Includes Scope 1 and 2 emissions

3 We measure this by comparing the 2024 values against the values of the KBC portfolio-specific and scenario-based sectoral decarbonisation pathways (KBC benchmark value) for that same year. 'Yes' reflects either of the following options: the target is reached, the progress is at or below our target level, or the value is not more than 5% above our 2024 benchmark value. 'No' reflects that the value is more than 5% above our 2024 benchmark value. The table shows rounded figures, but the delta between 2024 measurements and benchmark values, as well as the resulting progress statement, are based on unrounded calculations.

We note that our GHG emissions reduction targets are not expressed in absolute GHG reductions. Instead, we use sector-specific carbon intensity metrics since we believe this is the most effective way to guide and track the decarbonisation efforts in our diverse loan and lease portfolios. The GHG emissions reduction targets for our lending portfolios cover the Scope 1 and, if applicable, the Scope 2 GHG emissions of the borrowers (as indicated in the table). The Scope 3 GHG emissions of our borrowers are not included in the target boundaries. Consistency of our targets with our inventory boundaries is ensured by the fact that we apply standard calculation methodologies as provided by the PCAF global standard and underlying data sources (client data, PACTA, PCAF emission factors). In addition, as described under 2.2.3.1.1, the Recalculation Policy applies to our loan portfolio to safeguard this consistency.

Calculating and setting climate-relevant targets requires a very diverse set of tools. This section aims to provide transparency about our target-setting approach for our lending portfolio and outlines their main conceptual building blocks.

Scenario-based GHG emissions reduction targets



As part of our engagement in the Collective Commitment to Climate Action (CCCA), we have set GHG emissions reduction targets for our lending portfolios, following the UNEP FI guidelines. These require the application of widely accepted science-based decarbonisation scenarios in line with the temperature goals of the Paris Agreement. Building on these requirements, we developed a four-step approach for science-based target setting, as outlined below:

- Step 1: we combined our loan portfolio data with climate-relevant data for each sector, thereby calculating portfolio CO_2e intensity metrics, either related to physical units (e.g., kgCO_2e/MWh, m^2, ton) or, where such data was not available, financial units (e.g., tCO_2e/mEUR outstanding exposure). This calculation allowed us to determine the baseline values for our targets which were set for the base year 2021.
- Step 2: we selected the relevant climate scenarios from which the decarbonisation pathways of our loan portfolios could be deducted. In accordance with our engagement in the CCCA, we ensured the climate scenarios' consistency with the well-below 2°C temperature goal with no/low overshoot as well as their scientific reliability and granular sectoral coverage. We also prioritised scenarios with regional specific pathways reflecting our prominent EU focus. Consequently, we used regional NGFS (Network for Greening the Financial System) climate scenarios, where available, and EU PRIMES model data (used to calculate the EU Commission Net Zero 2050 - MIX scenario) or global scenarios. Please note that, for benchmarking purposes,

we performed the analyses on more than one set of scenarios and then selected the best suited ones. The final scenarios selected are included in the table below.
- Step 3: we selected the best suited target-setting methodology and alignment calculation approach for each portfolio. For physical intensity metrics, we followed the convergence intensity approach, also known as the Sectoral Decarbonisation Approach ('SDA', see table) whereby the CO_2e intensity of our portfolio needs to converge towards the sector intensity target by the end date specified in the scenario. For the agricultural sector, where we selected a financial carbon intensity metric, we used the rate-of-reduction approach, which consists in applying the sectoral emission reduction rates relevant to the sector.
- Step 4: we projected the evolution of the relevant portfolios by combining in-house expert-based input (e.g., by incorporating redistribution effects on specific asset classes or estimated portfolio effects of government policies), company projections (i.e. by incorporating the implementation of public climate commitments taken on by companies in our portfolio) and our own proposed actions (i.e. focusing on stimulating positive evolutions, limiting negative impacts or a combination of both). This allowed us to assess the future alignment of our portfolios with the respective normative climate scenario benchmarks.

Non-scenario-based GHG emissions reduction targets

We have also defined 'partially science-based' targets for our loan portfolio, exclusively monitored through financial carbon intensity metrics. These targets are derived from the level of ambition of our science-based targets described above and, hence, are not directly based on forward-looking scenario-based benchmark constructions:
- Energy (whole sector), expressed in tCO_2e/mEUR outstanding loan exposure;
- Commercial real estate and mortgages (whole sector excluding pure commercial development), expressed in tCO_2e/mEUR outstanding.

Other targets

We have set two specific environmental targets related to our energy loan portfolio:
- A phase-out target for direct thermal coal-related activities (thus including electricity generation, district heating and mining), which was set in 2016 and achieved in 2023. The target was measured in absolute financial exposure value (millions of EUR granted). This target is aligned with the International Energy Agency (IEA) Net Zero Emissions by 2050 which requires a full phase-out of unabated coal by 2040.
- A target for the share of renewable energy in our total energy loan portfolio, which was set in 2021 and is measured as a percentage of our total energy loan portfolio (excluding transmission and distribution). This target is not science-based and does not rely on scientific climate scenarios.

Target-setting methodologies, significant assumptions and scientific evidence

White Paper sectors	(Sub)sector/product line within the scope of target setting		Measurement unit	Based on conclusive scientific evidence	Institution	Scenario reference/name	Policy ambition	Target-setting method	Is the target externally assured?	Financed emissions in scope (in Mt CO_2e)	PCAF DQ score[1]
Energy	Full exit from direct thermal coal-related financing		Millions of EUR granted	Yes	IEA	Net Zero 2050	1.5°C	-	-	-	-
	Share of renewables in total energy loan portfolio (excluding transmission and distribution)		%	No	-	-	-	-	-	-	-
	Energy (whole sector)		tCO_2e/millions of EUR outstanding	Yes	-	-	-	-	No	1 326 299*	3.5
	Electricity		$kgCO_2e$/MWh	Yes	NGFS (phase 2)	Below 2°C	1.7°C	SDA	No	913 570**	2.6
Real Estate[2]	Commercial real estate and mortgages (whole sector excl. pure commercial development)		tCO_2e/millions of EUR outstanding	Yes	-	-	-	-	No	1 985 288*	3.0
	Mortgages and commercial residential real estate		$kgCO_2e/m^2$/year	Yes	NGFS (phase 2)	Below 2°C	1.7°C	SDA	No	1 566 010*	3.0
Transport	Vehicle loans and financial lease	Passenger cars	gCO_2/km	Yes	European Commission	MIX (based on the EU PRIMES model)	Net Zero 2050 (i.e. 1.5°C-aligned)	SDA	No	249 696**	3.4
		Light commercial vehicles		Yes						119 305**	3.6
	Vehicle opera–tional lease	Passenger cars		Yes						101 319**	1.0
		Light commercial vehicles		Yes						21 775**	1.1
Agriculture	Agriculture (whole sector)		tCO_2e/millions of EUR outstanding	Yes	NGFS (phase 2)	Below 2°C	1.7°C	Rate-of-reduction approach	No	5 497 085*	4.9
Building and construction	Cement producers		tCO_2e/t cement	Yes	IEA	ETP 2020 SDS	1.7°C	SDA	No	64 180*	3.2
Metals	Steel producers		tCO_2e/t steel	Yes	IEA	ETP 2020 SDS	1.7°C	SDA	No	360 058*	2.8
	Aluminium producers		tCO_2e/t aluminium	Yes	TPI***	Below 2°C	<2°C	SDA	No	7 929*	1.4

[1] Data quality score of the target scope emissions only, i.e. Scope 1 or Scope 1 + 2. The PCAF data quality score ranges from 1 (highest score) to 5 (lowest score). Refer to section 2.2.3.2.2 for more information.

[2] Due to limitations in available information for all underlying financed assets we rely on our existing calculation approach of financed emission and KPIs for real estate (as referenced further under Section 2.2.3.2.2) which comes with a high level of uncertainty. The emission factors have been kept identical to those used in the baseline calculation. We invested in the platform and calculation methods and will refine our calculations and update our emission factors in the 2025 disclosures.

* Comprises Scope 1 and 2

** Comprises Scope 1

*** Transition Pathway Initiative

The metrics used to monitor our targets are based, to the extent possible, on actual financing (i.e. outstanding loan exposure) in order to reflect the actual climate impact of our portfolio. The only exception to this general rule relates to cement, steel and aluminium producers which, compared to the other sectors, are much smaller portfolios limited to a handful of counterparties. To avoid large fluctuations in our target monitoring, it was decided to base targets on granted loan exposure.

For financial year 2024, there are no changes in targets and corresponding metrics or underlying measurement methodologies related to our loan and lease portfolios. Accordingly, no recalculation of baseline values was triggered by our Recalculation Policy. We monitor the progress on our targets on a yearly basis and received a limited assurance on our disclosed target metrics since 2021. Furthermore, following the UNEP FI guidelines on climate target setting, we will review our targets at least every five years.

Below we summarise our performance against the disclosed targets for the aforementioned sectors and product lines:

- Energy: the GHG emission intensity of our electricity portfolio decreased by 56% since base year 2021. There are three reasons for this large decrease. Firstly, we financed new renewable energy assets. Secondly, existing renewable energy assets became operational as of this year, which means that the attribution of their zero emissions is now included in the calculation. Thirdly, 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 above-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-related climate targets should be considered and evaluated with care. We remain committed to supporting the energy transition plans in our home countries. Subsequently, there may be volatility in our energy target progress over the course of the next few years. Our efforts regarding the 2030 target values will remain unaffected.
  Lastly, the share of renewable financing increased significantly to 67.5% 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. We are therefore on track again towards the 2030 target, though some volatility is possible along the way as country transition plans are reviewed as indicated above.
- Real estate: in 2024, the financed emission intensity of the overall real estate portfolio decreased by 15% compared to the 2021 baseline. This is largely explained by the 10% reduction in the emission intensity of the residential portion of the real estate portfolio. The main reason for the decrease in the emission intensity of the residential real estate portfolio is that newly granted mortgage loans had, on average, better EPC (Energy Performance Certificate) labels and lower habitable surface areas per million euros financed. Yet, despite this decrease, the residential real estate target itself is not yet fully in line with the 2024 KBC pathway value of 43 kg of CO_2e/m^2. However, we expect that a further decline can only be brought in line with the foreseen pathways if the governments also provide the necessary incentives and measures.
- Vehicle loans/financial lease and operational lease: 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 recorded a reduction of 42% compared to our base year 2021. We observe different speeds of electric vehicle (EV) adoption across the countries in KBC Group. Nevertheless, the majority of all new vehicles financed by KBC Group are EVs. 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 expansion of the availability of electrified vans.
- Agriculture: the financed emission intensity of the sector dropped significantly. Each year's progress measurement is based on measurements performed using the PCAF Global Standard. For this year's measurement, there are several factors that contributed to the overall portfolio evolution, including implementation effects of the PCAF Global Standard itself (such as an update and inflation adjustment of emission factors), portfolio evolutions, and improvements in emission data quality levels. Notwithstanding these data quality improvements, we emphasise that we remain confronted with overall lower quality levels of our measurements as reflected through our PCAF quality level scoring. Also, actual inflation does not necessarily coincide with inflation assumptions considered at the time we set the targets. Any potential reviews of our targets will be in observance of the experience acquired with the aforementioned measurement observations.
- Cement: 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 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 decarbonise its cement-producing activities, which has set out a decarbonisation strategy to support its target implementation. The progress made in 2024 reflects this evolution.
- Steel: our steel portfolio progress assessment showed an increased emission intensity compared to the 2021 baseline. Due to our portfolio being significantly concentrated on one major corporate group, the emission intensity of this entity remains a crucial determinant of the overall portfolio's emission intensity. 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 a 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.

- Aluminium: 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 emissions 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 the dedication to staying well below the global emission intensity level of the sector.

Asset management activities (2.2.3.1.3)
For our asset management activities, we also set and monitor climate-related targets. The main objective of climate-related targets in this context is to redirect more (client) money towards responsible investing. In this regard, we note that the investment assets for unit-linked portfolios of clients of KBC Insurance and managed by KBC Asset Management are also included here. This supports our commitment to align our investing activities with the Paris Agreement, as outlined in our Environmental Policy.
The environmental targets for our asset management activities are set by KBC Asset Management and they have been reviewed and approved by the ISB and ExCo and endorsed by the Board.

Climate-related targets for asset management activities	Base year	Unit	Base year value	2024	2025 Target	2030 Target	Progress in line with target?
Share of RI funds in total DCM	2021	%	33%	44%[1]	45%	55%	Yes
Share of RI funds in total annual fund production (gross sales)	2021	%	55%	51%[1]	-	*65%*	Yes
Carbon intensity (Scope 1 + 2) of corporate investees in Responsible funds	2019	tCO_2e/ million USD revenue	196	55[2]	-	*98*	Yes
% change	2019	%	-	-72%[2]	-	-50%	Yes

[1] Figure at end of fourth quarter of 2024
[2] Figure at end of third quarter of 2024

The targets related to the share of Responsible Investing funds cover DCM managed by KBC Asset Management and its subsidiaries. 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.

Our target for carbon intensity of Responsible funds includes those RI funds for which carbon-related considerations are taken into account (for more details on the diversity of our RI funds, we refer to the Investment Policy for Responsible Investing funds in section 2.2.2.1). Within these RI funds, the target covers the Scope 1 and Scope 2 emissions from corporate investments, i.e. corporate bonds and equity, for which Trucost data is available (see section 2.2.3.2.2 for more information on our methodology). For all RI funds at least 90% of corporate investments are covered by GHG data. The funds-of-funds are not included in the indicator calculation to avoid double-counting. For the part not covered by the indicator, no data is currently available.

It is worth mentioning that the representativeness of our 2019 baseline value is ensured since the calculation was based on benchmarks covering a wide scope of companies. Also, since the scope of the target is limited to investees' Scope 1 and Scope 2 emissions, insights on the progress are not affected by investees' Scope 3 emissions. The calculation of Scope 3 emissions is less standardised across companies, which would lead to more volatility and lower comparability.

The targets regarding the share of RI funds compared to the total DCM and the total gross sales, respectively, are calculated as such with no limitations or significant assumptions. The carbon intensity reduction target is inspired by the target set by the Net Zero Asset Managers Initiative. Hence, it is not based on conclusive scientific evidence.
For financial year 2024, there are no changes in targets and corresponding metrics or underlying measurement methodologies related to our investment portfolios.

In terms of monitoring, the targets related to the share of RI funds are calculated and followed up on a monthly basis. We are currently on track to achieve our targets. With regard to the target for the carbon intensity of corporate investees in the RI funds, we continuously monitor this as one of the ESG targets at portfolio level. The aggregated reduction target for asset management combines the specific targets of these funds under the assumption of a neutral asset allocation. The actual result is dependent on the asset allocation as well as on the GHG reductions achieved in the individual funds. We want to highlight that currently, the carbon intensity of our RI funds is already below the 2030 target. This is mainly driven by the fast implementation of the updated Investment Policy in 2021, which includes additional exclusion criteria regarding fossil fuels.

Own investments of KBC Insurance (2.2.3.1.4)
Similar to our asset management activities in the previous paragraph, we have a target for the carbon intensity of the own investments of KBC Insurance (excluding unit-linked investments). The target is set by KBC Insurance and approved by the ISB. This further underpins our climate-related ambitions as outlined in our Environmental Policy.

Climate-related targets for own investments of KBC Insurance	Base year	Unit	Base year value	2024	2025 Target	2030 Target	Progress in line with target?
Carbon intensity (Scope 1 + 2) of listed equity and corporate bonds portfolio of KBC Insurance	2019	tCO_2e/ million USD revenue	112	27[1]	84	67	Yes
% change	2019	%	-	-75%[1]	-25%	-40%	Yes

[1] Figure at end of third quarter of 2024

The target for the own investments of KBC Insurance pertains to all insurance entities. Similar to the carbon intensity target for our asset management activities, the scope of the target covers the Scope 1 and Scope 2 emissions from corporate investments, i.e. corporate bonds and equity, for which Trucost data is available (see section 2.2.3.2.2 for more information on our methodology).

Here too, the large number of investments as well as the restriction to investees' Scope 1 and Scope 2 emissions ensure that our baseline value remains representative. We further note that the carbon intensity is not based on conclusive scientific evidence. For financial year 2024, there are no changes in targets and corresponding metrics or underlying measurement methodologies related to our investment portfolios.

The GHG intensity reduction of the listed equity and corporate bond portfolio of KBC Insurance remained firmly on track after a further decrease in 2024. As with the carbon intensity targets for our asset management activities, the GHG intensity is already well below the 2030 target. Here too, this is mainly driven by the fast implementation of the updated Investment Policy in 2021.

GHG emissions: gross Scope 1, 2, 3 and total emissions (2.2.3.2)

We calculate our direct and indirect carbon footprint in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Based on our Scope 1, 2 and 3 GHG emission calculations (for the definition of Scope 1, 2 and 3 emissions, we refer to section 2.2.3.1), the largest source of emissions results from our lending, investment, and insurance underwriting activities, i.e. portfolio emissions, accounted under Scope 3 Category 15, 'Investments'. For KBC these sources account for more than 99% of reported Scope 1, 2 and 3 emissions. For our non-Category 15 Scope 3 emissions, we only report emission sources over which we have direct operational control and which we can use to create awareness amongst staff (i.e. business travel, commuter travel, paper and water consumption and waste generation), as shown in the table below:

Source of GHG emissions	Scope and boundary of KBC GHG emissions
Upstream Scope 3	
Purchased goods and services (Category 1)	Includes emissions from paper and water consumption from all groupwide operations
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 groupwide operations
Business travel (Category 6)	Includes emissions from business travel by not-own fleet (vehicles, public transport and air travel) across all groupwide operations
Employee commuting (Category 7)	Includes emissions from employee commuting travel by not-own fleet (vehicles and public transport) across all groupwide operations
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
	Emissions from KBC's insurance own investments (Scope 1 and 2)
	Emissions from KBC's bank sovereign bond portfolio (Scope 1 and 2)
Investments – optional (Category 15)	Emissions from KBC's insurance underwriting portfolio (Scope 1 and 2)
	Emissions from KBC's asset management activities (Scope 1 and 2)

The table below provides an overview of our Scope 1, 2 and 3 GHG emissions. In 2024, we extended the scope of the entities for our own carbon footprint beyond the financial consolidation scope to also include entities over which KBC has operational control. For Scope 1 and 2 emissions, we provide the distinction between GHG emissions related to KBC Group (financial consolidation scope) and GHG emissions related to other entities over which KBC has operational control. Our own carbon footprint is defined as the GHG emissions related to Scope 1, Scope 2 and a selection of Scope 3 emissions sources over which we have direct operational control (i.e. business travel, commuter travel, paper and water consumption and waste generation).

Scope 3 Category 15 covers our loan portfolio. This category is further broken down into emissions related to White Paper sectors (defined in section 2.2.1.1) and emissions related to other sectors. In addition to the indirect emissions from our lending business, Scope 3 Category 15 also includes indirect emissions stemming from our asset management activities, the sovereign bond portfolio of KBC Bank, the own investments of KBC Insurance (excluding unit-linked investments) and our insurance underwriting activities. However, the corresponding absolute GHG emissions for our investment portfolios are not included in the table since absolute GHG emissions are not available at the reporting date. Instead, we separately provide carbon intensities for these components. The GHG intensity data cover more than 97% of these corporate and sovereign investments.

We do not calculate emissions for our non-financial assets (except for assets included in our own emissions calculations (see section 2.2.3.2.1). For an overview of KBC's assets, we refer to the Consolidated balance sheet included in the Consolidated financial statements of this annual report.

As a general remark, we note that the GHG emissions shown in the table are not available at year-end. The figures shown are as at 30 September, which we consider to be a good proxy for the end-of-year figures.

GHG emissions	Base year	Compa-rative	2024	Milestones and target years[1] 2025	2030	(2050)	Annual % target / Base year
Scope 1 GHG emissions							
Gross Scope 1 GHG emissions (tCO_2e)	–	–	40 717	–	–	–	–
Of which KBC Group consolidated	–	–	36 059	–	–	–	–
Of which not fully consolidated entities other than joint ventures and associated companies where KBC has operational control	–	–	4 658	–	–	–	–
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	–	–	0%	–	–	–	–
Scope 2 GHG emissions							
Gross location-based Scope 2 GHG emissions (tCO_2e)	–	–	35 361	–	–	–	–
Of which KBC Group consolidated	–	–	34 870	–	–	–	–
Of which not fully consolidated entities other than joint ventures and associated companies where KBC has operational control	–	–	491	–	–	–	–
Gross market-based Scope 2 GHG emissions (tCO_2e)	–	–	4 626	–	–	–	–
Of which KBC Group consolidated	–	–	4 467	–	–	–	–
Of which not fully consolidated entities other than joint ventures and associated companies where KBC has operational control	–	–	159	–	–	–	–
Significant Scope 3 GHG emissions							
Total Gross indirect (Scope 3) GHG emissions (tCO_2e)	–	–	45 825 058	–	–	–	–
1 Purchased goods and services	–	–	1 552	–	–	–	–
2 Capital goods	–	–	–	–	–	–	–
3 Fuel and energy-related activities (not included in Scope 1 or Scope 2)	–	–	–	–	–	–	–
4 Upstream transportation and distribution	–	–	–	–	–	–	–
5 Waste generated in operations	–	–	812	–	–	–	–
6 Business travelling	–	–	4 506	–	–	–	–
7 Employee commuting	–	–	16 794	–	–	–	–
8 Upstream leased assets	–	–	–	–	–	–	–
9 Downstream transportation	–	–	–	–	–	–	–
10 Processing of sold products	–	–	–	–	–	–	–
11 Use of sold products	–	–	–	–	–	–	–
12 End-of-life treatment of sold products	–	–	–	–	–	–	–
13 Downstream leased assets	Included in 15 Investments (of which White Paper sectors and product lines)						
14 Franchises	–	–	–	–	–	–	–
15 Investments[2]	–	–	45 801 394	–	–	–	–
Of which White Paper sectors & product lines[3]	–	–	26 822 564	–	–	–	–
Of which remaining sectors[4]	–	–	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	–	–	–	–

Insurance-associated emissions[5]	–	–	199 719	–	–	–	–
Emission intensities from our asset management activities							
Investments in corporates (in tCO_2e/million USD revenue)	–	–	58	–	–	–	–
Investments in sovereigns (in tCO_2e/million USD of GDP)[6]	–	–	532	–	–	–	–
Emission intensities from the sovereign bond portfolio of KBC Bank							
Investments in sovereigns (in tCO_2e/million USD of GDP)[6]		–	623	–	–	–	–
Emission intensities from the own investments of KBC Insurance							
Investments in corporates (in tCO_2e/million USD revenue)	2019	112	27	84	67	–	–
Investments in sovereigns (in tCO_2e/million USD of GDP)[6]	–	–	522	–	–	–	–

1 Please note that, except for the own investments of KBC Insurance in corporates, the scope of the GHG emissions in this table differs from the scope of our GHG emissions reduction targets. We refer to section 2.2.3.1 for more information on our GHG emissions reduction targets, including a description of the scope for each target. For this reason, the columns related to targets could not be completed.

2 The figure in column '2024' represents the total of financed Scope 1 (13 737 745 tCO_2e), Scope 2 (1 970 149 tCO_2e) and Scope 3 (30 093 500 tCO_2e) emissions. 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 are 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.

3 The figure in column '2024' represents the total of financed Scope 1 (11 621 420 tCO_2e), Scope 2 (707 081 tCO_2e) and Scope 3 (14 494 063 tCO_2e) emissions. Calculations are made using the PCAF Global Standard Part A. There are varying underlying data quality levels for our financed emissions which are expressed in a data quality score (more information in Section 2.2.3.2.2 of this report). The following PCAF quality scores apply for our White Paper sectors: Agriculture ('4.9'), Building & Construction ('3.7' for Cement, '5.0' for the remaining part), Energy ('4.7' for Oil & Gas, '4.7' for Transmission & Distribution, '3.8' for Electricity and '5.0' for Energy Traders), Real Estate ('3.0' for mortgages and '3.4' for Commercial Real Estate), Food & Beverages ('5.0'), Metals ('2.6' for Steel, '3.6' for Aluminium and '5.0' for the remaining part), vehicle financing financial lease and loans ('3.4'), vehicle financing operational lease ('1.0'), Automotive ('5.0'), Shipping ('5.0'), Aviation ('5.0') and Chemicals ('5.0').

4 The figure in column '2024' represents the total of financed Scope 1 (2 116 325 tCO_2e), Scope 2 (1 263 068 tCO_2e) and Scope 3 (15 599 437 tCO_2e) emissions. Calculations are made using the PCAF Global Standard Part A. The overall data quality score is '5.0'. See Section 2.2.3.2.2 of this report for more information.

5 Calculations are made using the PCAF Global Standard Part C. The figures comprise the Belgian portfolio only. The data quality score for Personal Motor Lines is 2.9 while the data quality score for commercial lines is 5. See Section 2.2.3.2.3 of this report for more information.

6 Please note that the most recent year of GHG data of countries is modelled by our data provider Trucost (S&P) due to a time lag of one year on sovereign reported data. We calculated the weighted GHG intensity of the sovereign bond portfolio including updated imported emissions received in November 2024.

Own carbon footprint (2.2.3.2.1)

The calculation of the GHG emissions linked to our operational perimeter follows the GHG Protocol Corporate Accounting and Reporting Standard. We collect primary activity data of emission sources from each core country and account for 100% of the emissions from activities over which we have operational control. The percentage of emissions calculated using primary data is above 98%.

For Scope 1 and 2 GHG emissions, we apply the hybrid calculation method. We use supplier-specific emission factors where available, and standard emission factors from the IEA, Reliable Disclosure and the Association of Issuing Bodies, Department for Energy Security & Net Zero and KBC-specific emission factors as a fall-back 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. Data is gathered for all operations in KBC.

For financial year 2024, there were some small changes in the measurement methodologies related to our GHG inventory:

- We started using net calorific value emission factors for fuel consumption, instead of gross calorific emission factors.
- We started reporting emissions for water supply under Scope 3 Category 1 (before: Scope 3 Category 5). Emissions for water treatment are still reported under Scope 3 Category 5.
- We changed our extrapolation logic for smaller subsidiaries (<100 FTE). Where before, we only used Full-Time Equivalent (FTE) as a parameter to extrapolate emissions, we now use FTE for transport-related emissions and floor area for building-related emissions. The amount of extrapolated emissions account for approximately 1.5% of our total emissions.

Besides the Scope 1, 2 and 3 emissions related to our own carbon footprint, we also use the intensity metric shown in the table below to monitor the impact of our own operations.

Own carbon footprint	Description	Unit	2024
All activities	GHG intensity per FTE	t CO_2e / FTE	1.76
Financial activities only	GHG intensity per FTE	t CO_2e / FTE	1.46

These metrics are calculated based on the total of Scope 1, Scope 2 (market-based) and Scope 3 own emissions, respectively for all activities of KBC (as shown in the GHG emissions table above) and for our own footprint target scope (see section 2.2.3.1.1). The metrics have not been validated by an external body other than the assurance provider.

For 2024, the share of contractual instruments used for the sale and purchase of energy is 87.7%. The types of contractual instruments used for the sale and purchase of energy are as follows:
- Energy attribute certificates: 2.2%
- Energy attribute certificates or contracts: 85.6%
- Supplier emission rates: 0.0%

This metric considers all purchased energy reported under Scope 2: electricity, heating, steam, cooling.

Financed emissions (2.2.3.2.2)
This section describes the calculation methodologies for our Scope 3 Category 15 financed emissions. The approach for our lending-related emissions differs from the approach for emissions linked to our investing activities.

Loan and lease portfolios
Calculating our financed emissions allows us to track performance against the targets we have set on our lending portfolios (see section 2.2.3.1) and to evaluate the effectiveness of our climate-change mitigation actions. This also helps us meet the reporting requirements from regulators and supervisors. We measure the financed emissions for our loan portfolio if and when calculation methods and/or data are available. As a result, for 4.6% of our loan portfolio no associated financed emissions could be calculated. For a definition and end-of-year figures of our 'loan portfolio', we refer to the 'Glossary of financial ratios and terms' section in this annual report. Our emission calculations are based on loan portfolio figures as at 30 September 2024, which are in line with the end-of-year figures.

For that measurement, we describe below the methodologies, assumptions and emission factors used for:
- Parts of the loan portfolio for which targets have been set (see section 2.2.3.1; further referred to as 'target sectors');
- Parts of the loan portfolio for which no targets have been set (referred to as 'non-target sectors' below).

As part of our Sustainable Finance Programme, we identified the most carbon-intensive sectors and product lines in our lending portfolios. To this end, we performed strategic assessments of sectors with the largest climate impact because of the nature of the activities (carbon-intensive industrial sectors) and took into account the size of our exposure to that sector. For each of the identified sectors, we assessed the environmental impacts, dependencies and associated risks and opportunities. All of these assessments were compiled in our White Papers. This was done for eight industry sectors (energy, commercial real estate, agriculture, food production, building and construction, chemicals, transport and metals), and the three most impactful product lines (mortgages, car loans and car leasing) in our portfolios.

We calculate the financed emissions related to our lending business based on GHG emissions data collected from our counterparties. For clients for which we do not have GHG emissions information, we fall back on the sector asset-based PCAF emission factors (secondary information, following the data quality hierarchy of PCAF). The percentage of emissions calculated using primary data is 2.6%. For all of our calculations, we follow the PCAF guidance as closely as possible. The quality of the financed emission calculation is reflected in a dedicated PCAF data quality score ranging from '1' – highest – to '5' – lowest). The PCAF quality score cards can be consulted in the PCAF Global Standard. Through our Data and Metrics programme we invest and have invested structurally over the years to build data gathering, calculation and reporting capabilities to support the ESG disclosures. Our main data collection and calculation platform for our loan portfolio GHG emissions is/will be also used for financial, risk and treasury reports; as such, the ESG reporting benefits from that infrastructure with embedded data quality management, master data management, reconciliation processes, security, archiving etc. Real estate is the only target sector for which the reporting remains outside the platform now. The programme endeavours to deliver the calculations aligned with PCAF through the platform to be ready for reporting over 2025.

Target sectors

Our White Papers include, but are broader than, our target sectors and sub-sectors (as disclosed under 2.2.3.1), for which we have developed detailed GHG emissions calculation methodologies at asset level. These methodologies take into account the data availability, the heterogeneity of the financed sectors and the relevance for our business. In line with the PCAF Global Standard, our financed emission calculations are based on actual financing (i.e. outstanding loan exposure) in order to reflect the actual climate impact of our portfolio. For some of our climate lending target metrics we use more appropriate (portfolio) weighted calculation methods to reflect the associated portfolios' climate impacts. This approach is followed in cases where either the numerator of the emission intensity metric has too high a level of uncertainty or where the metric is related to committed loan exposure and not to actual financing. In such a case, the metric would become ineffective for management purposes. E.g., for our vehicle financing targets we decided to calculate the climate impact of the portfolios by calculating the average CO_2 emission intensity based on the emission intensity of the underlying vehicles financed rather than basing our calculations on financed activity (kilometres driven, i.e. information which for the largest part of our portfolio is unavailable). E.g., for our cement, steel and aluminium producers loan portfolios, the portfolio emission intensity is based on the loan-weighted emission intensity of the underlying companies financed. For these three concentrated sectors, it was decided to calculate the metrics on granted loan exposure to avoid large fluctuations in our target monitoring.

PCAF methodology

We use the PCAF methodology to calculate the financed emissions metrics for most of our target sectors. Please note that, while our target metrics only include Scope 1 and Scope 2 GHG emissions of the borrowers, we do separately calculate the Scope 1, 2 and 3 GHG emissions of our borrowers following the PCAF standard. At this stage, where client-specific GHG emissions data is not available, we use PCAF emission factors. We apply the most recent emission factors published by PCAF, version of March 2024. Exceptions are the real estate sector which uses the PCAF emission factor database version of March 2021 and the Energy sector which uses the PCAF emission factor database version of March 2022. These exceptions are due to technical reasons. Please note as a general remark that we apply the inflation correction formula recommended by PCAF to all our calculations where PCAF emission factors are used.

The PCAF methodology boils down to the following formula:

$$Financed\ emission = \sum_i Attribution\ factor_i \times Emissions_i \ \rightarrow Attribution\ factor_i = \frac{Outstanding\ amount_i}{Total\ equity + debt_i}$$
$$with\ i = borrower\ or\ investor$$

For the residential real estate sector, an entity-specific methodology has been developed at portfolio level which uses PCAF variables (e.g., EPC emission factors), however these are not always calculated on the level of each individual financed asset. Approximations were necessary due to the fact that PCAF relies on a loan-by-loan/asset-by-asset approach, for which data was not available for large parts of our portfolio. In this sector, the complexity to gather asset-level data is driven by the very high number of individual counterparties. Hence, where no or insufficient data was available at asset level, we estimate the financed floor area by using expert-based m^2 market values. We then apply the relevant PCAF emission factor to estimate the GHG emissions intensity of the assets. The method used is to be considered as a reasonable proxy for PCAF, emphasising the uncertainty with regards to this statement. KBC will implement the necessary changes to its data infrastructure in the near future to enable full application of the PCAF methodology.

PACTA
For cement and steel manufacturers, we apply the PACTA methodology. This forward-looking, scenario-based methodology, combines loan book information (in our case the granted exposure) for the sectors in scope with company-specific physical Asset Level Data (ALD) to calculate portfolio technology profiles and emission intensities. Where client-specific emission intensity is available, we prefer this data over the ALD PACTA dataset. We have been reporting using the PACTA methodology since 2019. We consider the PACTA dataset and methodology as a reliable source: the PACTA for Banks Methodology was developed by the 2° Investing Initiative together with 17 pilot banks and several non-governmental organisations (NGOs) and research institutions. The project is supported by the German Ministry for the Environment, Nature Conservation and Nuclear Safety and the EU Life programme.

Client data
For aluminium producers, the limited number of counterparties allows us to use client-specific data on GHG emissions intensity. For clients for which we do not have GHG emissions information, we fall back on the sector asset-based PCAF emission factors. We then apply the above outlined standard PCAF formula to calculate the financed emissions.

Non-target sectors

For the parts of our loan portfolio that are not covered by GHG emissions reduction targets, we apply a high-level, less detailed calculation methodology. This calculation method combines aggregated sector exposures with country-specific PCAF economic activity-based emission factors for that same aggregated sector (i.e. without further detailing the potential emission factor differences between the underlying subsectors).

Methodological limitations and data choices
The limitations of our calculation methodologies for the GHG emissions intensity metrics, as reported in section 2.2.3.1.2, mostly relate to data quality and availability issues. This is reflected in the PCAF data quality score, which we publish in addition to our target metric measurements. Following the PCAF methodology, we update the emission factors and proxies to align with market evolution. Furthermore, in our endeavour to increase the data quality and granularity of our GHG emissions calculation, we are working closely with our clients to improve the systematic collection of their reported GHG emissions. This will allow us to improve our overall PCAF data quality score, as we would be transitioning from sub-sector specific emission factors to asset/counterparty reported GHG emissions (i.e. PCAF data quality score 1 or 2). Given the breadth of our financing activities, we adopt a variety of methodologies to track and disclose the climate-related impact on, and of, our portfolios. The choice of the selected methodologies is driven by a combination of relevance and applicability for our business, as well as by data availability. If and when applicable where, given this context, we depart from the available market standards or data sources such as PCAF or PACTA, this is explicitly mentioned. We also apply different attribution approaches, especially for the real estate sector, due to differences in local data availability. Lastly, for the part of our portfolio not covered by our GHG emissions reduction targets, we apply PCAF's lowest data quality score for emission factors (score 5), which could lead to an overestimation of our financed emissions. The continuous improvement of our data quality scores may affect the outcomes of the calculations and artificially impact our GHG emissions performance, without being imputable to an improvement of our portfolio performance. We established a Recalculation Policy for our target metrics and direct footprint, which is further detailed in section 2.2.2.1 of this report. Improving our access to data also means that we are subsequently confronted with different sources of reported GHG emissions data. Hence, where data sources show different results for the same asset or counterparty, we engage with either the data provider, the client or both. This assessment helps us make informed decisions on the most suitable data source.

The metrics used for measuring and monitoring the carbon footprint of our loan portfolios are described in section 2.2.3.1.2. The methodology behind these metrics is largely described in the previous paragraphs. The carbon intensity metrics related to our loan portfolio have not been assured by an external party other than the assurance provider.

Asset management activities
This paragraph explains the methodologies used for measuring and monitoring the GHG emissions for our asset management activities. We calculate emissions for the DCM, Group Assets of KBC Insurance and KBC Pension Fund assets. This includes investment assets managed by KBC Asset Management for unit-linked portfolios of clients of KBC Insurance. We refer to section 2.2.3.1.3 for the related carbon intensity metrics used to monitor our progress.

For calculating the GHG emission intensities for our asset management activities, we distinguish between exposures to corporates and exposures to governments.
The carbon intensity metrics cover Scope 1 and 2 emissions of the corporate investees. Investees' Scope 3 emissions are excluded since these emissions are more volatile and less comparable across corporates. All data used for the calculation is obtained from the data provider Trucost, a subsidiary of S&P. Trucost in turn based approximately 12% of data inputs on exact values as disclosed by corporate investees (primary data).
For corporates, we calculate a weighted average GHG intensity based on investment exposure.
For sovereigns, we calculate GHG intensity as the sum of territorial and imported emissions, divided by Gross Domestic Product (GDP) in constant USD (i.e. inflation-adjusted). This provides insight into the GHG emissions of a country relative to its economic output.
The assessment of our government bond portfolio suggests that the GHG intensity of our aggregated portfolio is higher than the EMU benchmark (365 tCO_2e/million USD of GDP at the end of the third quarter of 2024). 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.

Our carbon intensity metrics have not been assured by an external party other than the assurance provider. We note that the quality of our calculations depends to a great extent on the data quality of the GHG emissions data provided by Trucost. In this context, we performed checks on both Trucost's input data and methodology.

Sovereign bond portfolio of KBC Bank

In 2024, we calculated the GHG emission intensity of the own sovereign bond portfolio of KBC Bank for the first time. For the calculation, we used Trucost data and the same methodology as for the investments in sovereigns within our asset management activities. The intensity metric covers the entire sovereign bond portfolio of KBC Bank. Apart from the assurance provider, it has not been assured by an external party.

We note that the GHG intensity of the sovereign bond portfolio is higher than the EMU benchmark. This is driven by large exposures in our core countries and more specifically in Czech Republic and Belgium, which have relatively higher carbon intensities.

Own investments of KBC Insurance

The calculation of the GHG emission intensities related to the own investments of KBC Insurance (i.e. excluding our unit-linked portfolio, which is captured in the emission calculation of the asset management activities) is entirely analogous to the methodology for our asset management activities as described above. For investments in corporates, we also refer to section 2.2.3.1.4 for more information on the corresponding target. Furthermore, we note that the largest part of the government bond portfolio of KBC Insurance is invested in Belgian and Czech government bonds, in line with its geographical activity profile. The GHG-intensity score for both countries is very high. Consequently, the GHG intensity of our government bond portfolio is higher than the EMU benchmark.

Insurance-associated emissions (2.2.3.2.3)

In 2023, we calculated the emissions of part of our insurance portfolio for the first time. This section describes the methodology, assumptions and emission factors used for this calculation.

KBC calculates the GHG emissions linked to our insurance underwriting portfolio in line with the PCAF Standard Part C. Currently, PCAF offers methodological guidance for measuring GHG emissions in two business segments: personal motor lines and commercial lines. Consequently, our disclosures are limited to these segments, which – in terms of gross written premium – represent a major part of our total non-life insurance portfolio. Additionally, we only report on insurance-related emissions from our largest business unit (Belgium). Belgium represents 16.8% of the group's insured vehicles and 51.1% of the group's GWP in commercial lines.

In our personal motor lines, we include passenger cars, motorcycles, Light Commercial Vehicles (LCVs), and motorhomes. We followed the scope outlined in PCAF Standard Part C for commercial lines. Commercial lines cover all types of insurance contracts purchased by companies.

We cover the Scope 1 and 2 GHG emissions of the clients across all sectors. For both personal motor lines and commercial lines, we rely on standard emission factors. The percentage of emissions calculated using primary data is 30%. Primary data encompasses the segment of the portfolio for which we have achieved data quality levels 1 or 2, as measured in accordance with the PCAF standard.

GHG emission metrics for our insurance underwriting activities in Belgium	Description	Unit	2024
Personal motor lines	Insurance-associated emissions of our personal motor lines	t CO_2e	99 386
Commercial lines	Insurance-associated emissions of our commercial lines	t CO_2e	100 333

The basic formula we use follows the PCAF Standard:

$$Insurance - associated\ emissions = Attribution\ factor_i \times Emissions_i$$

We use the attribution factor provided by PCAF for Belgium, based on publicly available information and open-source research. Emissions are estimated using data from the Belgium Business Unit on vehicle engine type, WLTP value, and, if available, the number of kilometres driven during the year. Scope 1 emissions cover direct fuel combustion, while Scope 2 emissions cover indirect electricity generation for electric vehicles. When internal data is unavailable, we use third-party estimates.

We base ourselves on the insurance-specific PCAF economic emission factor database to identify the allocated emissions of our insured commercial clients. We used NACE activity codes to determine the emissions of our commercial clients expressed in tonnes of CO_2e per million euros of turnover. The absolute insurance-associated emissions have not been assured by an external party other than the assurance provider.

The main limitations of our calculation methodologies for insurance-associated GHG emissions are related to the quality of the data we use. As explained above, we rely on third-party proxies or average calculations as a fallback option where no exact vehicle emission or mileage data is available for personal motor lines. For commercial lines, we currently lack GHG emissions data on our clients and hence rely on the economic activity-based emission factors provided by PCAF. Furthermore, we use a weighted average CO_2e emissions calculation to estimate the emissions related to the part of our portfolio where sector mapping is missing. We are analysing and considering our options to enhance our data gathering processes and improve the collection of GHG emissions and revenue data. We will also closely follow and align with the further development of the PCAF Standard for insurance-associated emissions, especially the inclusion of further lines of business.

GHG intensity (2.2.3.2.4)
We have set a range of targets in terms of carbon intensity for our lending and investing activities. We measure and monitor our direct and indirect carbon footprint through various GHG intensity metrics. The way our intensity metrics are defined depends on the context in which they are applied:
- The carbon intensity metric we use for our own carbon footprint is expressed in terms of FTE (see section 2.2.3.2.1);
- Our sector-specific lending targets are expressed relative to sector-specific physical output metrics or relative to the financed monetary amount (see section 2.2.3.1.2);
- The carbon intensity targets for our investment portfolios are measured relative to the revenue of the underlying corporates and relative to the GDP of the underlying sovereigns (see section 2.2.3.1.3).

As a financial institution active in banking, insurance and asset management, we believe this is the most effective way to track our carbon impact. Given the structure and complexity of our organisation, we do not define and disclose a single total GHG intensity metric.

GHG removals and GHG mitigation projects financed through carbon credits (2.2.3.3)

The portion of our own footprint that cannot yet be eliminated is offset using carbon credits. In practice, we calculate our own emissions at the end of the year, then negotiate a contract based on the calculated volumes, and cancel these carbon credits at the beginning of the next year. This means that the amount of carbon credits cancelled in the reporting year is used to offset our own footprint of the year before. The total amount of carbon credits planned to be cancelled in 2025 is therefore not based on existing contractual agreements.

Emission reductions or removals (tonnes of CO_2e)

Amount of GHG emission reductions or removals from climate change mitigation projects outside our value chain we have financed in the reporting year 2024	56 000
Share from reduction projects (%)	90%
Share from removal projects (%)	10%
Share of removal projects from biogenic sinks (%)	100%
Share of removal projects from technological sinks (%)	0%
Share from Verra Carbon Standard (%)	100%
Share issued from projects in the EU (%)	0%
Share that qualifies as a corresponding adjustment under Article 6 of the Paris Agreement (%)	-
Total amount of carbon credits outside value chain that are verified against recognised quality standards and cancelled in the reporting year 2024	56 000
Amount of carbon credits planned to be cancelled in 2025	54 000

Since 2021, we have aimed to achieve net climate neutrality with respect to our own operations. We took three steps to achieve this goal: measure, reduce and offset. As described in 'Own carbon footprint targets (2.2.3.1.1)', KBC has set targets to reduce the CO_2e emissions from its own operations. Avoided emissions are therefore not taken into account as carbon offsets do not contribute to achieving this target. Each year the emissions from our own operations (i.e. remaining after actions to reduce emissions) are offset, hence achieving net carbon neutrality. To this end, we have 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. Our due diligence process is aimed at selecting projects with a demonstrated real-world impact. However, ultimately this process relies on information supplied by third parties and is dependent on the availability of credits within those projects. The above offsetting is not validated by an external body other than our assurance provider.

Internal carbon pricing (ICP) (2.2.3.4)

In 2021 we established a first ICP framework which is built around the four-dimensional framework of the 2017 'How-to Guide to Corporate ICP' report of CDP/Ecofys. CDP is a credible methodological standard setter in environmental reporting, known for its collaborations with reputable organisations, alignment with global standards, and commitment to data quality and transparency. We put in place our first ICP levels in 2021, and our Sustainability and Economic departments review the prices annually. We chose to identify evolutionary ICP trajectories which since our 2022 review extend up until 2050 for two major EU-relevant transition pathways, i.e. a well-below 2° (WB2D) and a net zero 2050 (NZ2050) pathway based on NGFS (Network for Greening the Financial System) climate scenarios. The NGFS carbon price data is averaged over the different models, interpolated, adjusted to 2020 price levels and converted to euro, resulting in one uniform metric that can be used in internal management processes. As a result of our 2024 application of this calculation method, our latest internal carbon price stands at 35 EUR/t CO_2 and 99 EUR/t CO_2 under WB2D and NZ2050 pathways, respectively. To reflect the associated transition under each pathway, we establish price increase assumptions of 77% and 201% by 2030 for the WB2D and NZ2050 internal carbon price levels, respectively. These price increases mirror those averaged over the different NGFS climate scenario models.

Our internal carbon price is currently used as a shadow price to inform credit decision-making for companies operating in carbon-intensive industries. As a result, our internal carbon price is currently only applied to our Scope 3 Category 15 emissions. Overall, this leads to an estimated 0.5% of our financed Scope 1 and 2 emissions potentially being subject to ICP considerations; none of our Scope 1 and 2 emissions are subject to such pricing considerations. Going forward, as data availability is expected to increase (due to initiatives such as the CSRD), we plan to increase the scope of application.
The measurement of the carbon prices is not validated by an external body other than the assurance provider of the Sustainability Statement.

Water and marine resources (2.3)

Water and marine resources: Impact, risk and opportunity management (2.3.1)

Policies related to water and marine resources (2.3.1.1)

Sustainability Policy Framework
As explained in section 2.2.2.1 on climate-related policies, our Group Sustainability Policy Framework contains different policies which are indirectly related to water, such as the Biodiversity Policy, Mining Policy and Energy policy.

Biodiversity Policy
This policy (further explained in section 2.4.2.1) contains water-related elements, such as the restriction that KBC does not finance, insure or provide advisory services to fishing practices that irreversibly damage aquatic habitats and ecosystems, shark finning or commercial whaling. Moreover, KBC encourages its clients to subscribe to and implement voluntary standards such as the Marine Stewardship Council and the Aquaculture Stewardship Council.

Mining Policy
While the mining industry provides essential resources to most sectors of the economy, at the same time mining activities can have a negative impact on the environment and on society in terms of water use and water quality, community relations, health and safety, land use, ecosystems, waste and bribery and corruption. This policy therefore aims to limit these negative effects as much as possible, while preserving the benefits of the mining industry to the economy in general. Under this policy, the provision of financing, insurance or advisory services related to mining activities is subject to strict conditions, such as compliance with a set of external standards (e.g., the Extractive Industry Transparency Initiative).
This policy has a worldwide scope and applies to all financing, insurance and advisory services related to companies involved in mining activities. Monitoring of compliance with this policy follows the same process as described in section 2.2.2.1 on climate-related policies.

Other
KBC has sites located in areas of high-water stress (for instance, the World Resources Institute considers a large part of Flanders as an area of extremely high-water stress). Therefore, we use potable water efficiently and monitor its use carefully. This happens on a continuous basis and on top of various initiatives taken by the government related to both the supply and demand side in cases of water stress. We do not have a specific policy regarding water supply as we have efforts in place related to our water use. Moreover, this is also supported by the outcome of our materiality assessment, where own water use did not emerge as a material matter for KBC.

Actions and resources related to water and marine resources (2.3.1.2)

Managing water-related risks
For more information on how water-related risk is embedded in our Risk Management Framework, we refer to section 2.2.2.2, which – besides climate-related actions – also sets out more general actions.

More specifically, we assess water-related risk explicitly in the ERIM, it is included in the sectoral Environmental & Social Heatmap (used in loan origination and for monitoring purposes) and in the scope of the NAPP standard (see section 2.2.2.2).
We are taking a step-by-step approach where follow-up actions are defined based on the insights gained from our previous actions/analyses. Our approach advances in sync with improvements in the availability and quality of data and methodologies.

White Papers
In 2023 we extended the scope of our White Papers. As a result, in addition to the initial focus on climate change they include other environmental objectives such as water for sectors where water is a material topic. So far, we have included water in White Papers on agriculture and food and beverages. For 2025, we plan to dedicate a thematic White Paper to water. Our aim with these White Papers is to increase our understanding of water-related impacts, risks and opportunities and, where possible, formulate actions to reduce the negative impact and increase the positive impact of our lending (and, where relevant, insurance) activities on water consumption, withdrawals and discharges. For more information on the White Papers, we refer to section 2.2.2.2.

Water and marine resources: metrics and targets (2.3.2)

Targets related to water and marine resources (2.3.2.1)

At this point in time, we do not have water and marine resources-related targets in place nor have we defined any ambition level indicators to evaluate progress. However, we do track the effectiveness of our policies and actions via a strict due diligence process to monitor compliance of our lending, insurance and advisory service operations with our sustainability framework. For this, we also use third-party ESG analysts' data on the sustainability of companies, including controversies in which they could be involved. Our due diligence process includes the possibility of requesting advice on sustainability-related matters, including water-related topics, for individual cases from sustainability experts. Reputational risk aspects are also taken into account within the scope of this advice. For certain policy domains, this advice is obligatory prior to any business transaction. In other cases, it can be requested in case of doubt. We monitor the number of requests for this expert advice and disclose them in our yearly Sustainability Report.

When deemed feasible and appropriate, our White Papers propose follow-up actions related to the topics analysed. The topics to be addressed in White Paper analyses are presented for approval to the ISB.

Biodiversity and ecosystems (2.4)

Biodiversity and ecosystems strategy (2.4.1)

Transition plan and consideration of biodiversity and ecosystems in strategy and business model (2.4.1.1)

We acknowledge that our impacts and dependencies on biodiversity and ecosystems can influence our strategy and business model, and can thus result in risks and opportunities.

We analyse the risks stemming from biodiversity loss and ecosystem damage via our ERIM, through which the materiality of several environmental risks is assessed. Consequently,

- we assess risks for KBC, but separate maps are also constructed for the banking, insurance and asset management activities. Further breakdowns are made for our core countries;
- we structurally assess the risks stemming from biodiversity loss and ecosystem damage for the short term (0-3 years), the medium term (3-10 years) and the long term (beyond 10 years);
- experts estimated risk impacts separately for all traditional risk types, taking into account the full value chain.

The assessment considers both transition and physical risks that could potentially stem from biodiversity loss and ecosystem damage. To identify and assess dependencies on biodiversity and ecosystems for our own operations and in our value chain, we focused on the physical risk assessment, whereas transition risks were considered to identify and assess impacts on biodiversity and ecosystems. Within these exercises, we also consider potential future macroeconomic evolutions and systemic risks related to biodiversity loss and underpin the conclusions by internal exercises such as the ENCORE analysis and other internal exercises (see section 2.4.2.2).

The outcome shows that potential risks might predominantly materialise through our downstream activities (lending, insuring, investing), in particular in case of macroeconomic impacts and related systemic risks. These feed into our main risk management processes, such as Risk Appetite and ICAAP/ILAAP/ORSA, presented to the ExCo, RCC and Board on regular basis.

Biodiversity and ecosystems: Impact, risk and opportunity management (2.4.2)

Policies related to biodiversity and ecosystems (2.4.2.1)

We have policies in place to manage our material impacts and risks related to biodiversity and ecosystems. All policies aim to focus on actions to mitigate nature and biodiversity loss.

Our Sustainability Policy Framework contains different policies (see section 2.2.2.1), some of which are directly and indirectly related to biodiversity, such as the Biodiversity Policy, the Mining Policy and the Exclusion Policy for Responsible Investing funds. It also includes requirements for clients in scope regarding sustainable land, sustainable agriculture practices and sustainable oceans, and also contains policies to address deforestation.

As biodiversity opportunities are not material for KBC (following the results of our materiality assessment), they are not covered in this document.

Biodiversity Policy

This policy includes requirements for:

- producers and traders of forest commodities;
- activities in or near protected areas;
- activities involving endangered or invasive species;
- cattle farming and fisheries.

Biodiversity Policy

Climate change	Not directly addressed, however addressed indirectly through requirements for producers and traders of forest commodities
Land-use change; freshwater-use change, sea-use change	1) KBC does not finance, insure or provide advisory services in relation to activities located in or significantly impacting certain protected areas. 2) Secondly, as the production of forest commodities such as palm oil and soy often involves deforestation, KBC has several requirements for producers and traders of forest commodities, as well as for cattle farming. 3) KBC refrains from financing, insuring or providing advisory services relating to the exploration and development of unconventional oil and gas (including Arctic and Antarctic on- and offshore oil and gas deep-water drilling, tar sands, shale oil and gas, coalbed methane) and the exploration of any other new oil or gas fields.
Direct exploitations	KBC has several restrictions for the forestry and fisheries sector
Invasive alien species	KBC does not provide services to activities involving trade in invasive alien species
Pollution	Not directly addressed, however activities that significantly impact protected areas (including through pollution) are excluded
Other	KBC will not finance, insure or provide advisory services to a number of animal-related activities such as trade in endangered species and activities where animal welfare is compromised
Relation to material impacts	The policy covers impacts in the value chain, which our double materiality assessment considered material with respect to biodiversity
Relation to material physical and transition risks	The policy defines our risk playing field and is translated into underlying risk standards such as the Credit Risk Standards for Responsible and Sustainable Lending and the Investment Policy
Supports traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain	The Biodiversity Policy supports this traceability through its requirements for the production and trade of forest commodities. The producers and traders in scope must commit to have their plantation and/or supply chain fully certified under an internationally recognised certification scheme. These certification schemes often include specific measures on traceability of these commodities
Addresses production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses	The described policy addresses this in the sense that production of forest commodities is covered, as well as activities in protected areas
Social consequences addressed	Considering the production and trade of forest commodities, KBC requires clients in scope to be certified under an internationally recognised certification scheme. Apart from sustainable production from an environmental perspective, these certificates can also include social safeguards

Mining Policy

Our Mining Policy (see 2.3.1.1) has restrictions regarding mining activities in order to mitigate the associated environmental risks such as greenhouse gas emissions, land-use change and water and air pollution. This policy directly addresses the human rights impacts of mining activities as well as the social consequences of the impacts of mining on the environment. It defines our risk playing field and is translated into underlying risk standards such as the Credit Risk Standards for Responsible and Sustainable Lending and the Investment Policy.

Exclusion Policy for Responsible Investing funds

In this Asset Management Policy, biodiversity is addressed in the following way:

Exclusion Policy for Responsible Investing funds

Climate change	The exclusion Policy for RI funds includes restrictions for issuers involved in non-sustainable energy solutions, such as thermal coal, oil and gas
Land-use change; freshwater-use change, sea-use change	All companies with a high or severe controversy score related to Land Use and Biodiversity, for subindustries in which the topic is considered a high or severe risk as well as companies with a severe controversy score related to Land Use and Biodiversity for all other subindustries (e.g., sustainable land, sustainable agriculture, sustainable oceans and deforestation) are excluded. In addition, all companies with a severe controversy score related to Land Use and Biodiversity in their supply chain are excluded. In addition, all companies with activities that have a negative impact on biodiversity and do not take sufficient measures to reduce their impact are excluded. This would concern the following: • All companies operating in Fishing that are not members of the Aquaculture Stewardship Council or the Marine Stewardship Council; • All companies operating in Palm Oil Farming that are not members of the Roundtable on Sustainable Palm Oil; • All companies operating in Soybean Farming that are not members of the Roundtable on Responsible Soy; • All companies operating in Beef Cattle Ranching Farming that do not pass a stringent ad hoc process conducted by the Responsible Investing Team; • All companies operating in Cocoa Farming that are not certified by the Rainforest Alliance; • All companies operating in Sugarcane Farming that are not members of the Bonsucro.
Direct exploitations	We refer to the restrictions for fishing as well as controversy screening on land use and biodiversity
Invasive alien species	Not addressed in this policy
Pollution	Not addressed in this policy
Other	Animal welfare: all companies that derive at least 5% of their revenue from the production or 10% of their revenue from the sale of fur or special leather are excluded
Relation to material impacts	The Exclusion Policy for Responsible Investing funds covers the exclusion of financing of activities which are considered to have a negative impact on biodiversity
Relation to material physical and transition risks	Given that the Exclusion Policy is applicable to all Responsible Investing funds, the physical and transition risks stemming from biodiversity loss and ecosystem damage are considered in all RI funds
Supports traceability of products, components and raw materials with material actual or potential impacts on biodiversity and ecosystems along the value chain	As the different certifications in scope of the Exclusion Policy for biodiversity include very specific requirements with regard to the value chains, the traceability of products, components and raw materials is implicitly covered
Addresses production, sourcing or consumption from ecosystems that are managed to maintain or enhance conditions for biodiversity, as demonstrated by regular monitoring and reporting of biodiversity status and gains or losses	This is addressed indirectly through controversy screening and the requirement for producers of certain commodities to be a member of certification bodies
Social consequences addressed	Companies involved in activities with a negative impact on biodiversity need to be certified under an internationally recognised certification scheme in order to be allowed in the Responsible Investing funds. These certificates can also include social safeguards

Actions and resources related to biodiversity and ecosystems (2.4.2.2)

Managing biodiversity risks
For an overview of the continuous efforts that we make to integrate biodiversity risks into our Risk Management Framework and processes, we refer to section 2.2.2.2. We are taking a step-by-step approach in which we define follow-up actions based on the insights gained from our previous actions/analyses. Our approach advances in sync with improvements in the availability and quality of data and methodologies.

Specifically with respect to biodiversity risks we define the following actions:
- KBC assessed biodiversity transition and physical risks in the ERIM and included these in the sectoral Environmental & Social Heatmap (used in loan origination and for monitoring purposes);
- We dedicated a White Paper to risks and opportunities related to biodiversity loss (in particular: deforestation);
- A high-level assessment of biodiversity impact and dependencies in our loan portfolio has been executed (see section 1.3.3.1);
- Within our internal stress testing, some biodiversity-related stresses were integrated, e.g., assessing the impact of increased insurance risk (Risk Life portfolio) in case of a spread of infectious diseases;
- Biodiversity risks are in scope of the NAPP standard (see section 2.2.2.2).

White Papers
We extended the scope of our White Papers from the initial focus on climate change to include other environmental objectives such as biodiversity. We initially included biodiversity-related topics for agriculture, food and beverages and construction. In 2024 we dedicated a White Paper entirely to deforestation where we assessed the deforestation-related risks and opportunities in KBC's lending activities.

Additional biodiversity screening in the Exclusion Policy for Responsible Investing funds
As part of the Exclusion Policy for Responsible Investing funds, we added additional screening concerning fishing, palm oil and soybean farming, beef cattle ranching and cocoa and sugarcane farming. The scope is limited to farming and does not contain other value chain processing. We exclude companies involved in these activities not complying with best practices on biodiversity.

Other
We did not use biodiversity offsets in our action plans, nor did we incorporate local and indigenous knowledge and nature-based solutions into biodiversity and ecosystems-related actions.

Biodiversity and ecosystems: metrics and targets (2.4.3)

Targets related to biodiversity and ecosystems (2.4.3.1)

We do not have biodiversity-related targets in place, nor have we defined a level of ambition or qualitative or quantitative indicators to evaluate progress. However, we do track the effectiveness of our policies and actions via a strict due diligence process. This is the same process as the one described in section 2.3.2.1 on targets related to water and marine resources.

Own workforce (3.1)

Own workforce: impact, risk and opportunity management (3.1.1)

Policies related to own workforce (3.1.1.1)

We have the following policies in place to manage our material impacts on our own workforce. These also mitigate risks (including non-financial risks) such as operational risk, litigation and reputational risks. The policies are published on www.kbc.com.

Code of Conduct for employees
The Code of Conduct gives guidance regarding key behaviour we expect from all employees within KBC. It refers to the KBC PEARL+ values and to a strong corporate culture that encourages responsible behaviour to build trust and strike a long-term, sustainable balance between the interests of all our stakeholders: our clients, our employees, our shareholders and society as a whole. We refer to the 'Our business model' section (which is not subject to external assurance) for more details. We also foster and promote an entrepreneurial mindset, lifelong learning, diversity, equal treatment and respect. We expect compliance with the rules and regulations that govern our activities.

As regards our own workforce, the following topics are included:
- Respect, diversity and equal treatment;
- Duty of discretion regarding clients and employee personal data;
- Whistleblowing;
- Compliance with rules and regulations;
- Speak-up culture.

Regular training and awareness sessions are organised by the Compliance department.

Code of Conduct for employees

Scope	Applicable to all employees of KBC Group and its subsidiaries.
Most senior level accountable	The Board ensures that we have processes in place for monitoring our compliance with laws and other regulations, as well as for the application of related internal guidelines. In this respect, the Board approves the Code of Conduct. Top management of the business units is responsible for ensuring that activities are conducted in line with the Code of Conduct.
Reference to third-party agreements	This policy among other things contributes to our commitment to observe the UN Global Compact Principles and to the OECD Guidelines for Multinational Enterprises on responsible business conduct.
Consideration key stakeholders	Core considerations: • Striking a long-term, sustainable balance between the interests of all our stakeholders (clients, employees, shareholders and society as a whole); • Gaining and retaining the trust of those stakeholders; • Acting in the interest of the client to mitigate the risk that KBC's culture, organisation, behaviour and actions would result in poor outcomes and would be detrimental to clients. The Code (and every change) is shared and discussed upfront with social partners/trade unions.
Disclosure	Published externally on www.kbc.com. Available internally for all employees. There is mandatory training for all employees, who are required to underwrite the Code.

Whistleblower Protection Policy and Procedure

This policy outlines the general principles and procedures for reporting concerns related to immoral, unethical or illegal activities within our organisation. Our goal is to ensure that all employees and other stakeholders are and feel protected when raising concerns. By fostering an environment where whistleblowing is encouraged and safeguarded, we aim to uphold our core values and promote a culture of responsible behaviour throughout KBC.

While the scope primarily pertains to employees and other persons linked to a work-related context, it is extended to everyone (e.g., also consumers – see below) in case of a breach in the area of financial services, products and markets, prevention of money laundering and terrorist financing.

As a minimum, reporting concerns breaches in the ten areas of Union law enumerated in the EU directive 2019/1937 (on the protection of persons who report breaches of Union law and in the areas added by local legislation). Reporting of immoral or unethical conduct, or conduct that compromises the credibility and reputation of KBC group (including all subsidiaries) in general, is also in scope.

We provide various channels for reporting. The identity of any person who reports in good faith will remain strictly confidential and the person is protected against any form of retaliation or negative impact. The person that is the subject of the report is entitled to receive information about the reported breaches and to communicate their own position and exercise their right of defence. An independent unit investigates all cases. The Compliance department is the central point of contact and reports the outcome of investigations to the ExCo, and the general status of implementation to the RCC.

The Compliance department organises regular training and awareness sessions for our employees.

Whistleblower Protection Policy

Most senior level accountable	This policy is approved by the ExCo. Top management is responsible for implementation in every entity.
Consideration key stakeholders	The interest of stakeholders is considered while drafting the policy, e.g., protection measures and facilitation of reporting through a broad range of channels. We consult with social partners/trade unions.
Disclosure	Published externally on www.kbc.com. Available internally for all employees. Recurrent awareness campaigns and training for all staff.

Remuneration Policy for the Board and the ExCo

The purpose of this policy is to create a remuneration framework (for members of the Board and ExCo of KBC Group NV, KBC Bank NV and KBC Insurance NV) that not only complies with prevailing European and national legislation and regulations, but is also in line with, and contributes to, the business strategy (including the sustainability strategy). It aims to ensure consistency with sound and effective risk management in line with the Risk Appetite Statement, as approved by the Board, to prevent excessive risk-taking and to be aligned with the long-term interests of KBC.
The policy stipulates that remuneration schemes (including the conditions for awarding and paying remuneration) are gender-neutral in order to guarantee equal pay for equal work of equal value.

The base remuneration of Board members is set at a level that reflects the qualifications and efforts required in view of KBC's complexity, the extent of their responsibilities and the number of Board meetings. The Chairman of the Board is entitled to an additional base remuneration. The remuneration of the members of the ExCo of KBC Group is set at a level that is consistent with their decision-making powers, tasks, expertise and responsibilities. It reflects their contribution to the management and growth of KBC and it ensures KBC's continued ability to attract and retain the best qualified individuals as members of the ExCo. To emphasise the fact that the ExCo acts as a committee which bears collective responsibility, the remuneration for all the members, apart from the president, is largely identical (except for a small difference in how the CRO's variable remuneration is calculated, as required by regulation). Detailed information on the renumeration of the Board and ExCo is provided in the Corporate Governance Statement.

Remuneration Policy for the Board and the ExCo

Most senior level accountable	The General Meeting of Shareholders approves the Remuneration Policy (as legally required). The Board (and the RC) is accountable for the implementation of the policy.
Reference to third-party agreements	The policy is implemented with respect for the applicable legislation and regulation, the Corporate Governance Code (on a comply or explain basis) and the possible remarks of the supervisor.

Remuneration Policy

The remuneration for all our staff takes into account market practices, competitiveness, risks, long-term objectives of the company and its stakeholders and continuously changing regulations.

The Remuneration Policy outlines the guidelines and procedures for remuneration within KBC, focusing on sustainability, risk management, and alignment with long-term interests:

- Policy purpose and scope: the policy aims to create a sound remuneration framework aligned with KBC's sustainability strategy and European and national legislations, covering all staff except non-executive members of the Supervisory Board and Members of the Executive Committee.
- General remuneration guidelines: the guidelines require all remuneration schemes to comply with the Remuneration Policy, be aligned with local practices and legislation, and be compatible with stakeholders' interests and the Corporate Sustainability strategy. The remuneration schemes are gender-neutral in order to guarantee equal pay for workers of all genders for equal work of equal value.
- Performance measurement: performance is measured based on a performance and appraisal process, which includes setting objectives, continuous feedback, self-evaluation, third-party feedback, and a calibration mechanism for relative performance measurement.

- Global remuneration structure: remuneration schemes consist of fixed and variable components, based on competences, job weightings, skills, contribution, and performance, with maximum ratios between fixed and variable remuneration set for different salary levels.
- Specific guidelines for Key Identified Staff (KIS): Key Identified Staff are those who could have a material impact on the company's risk profile, with specific requirements for non-cash instruments, deferral, and performance-based remuneration to promote sound risk behaviour.

Remuneration Policy

Most senior level accountable	Board
Reference to third-party agreements	Reporting on remuneration details is aligned with reporting required by local supervisors and the European Banking Authority.
Consideration key stakeholders	The policy complies with all legislation and regulatory requirements.
Disclosure	The General Remuneration Principles which summarise the basic principles of the Remuneration Policy are included in the annual 'KBC Group Compensation Report' which is published on www.kbc.com.

Diversity and Inclusion Policy

This policy aims at the elimination of discrimination (including harassment) and promoting 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 is applied in case of flagrant disrespectful behaviour towards a colleague such as insults, undermining the integrity or dignity, bullying, harassing or discriminating colleagues. We also refer to the Code of Conduct for employees above.

In case of suspicion about actual or potential wrongdoing, every employee is encouraged to report this, which will lead to an independent, confidential and impartial investigation. We strive with this policy to create a corporate culture where an open mindset prevails and where respect and responsible behaviour are key values. A general commitment is requested from all managers throughout KBC on the following principles: respect as a basis and equal opportunities for all employees.

We report yearly on the evolution of diversity and inclusion to the ExCo and the Board.

Diversity and Inclusion Policy

Scope	The policy is applicable to both management and employees. All types of diversity are part of the policy but there is a specific focus on gender diversity and disability inclusion.
Most senior level accountable	The ExCo is accountable. We apply a top-down approach: - Every manager is requested to commit to the diversity and inclusion principles/values - Every employee must act in a responsible and respectful manner The diversity and inclusion agenda is part of the Corporate Culture Unit at Corporate HR. This function supports the ExCo on policy matters related to diversity, consolidates the reporting and promotes awareness throughout the organisation. Each core country has a similar local function, embedded in the local HR department.
Consideration key stakeholders	The interests of all employees and the Board are considered via consultation of: - the ERG (Employee Resource Group) 'Diversity Rocks' (see 3.1.1.2); - trade unions; - the HR function; - advisory group of employees with a physical disability.
Disclosure	Published externally on www.kbc.com. Available internally for all employees.

Policy on Human Rights
We commit to meeting our responsibility to respect human rights towards all stakeholders, among which the own workforce. By acting responsibly, our employees contribute to minimising negative human rights impacts/risks.

We comply with the core conventions and labour standards set by the International Labour Organisation, the UN Guiding Principles on Business and Human Rights, and the UN Global Compact Principles. We are aligned with the OECD Guidelines for Multinational Enterprises which set the standard for responsible business conduct and respect for human rights within our operations. The relevant legal requirements as set out in the labour codes go beyond these conventions and standards.

Our Human Rights Policy refers to other policies such as the 'Code of Conduct for Employees' and the 'Whistleblower Protection Policy' (see above). The latter was brought in line with the European legislation (i.e. EU Directive 2019/1937 on the protection of persons who report breaches of Union Law).

Several channels are in place to address human rights impacts, including the Workers' Council, a prevention advisory council or equivalent per country, HR mediators or equivalent per country, and a whistleblower reporting tool. We refer to section 3.1.1.3 for more details.

Policy on Human Rights

Scope	All core stakeholders, being clients, suppliers and own employees of the group, through specific policies and human rights due diligence processes.
Most senior level accountable	The ExCo has the highest level of direct responsibility for sustainability, including human rights.
Reference to third-party agreements	UN Guiding Principles on Business and Human Rights OECD Guidelines for Multinational Enterprises The principles concerning fundamental rights in the eight International Labour Organisation core conventions as set out in the Declaration on Fundamental Principles and Rights at Work UK Modern Slavery Act UN Universal Declaration of Human Rights UN Global Compact Principles

Our policies relating to our own workforce do not explicitly address trafficking in human beings, forced labour, compulsory labour and child labour as these are prohibited by law. We have a workplace accident prevention policy in place in all our core countries.

Processes for engaging with own workers and workers' representatives about impacts (3.1.1.2)

The perspectives and views of the own workforce inform our decisions and activities through considering the actual and potential impacts on the own workforce. We engage with our employees by conducting employee engagement surveys every six months, via regular social dialogue with our employees and through formal employee representation groups on issues regarding reward, employment conditions, reorganisations and well-being (in accordance with local practices and laws of each country we are operating in).

The CEO and HR managers have the operational responsibility to ensure that this engagement survey happens, and that the results of the employee engagement are taken into account in defining the company's organisation.

The effectiveness of the engagement survey is monitored based on the level of the response rate and satisfaction rate.

We have Employee Resource Groups (ERGs) such as Diversity Rocks where the focus lies on diversity and inclusion. It brings together a diverse range of employees working on issues related to age, disabilities and nationality. Other ERGs exist like Proud@CSOB and Proud@KBC which are LGBTQIA+ ERGs.

Processes to remediate negative impacts and channels for own workers to raise concerns (3.1.1.3)

As a general approach, we put in place several preventive measures to avoid negative impacts on our own workforce:
- Top management is primarily responsible for creating the right environment, nurturing the right behaviour in the organisation and actively shaping the collective attitudes in the group;
- At the same time, all employees are accountable for behaving responsibly in all circumstances and along the lines of KBC values. Several policies, guidelines and actions are put in place to support this approach:
  - Code of Conduct for employees and the responsible behaviour compass, including awareness sessions and mandatory trainings;
  - Promotion of a 'speak-up' culture;
  - Diversity and Inclusion Policy containing the prohibition of discrimination and a zero tolerance on flagrant disrespectful behaviour towards colleagues.

We have a whistleblower process (see 3.1.1.1) in place that allows employees to report immoral, unethical or disrespectful behaviour. Every submission will lead to an independent, confidential and impartial investigation. Reporting is done via:
- a dedicated reporting tool which is made available on intranet;
- the KBC website;
- a dedicated mailbox;
- face-to-face contact with the local compliance function.

Employees also have the possibility to report negative impacts directly to their supervisor, to the General Manager of the HR department, to the employee representatives, the Workers' Council, the prevention counsellor and the HR mediator or equivalent per country. We guarantee confidentiality related to the identity of the employee and protection against retaliation. For more information on the whistleblower process, we refer to section 3.2.1.1.

Taking action on material impacts and approaches to mitigating risks related to own workforce (3.1.1.4)

Based on our principle of local embeddedness, every business or country can decide to define specific initiatives in line with the context they are operating in. As a consequence, we have not defined groupwide key actions related to own workforce.

Some examples of local initiatives:
- In Hungary, an initiative started in 2024 to revise the well-being approach by creating focus groups in some pilot businesses, inviting them to generate ideas on the subject. The focus was on learning about physical and mental health as well as on community building. In 2025 the approach derived will be rolled out to the whole company.
- In Belgium we launched a so-called Team Blue Challenge in September 2024 with a first part inviting colleagues to support non-profit organisations through volunteering. The second part, planned for 2025, will concentrate on encouraging employees to take first aid courses and donate blood and plasma. In this way, we also increase workplace safety.
- 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 workshops on flexibility, communication, vision and innovation.
- In Bulgaria in 2024 a first issue of a publication called 'Healthy! Compass for a Better Life' was released, providing up-to-date information on the opportunities available to employees to maintain their health and spirit.

None of these local initiatives qualify as key actions sufficiently material from KBC's perspective to be included in this statement.

The management of social risks (linked to our own workforce) is in scope of our Risk Management Framework (see section 2.2.2.2). Within our Risk Appetite, a specific objective is dedicated to attracting, developing and retaining high-quality and committed staff. KBC, as a European financial institution, is strictly regulated and complies with regulatory requirements in the context of e.g., discrimination, working conditions and data protection (EU General Data Protection Regulation, GDPR) for its own workforce. When needed, a data protection impact assessment is performed. Employees are informed about the processing of their personal data via a dedicated HR Privacy Statement. A dedicated channel is put in place for our employees to exercise their data subject rights.

Employee data is protected from cyberattacks, given our explicit actions in that area (see section 3.2.1.4). In the exceptional event of a workforce strike or unavailability of workforce, business continuity plans are in place.

Own workforce: metrics and targets (3.1.2)

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (3.1.2.1)

Based on our principle of local embeddedness, we have not defined group-wide key targets. None of the local ambitions qualify as targets sufficiently material from KBC's perspective to be included in this statement.

However, we do track the effectiveness of our policies, for example:

- With regard to gender diversity, the long-term ambition is to work towards a gender distribution at all leadership levels which is in line with the general workforce proportion. Our core countries and business units define the approach they deem necessary, adapted to the local culture and situation. As an absolute minimum, all legal obligations on the matter need to be implemented in every country. We monitor the evolution of the defined ambition levels on a yearly basis. The results of this monitoring exercise is reported to the ExCo.
- Several metrics (as mentioned below) are also monitored from a risk perspective (e.g., from a reputational risk angle).

Characteristics of our employees (3.1.2.2)

To ensure consistency in the reported data throughout the group, we have determined a common definition that is approved and applied by all countries.
Employee numbers in this statement are in headcount, unless otherwise mentioned, and they are calculated at year-end. By 'headcount' we understand all people having an active labour contract with KBC, and receiving a regular salary.
By 'FTE' we mean all full-time equivalent employees, being calculated as 'total hours worked (excluding overtime) divided by the average hours worked in a full-time job'. Only people included in the headcount figure, have a corresponding FTE figure calculated.

The figures below deviate from the figures in Note 3.8 of the Consolidated Financial Statements because the calculation method is not the same (in Note 3.8, figures are based on averages at month-end during the calendar year).

Employee headcount by gender	**31-12-2024**
Male	17 241
Female	22 688
Other*	0
Not reported	–
Total	39 929

* KBC does not register data related to another, often more neutral gender as specified by the employees themselves

Employee headcount by country – countries with at least 50 employees representing at least 10% of total number of employees	31-12-2024
Belgium	14 553
Czech Republic	11 432
Bulgaria	6 338

Employees by contract type and gender (FTE), 31-12-2024

	Female	Male	Other	Not disclosed	Total
Number of employees	20 979	16 609	0	–	37 588
Number of permanent employees	19 869	15 896	0	–	35 765
Number of temporary employees	1 017	665	0	–	1 683
Number of non-guaranteed hours employees	93	48	0	–	140
Number of full-time employees	17 321	15 443	0	–	32 764
Number of part-time employees	3 657	1 166	0	–	4 824

Employees by contract type and geography (FTE), 31-12-2024

	Belgium	Czech Republic	Slovakia	Hungary	Bulgaria	Rest of the world	Total
Number of employees	13 503	10 532	2 991	3 846	6 310	406	37 588
Number of full-time employees	10 047	9 842	2 910	3 701	5 882	382	32 764
Number of part-time employees	3 456	690	81	145	428	24	4 824

Employee turnover[1] (headcount) and turnover rate[2], 2024

Turnover in headcount	5 394
Turnover rate	13.5%

1 Turnover: during the reporting period a number of employees left KBC, voluntarily or due to dismissal, retirement, or death in service
2 For the calculation of the turnover rate, we divided the total number of employee turnovers by the total number of employees at the end of the year

Collective bargaining coverage and social dialogue (3.1.2.3)

In total, 87% of KBC's employees are covered by collective bargaining agreements, and 88% are covered by workers' representatives participating in the social dialogue.

The table below shows, for each country in the European Economic Area (EEA) in which we have significant employment (this means: at least 50 employees by headcount representing at least 10% of our total employees), the rate of employees covered by a collective bargaining agreement and by social dialogue.

Collective bargaining coverage and social dialogue, coverage rate, 2024	Collective bargaining coverage for employees – EEA	Social dialogue; workplace representation – EEA
0-19%		
20-39%		
40-59%		
60-79%	Bulgaria	Bulgaria
80-100%	Belgium Czech Republic	Belgium Czech Republic

We have an agreement with our employees for representation by a European Workers' Council, signed on 15 November 2012.

Diversity metrics (3.1.2.4)

Employees at top management level* (headcount) broken down by gender, 31-12-2024

	Female	Male	Other	Not disclosed	Total
Number of employees at top management level	70	197	0	-	267
% of employees at top management level	26.2%	73.8%	0.0%	-	100.0%

* Top management level at KBC is defined as 'Top 300', a specific list of Senior Management Positions within the competence of Corporate HR as approved by the ExCo, and not including ExCo members.

Distribution of total employees by age group (headcount), 31-12-2024

% of employees under 30 years old	13.5%
% of employees between 30 and 50 years old	56.2%
% of employees over 50 years old	30.3%

Adequate wages (3.1.2.5)

We pay all our employees an adequate wage, at least in line with the minimum wages defined by the local legislation.

Health and safety metrics (3.1.2.6)

Health and safety metrics, 2024

% of employees covered by a health and safety management system	100.0%
Number of fatalities as a result of work-related injuries and work-related ill health, number of employees	0
Number of fatalities as a result of work-related injuries and work-related ill health, number of other workers working on our sites	0
Number of work-related accidents	79
% of work-related accidents	1.2%

Compensation metrics (3.1.2.7)

Compensation metrics, 31-12-2024

Gender pay gap	31.2%
Adjusted gender pay gap	3.2%
Annual total renumeration ratio	93

Gender pay gap – contextual information

The gender pay gap represents the raw difference in average pay between male and female employees. This basic calculation highlights to some extent the gender pay gap, but it does not account for factors like salary differences across countries, different salary packages, local economic context, job roles or experience.

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 in subgroups according to these 3 parameters: country, Hay level and managerial responsibility. According to our analysis, these are the factors which explain for the largest part the pay gap. We believe that this provides a more insightful view on gender pay gap.

The adjusted gender pay gap 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.

Annual total remuneration ratio – contextual information
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.

Incidents, complaints and severe human rights impacts (3.1.2.8)

Numbers of incidents of discrimination including harassment, 2024

Total number of incidents of discrimination, including harassment	17
Of which justified incidents/complaints of discrimination, including harassment	4
Number of complaints filed through channels for people in own workforce to raise concerns (other work related complaints)	9
Number of complaints filed through the National Contact Points for OECD	0

Regarding discrimination, it concerns cases on the grounds of gender, racial or ethnic origin, nationality, religion or belief, disability, age, sexual orientation, or any other form of discrimination – including harassment. We did not pay any fines or penalties nor did we receive any requests for compensation for damages as a result of the incidents and complaints disclosed in the table above. As a result, nothing was taken up in the financial statements.

There were no severe human rights incidents related to our employees in the reporting period, including cases of non-respect of the UN Guiding Principles on Business and Human Rights, ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work and OECD Guidelines for Multinational Enterprises. We did not pay any fines or penalties nor did we receive any requests for compensation for damages for incidents related to human rights. As a result, nothing was taken up in the financial statements.

The measurement of all the metrics in this section has not been validated by an external body other than the assurance provider.

Consumers and end-users (3.2)

Consumers and end-users: impact, risk and opportunity management (3.2.1)

Policies related to consumers and end-users (3.2.1.1)

In addition to respecting the regulatory environment in which we operate, we see it as our responsibility to embed KBC's material impacts on consumers, and the associated material risks, in our policies.

Integrity Policy
The Integrity Policy sets out the KBC principles on integrity and ethical behaviour. It addresses conduct risk (the risk arising from the inappropriate provision of financial services) and focuses on the following areas with respect to all our consumers:
- Protecting investors and insurance policyholders;
- Respecting rules on consumer protection including fair commercial practices in payment and lending services;
- Complaints handling;
- Data protection and privacy, confidentiality of information and duty of discretion.

For a full description of the Integrity Policy, we refer to section 4.1.1.1.

Code of Conduct for employees

This Code of Conduct sets out our values, calls for responsible behaviour and addresses, among other things, key behaviour expected from all employees towards all our consumers, related to:

- data protection and discretion regarding confidential information;
- fair treatment of clients;
- provision of clear, straightforward and accurate information.

There is a key role for our product approval process (NAPP, see section 2.2.2.2) in the pre-sale context, the rule of only offering services appropriate for the client during sales and the analysis of breaches and handling complaints as part of fair client treatment in post-sales.

For more details regarding the Code of Conduct for employees, we refer to section 3.1.1.1.

Information Security Policy

In order to protect all our clients and shareholders, we consider our Information Security Strategy a key element of our Information Security Governance. This is accomplished by the information security controls that we continuously implement and maintain. It is a dynamic, living set of security controls, based on the most appropriate elements of ISO standards, the NIST Cybersecurity Framework and our own experience with information security. At the same time, these controls also establish the binding regulatory requirements to which KBC adheres, including but not limited to the EU General Data Protection Regulation (GDPR) and Digital Operational Resilience Act (DORA). The nature of these key controls ranges from governance, prevention, detection and response, and covers the entire information security life cycle.

A 'Three Lines of Defence' model is in place across the organisation, as described in the Enterprise Risk Management Framework (ERMF). The Information Security Officers and Local Operational Risk Managers act as first line of defence. For the second line, the Operational Resilience division of Group Risk jointly covers information risks, including information security, IT-related risks and Business Continuity Management together with the local risk function. It also includes the Group Cyber Expertise and Response Team (CERT). Internal Audit provides independent reasonable assurance on the adequacy and effectiveness of the control environment, which constitutes our third line of defence.

The information security strategy, under the accountability of the Chief Risk Officer and the Chief Innovation Officer, applies to KBC and all its subsidiaries and covers the full IT-security universe.

Whistleblower Protection Policy and Procedure
This policy is relevant for all our consumers and end-users as unethical or illegal activities affecting consumers and end-users are also explicitly in scope of the policy, such as:
- breaches relating to financial services, products and markets (including the prevention of money laundering and terrorist financing);
- breaches in the area of consumer and investor protection;
- breaches affecting the protection of privacy and personal data and the security of network and information systems.

In addition to persons linked to a work-related environment (who are the main focus of the policy), anyone – including clients – can report a breach in the areas of financial services, products and markets. For a description of the Whistleblower Protection Policy and Procedure, we refer to section 4.1.1.1.

The Code of Conduct for employees, the Whistleblower Protection Policy and Procedure and the Information Security Policy are publicly available on www.kbc.com.

Human rights commitments
As a financial institution, our highest risk in terms of potential involvement with human rights violations and potential human rights impact arises from our business relationships (through our credit and insurance portfolio, our advisory services, our asset management activities and our own investments). The KBC Human Rights Policy refers to other, more specific, sustainability policies and describes our process in place, which is in line with the OECD Guidelines for Multinational Enterprises, the ILO (International Labour Organisation) Declaration on Fundamental Principles and Rights at Work and the UN Guiding Principles on Business and Human Rights.

For our engagement towards consumers and end-users, we refer to section 3.2.1.2, and for the measures through which we provide and/or enable remedy for human rights impacts, we refer to sections 3.2.1.3 and 3.2.1.4.

Monitoring compliance with these Human Rights Policy commitments is embedded in our due diligence process (see section 1.2.4). In the reporting year, we did not identify any severe human rights issues and incidents related to our consumers and end-users.

Alignment with internationally recognised instruments
KBC considers internationally recognised instruments relevant to consumers, as demonstrated by the following:
- We are a signatory of the UN Global Compact Principles
- We apply the UN Guiding Principles on Business and Human Rights
- We are committed to respect the letter and the spirit of:
  - the United Nations Universal Declaration of Human Rights;
  - the OECD Guidelines for Multinational Enterprises;
  - other international and regional human rights treaties containing internationally recognised standards by which the business sector must abide.

Our commitment to respect these instruments, and in particular the OECD Guidelines for Multinational Enterprises, includes the commitment to observe consumer interests, such as:

- fair marketing practices;
- provision of accurate, verifiable and clear information that is sufficient to enable consumers to make informed decisions;
- protection of consumers' privacy;
- information about available dispute resolution and redress options;
- accessibility of information in plain language and for disabled people.

Through our policies related to consumers and end-users and the actions and processes described in this chapter, we protect the human rights and interests of KBC's consumers in line with these commitments.

None of the OECD National Contact Points received a referral concerning KBC in the reporting year.

Processes for engaging with consumers and end-users about impacts (3.2.1.2)

We have several processes in place for engaging with our affected consumers, their legitimate representatives, or with credible proxies that have insight into their situation.
We continuously follow-up on surveys and research on, for example, consumer behaviour (at group as well as local level). We regularly organise working groups with consumers to gain their insights. In Belgium, for example, we organise annual roundtables (in 2024, the theme was the accessibility of our products and services). We also address consumer-related topics on an ad hoc basis in our regular engagements with the ESB. In close collaboration with our Complaints Management departments, we carefully follow up on consumers' complaints. Our Sustainability Dashboard follows up on the implementation of our sustainability strategy, including our regular stakeholders' dialogue and the follow up on the concerns of our stakeholders. The dashboard is presented twice a year to the ExCo and the Board.

The follow-up of information gathered via stakeholders' engagements is organised by different departments. The general or senior general manager of each of these departments has the operational responsibility to ensure that this engagement happens and that the outcome is communicated to the manager who is best placed to take the views and interests of the stakeholders into account. Through our different engagements with consumers, we also aim to gain insight into the perspectives of consumers and end-users that may be particularly vulnerable to, for example, access to our products and services (e.g., consumers with disabilities, refugees), financial literacy (e.g., students and young adults). With respect to marketing practices and privacy, specific attention is given to the situation of children.

Processes to remediate negative impacts and channels for consumers and end-users to raise concerns (3.2.1.3)

For our general approach and processes related to preventing and providing a remedy to negative impacts (in cases where we would cause or contribute to a material negative impact to consumers), we refer to our NAPP process and other actions described in section 3.2.1.4.

We have different channels through which our consumers and other stakeholders can voice complaints. We aim to address these concerns and consequently improve our products, services and processes. We recommend that our consumers first contact their bank branch, relationship manager or insurance agent. This is the person who knows the consumer best and is best placed to help find a tailored solution to the consumers' potential grievances. We also have formal channels in place in all our core countries through which our consumers can report complaints. Information about these channels is available on the commercial websites of the various subsidiaries in our core countries, in the banking apps and in brochures and product sheets. We closely follow up all complaints and handle these within strict time frames with appropriate action. The complaints handling function is assigned to an independent unit or person outside of the commercial organisational structure. Where needed, the Compliance department is involved. The complaints channels are actively used by a broad range of consumers. The overall numbers, evolutions and nature of the complaints are monitored and reported at local entity or business unit level, and to the ExCo and Board. The reports show that our consumers are aware of, and trust our complaints channels and processes. Moreover, the relevant product or service department analyses ex-post all complaints together with the Risk and Compliance departments in order to assess needs for improvement.

In addition to our own complaints channels, our clients have access to the Alternative Dispute Resolution Channels for consumers that have been recognised for financial services by authorities in our core countries, such as Ombudsfin for banking services and Ombudsman Insurance for insurance disputes in Belgium. KBC is a member of these dispute resolution bodies.

In addition to persons in a work-related environment, being the legal target group of the whistleblowing channel, anyone can use this channel to report unethical or illegal activities in the area of financial services, products and markets and enjoy protection against retaliation. Reporting can also be done anonymously.

We have dedicated channels for our clients and end-users in all countries and subsidiaries, to exercise their privacy and data protection rights, including a Data Protection Officer (who can be contacted for all issues related to the processing of their personal data) and groupwide hotlines that serve as a single contact point to report cybercrime against KBC or its clients (e.g., Secure4U in Belgium). Our complaints channels are also directly accessible for consumers and end-users in their contact with KBC business relationships such as insurance agents or other business relationships that distribute our products, or to whom client facing activities are outsourced. Certain sustainability-related inquiries or complaints are addressed by the Group Corporate Sustainability department (via csr.feedback@kbc.be).

Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions (3.2.1.4)

In addition to the above-mentioned policies, we have several processes and actions in place to manage, assess and follow up the impacts, risks and opportunities of our products and services related to consumers and end-users.

We did not identify any actual material negative impacts on our consumers and end-users in the reporting year. Although we do our utmost to avoid this, we might still have a potential negative impact in the future on our consumers and end-users related to privacy and marketing practices, and through cyber risks.

Integrating social topics into the risk management framework and compliance risk management

We refer to section 2.2.2.2 (describing the action on ESG integration in our Risk Management Framework (RMF)) for an overview of the continuous efforts that we make to integrate ESG risks (including social risks) into our RMF and processes. We are taking a step-by-step approach whereby follow-up actions are defined based on the insights gained from our previous actions/ analyses. Our approach advances in sync with improvements in the availability and quality of data and methodologies.

Specifically with respect to social risks:

- within our Risk Appetite, a specific objective is dedicated to responsible behaviour;
- we carried out a pilot risk identification exercise on social risks to identify the most material social risks for KBC. Risks are identified for the full value chain (covering non-financial risks for our own and upstream operations, but also financial risks for downstream operations, e.g., in case corporate clients do not respect social legislation or standards);
- social risk scenarios were included in our stress testing mix, e.g., by applying stress on high social risk sectors/counterparts and by simulating a cyber event;
- within our operational risk management processes, several controls are in place to manage cyber risk (see also under 'Managing cyber risks' below), model risk (e.g., avoiding bias in models), business continuity (e.g., ensuring continuity of services provided to clients), legal risk and process risk (ensuring safe, reliable and efficient processes and services for clients);
- from a credit and reputational risk perspective, we use a sectoral Environmental and Social Heatmap within our loan origination and monitoring processes.

Protection of consumers, investors and policyholders, and data protection involve compliance risks that are in scope of the Compliance function:

- The following risks are identified as compliance risks: fair marketing practices, observance of the rules regarding provision of clear, straightforward and accurate information as specified in legislations related to various products, offering products in line with the client's needs and profile, protection of the personal data of clients, etc.;
  - We continuously follow up on regulatory evolutions, interpret them and define requirements, when necessary. The compliance function advises on the correct implementation while also first line controls are carefully followed up on and effective implementation is monitored;
  - Checks are installed in the NAPP process as described in the action on NAPP (see below);
- Several initiatives are taken to protect our clients' data, and governance is in place to ensure that General Data Protection Regulation (GDPR) is observed and the privacy of our clients is protected. Among others things,
  - we perform Data Protection Impact Assessments when required;
  - we have established a Cloud Enablement Forum to assess and mitigate risks when data is exchanged with third parties in the context of cloud services;
  - procedures are in place regarding notification and handling of potential data breaches;
  - mandatory training for all employees on privacy and data protection is established (general and job-specific).
  - within every KBC entity, the necessary information for our clients on how their personal data is handled is publicly available in our privacy and data protection statements;
  - channels are in place via which our clients can exercise their data subject rights;
- We have legal checklists and guidance in place which must be considered when developing a new marketing campaign. Furthermore, proactive advice of the compliance function is mandatory before the launch of a new campaign (or any marketing-related documents). In some cases, pre-approval of specific documentation and marketing material by local supervising authorities is required.

Managing cyber risks

Information- and cyber-related risks are identified and managed by dedicated teams in the first line of defence (Information Risk Management (IRM) team). The second line of defence executes several assurance activities regarding cyber threats and cyber risk-related events (such as setting standards, setting and testing controls, and groupwide reporting on actions and events). See also the above-mentioned Information Security Policy.

Management of cyber risk is integrated into the Risk Management Framework, including analysis, reporting, registration and follow-up. This ensures alignment with broader risk oversight and KBC objectives.
The actions implemented to manage cyber risk have a groupwide coverage and are part of a continuous process.

KBC actively identifies cyber risks by:

- monitoring the evolving cyber threat landscape, leveraging cyber threat intelligence from trusted sources, including industry reports, open and commercial threat information feeds, and government information. This ensures early awareness about active and emerging cyber threats;
- structured vulnerability management to identify, assess, and address security weaknesses across IT systems and infrastructure;
- comprehensive attack surface management to identify and map all externally exposed assets, identifying areas at risk for cyber threats;
- third-party and supply-chain management. A thorough vetting process is in place to assess the cybersecurity practices of suppliers, contractors and partners before engagement. By maintaining transparency and collaboration with third parties, KBC mitigates risks associated with external dependencies and ensures a secure and resilient supply chain;
- regular ethical hacks, challenges, tabletop exercises and stress tests to recognise cyber threats;
- targeted training and awareness programmes ensure employees across all levels are equipped to identify and report suspicious activities. By fostering a culture of vigilance and preparedness, we strengthen our workforce against cyber risks. To achieve this, we – among other things – regularly conduct internal phishing tests;
- monitoring the evolving cyber fraud landscape to enhance client protection and safeguard stakeholder data and financial assets. Continuous analysis and adaptation of security measures supports the commitment to stakeholder protection.

By combining cyber threat intelligence with insights and findings from the above activities, we proactively identify, assess and understand cyber risks that could target our company and stakeholders, enhancing our ability to defend against and respond to cyber threats effectively. Cyber risks are specifically analysed based on likelihood and impact, enabling risk prioritisation and mitigation efforts. Mitigation strategies include implementing robust technical controls, and ensuring adherence to best practices, industry standards and government regulations.

New and Active Products Process (NAPP) and governance framework to proactively identify, prevent, remedy and manage potential negative impacts and risks related to consumers and end-users
As specified in section 2.2.2.2, NAPP is an important tool to mitigate several ESG risks (in particular related to consumer protection and greenwashing). It is a groupwide process for KBC and all its subsidiaries that are active in the financial sector or acting as intermediaries for financial services (for all of their products, services and client-facing processes which directly impact the external client). Related to consumers and end-users, it aims to:

- ensure fair treatment of the client;
- safeguard the strategic fit of products/services;
- pro-actively identify and mitigate risks related to products, services and changes to client-facing processes which might negatively impact the client and/or KBC;
- ensure compliance with regulation.

Within NAPP, all relevant risks need to be assessed. In particular for social risks, the control functions:

- ensure that the launch of any new products or client-facing processes complies with the legal and regulatory provisions in place, such as MiFID II, the Insurance Distribution Directive (IDD), consumer protection regulations, Mortgage Credits Directive (MCD), Consumer Credits Directive, Payments Account Directive and other local and EU Regulations;
- assess risks related to data protection and conformity with General Data Protection Regulation (GDPR), ethical considerations (including non-discrimination of client groups, social inclusion), anti-money laundering and fraud, the use of models (including AI models), information security and ESG considerations.

Through advice and conditions established in the NAPP process, we determine the actions that need to be implemented to prevent negative impacts or to mitigate risks. The maturity of the NAPP process is periodically followed up and reported.

Actions regarding opportunities
We pursue material opportunities (i.e. advisory services related to, among other things, subsidies, (emerging) sustainability-related legislation) linked to consumers and end-users via our advisory services like webinars, third-party services and face-to-face interactions.

Actions that positively contribute to improved social outcomes for our consumers and end-users
We have additional actions in place that positively contribute to improved social outcomes for our consumers and end-users, such as:

- allowing access to financial services at fair market conditions;
- providing banking, insurance and asset management products and services that are accessible to everyone in accordance with their needs;
- enhancing financial literacy in Belgium among young adults to create awareness on debt pitfalls;
- by playing a role in the financial resilience of our consumers by, for example, protecting them from the financial consequences of healthcare risks with the insurance products we provide;
- by taking up our role in society and organising information sessions and campaigns to create awareness among our clients on cyber risks.

Resources allocated to the management of material impacts
As highlighted above:

- in first line, a Data Protection Officer (DPO) can be contacted by our consumers for all issues related to the processing of their personal data. The DPO is supported by colleagues in the Compliance department to adequately and timely address the reported issues;
- in second line, our material risks in the context of consumers and end-users are managed via the NAPP process. This process also allows us to address the negative and advance positive impacts. The NAPP process is applied groupwide and involves several departments within the organisation (such as the Compliance department, Risk department, Legal department, Business departments, senior managers presiding over the NAPP);
- moreover, our internationally recognised and certified Group Cyber Emergency and Response Team engages in specific activities related to cyber crisis and incident handling, cyber threat intelligence, cyber resilience and readiness training.

Consumers and end-users: metrics and targets (3.2.2)

Targets related to managing material negative impacts, advancing positive impacts and managing material risks and opportunities (3.2.2.1)

We do not have specific time-bound and outcome-oriented targets or indicators related to reducing negative impacts and/or advancing positive impacts and/or managing material risks and opportunities related to consumers and end-users.

We refer to sections 3.2.1.4 and 3.2.1.1, where we explain the ongoing processes in which we track the effectiveness of our policies and actions. Our level of ambition is:
- to not cause any material negative impacts on our consumers and end-users;
- to advance positive impacts where possible;
- to manage all our material risks and opportunities related to consumers and end-users.

Governance information

Business conduct (4.1)

Business conduct: impact, risk and opportunity management (4.1.1)

Business conduct policies and corporate culture (4.1.1.1)

Responsible business conduct is crucial for KBC. It allows us to gain and keep the trust of our stakeholders, which is the foundation of our existence and our 'social licence to operate'. Our corporate culture is a key enabler for embedding responsible and ethical behaviour throughout our organisation. This section lists our policies related to business conduct matters. These policies underpin the role we have as a financial institution in society and guide our day-to-day decisions and interactions.

In relation to these policies we organise recurrent awareness campaigns and mandatory training (in the form of, e.g., in-class training, web-based learning courses and webinars) for all employees within KBC. These cover business conduct topics such as whistleblowing; anti-corruption and anti-bribery; tax strategy; anti-money laundering and countering the financing of terrorism; group ethics and fraud; integrity and responsible behaviour. We offer specific mandatory training for every new employee and a three-yearly mandatory update training course for all staff (including top management, the ExCo and employees in functions at risk), specifically linked to the codes of conduct and the anti-corruption programme. In 2024, 99% of the target group followed the training. Full awareness and commitment at ExCo and Board level is assured by ExCo and Board approval of the Group Anti-Corruption and Bribery Policy and an explicit preceding statement about the anti-corruption culture and zero tolerance by

the CEO and the Chairman of the Board. This ensures that we create and maintain a satisfying awareness and knowledge level among all employees that is commensurate with their business activities and position.
More detailed information regarding training on ethics, avoiding conflicts of interest and combating corruption, anti-money laundering and data protection are provided in the 'Corporate Governance Statement' section (not audited).

Sustainability Policy Framework
The Sustainability Policy Framework encompasses all our sustainability-related policies (see section 2.2.2.1). It describes responsible behaviour and business ethics as the basic layer of sustainability at KBC.

Integrity Policy
The Integrity Policy sets out the KBC principles on ethical behaviour and integrity and the values of KBC linked to its strategy, which are essential components of sound business practices. It covers the identification and management of compliance risks. A core topic is 'conduct risk', a concept that identifies the risk arising from the inappropriate provision of financial services.

The Integrity Policy focuses primarily on the following areas, for which – where appropriate – specific group-wide compliance rules have been issued:
- Preventing the financial system from being used for money laundering and terrorism financing (including human trafficking activities, which are often underlying offences), observing embargoes, and preventing financing of proliferation of weapons of mass destruction;
- Tax fraud prevention;
- Protecting investors and insurance policyholders;
- Respecting rules on consumer protection, including fair commercial practices in payment and lending services;
- Complaints handling;
- Data protection and privacy, confidentiality of information and the duty of discretion;
- Fostering ethics and responsible behaviour as the foundation on which the strategy is built;
- Coordinating fraud prevention;
- Complying with anti-discrimination legislation;
- Respecting the governance aspects of CRD IV and V, Solvency II and/or local laws, and the provision of advice on outsourcing and sustainability regulations.

The policy describes the accountabilities within KBC related to the management of compliance risks and the role of the Compliance function. The Compliance function is preventive when identifying, assessing and analysing risks, and is controlling when monitoring, investigating and supervising the observance of the Integrity Policy.

Integrity Policy

Scope	Applicable to all employees within KBC and its subsidiaries. It sets the minimum requirements for all these entities, which are required to draft their own local integrity policy, taking into consideration, where needed, local provisions for the activities performed.
Most senior level accountable	This policy is approved by the Board. The ExCo is accountable for its elaboration and implementation. Top management is responsible for the implementation of the policy and for the management of the compliance risk.
Consideration key stakeholders	Treating our clients and all other stakeholders in a fair, honest and professional manner is a key consideration in the Integrity Policy.
Disclosure	The Integrity Policy is made available to all employees through internal communication channels. Dedicated awareness campaigns are regularly organised for many topics addressed by the policy.

Code of Conduct for employees

The way in which we expect our employees to behave responsibly is outlined in our Code of Conduct for employees (see also section 3.1.1.1). It stresses the importance of a strong corporate culture that calls for responsible behaviour and explicitly addresses the following business conduct matters (non-exhaustive):

- Fighting money laundering and terrorism financing;
- Zero tolerance for fraud;
- Protection of investors and capital markets;
- Data protection and confidential information;
- Client focus and avoidance of conduct risk;
- Tax laws and regulations;
- Zero tolerance for corruption;
- Preventing conflicts of interest;
- Strict rules on gifts, entertainment and sponsorship;
- Whistleblowing and general speak-up culture;
- Competition rules.

Anti-Corruption and Bribery Policy

The Anti-Corruption and Bribery Policy provides clarity about KBC's zero tolerance for all forms of corruption for all employees and third parties with whom KBC has a contractual relationship and sets out the criteria and principles for avoiding conflicts of interest. The following aspects are part of this policy:

- Top-level commitment to and governance of the KBC Anti-Corruption Programme;
- Anti-corruption procedures and controls in accounting;
- Investigation of alleged bribery cases by independent investigation units;
- Annual group-wide risk assessment on corruption and bribery risks;
- Internal controls, record-keeping and reporting;
- Ethical and anti-bribery due diligence and anti-corruption clauses in contracts;
- The principles related to 'Bribery and corruption' that are embedded in the screening methodology for investment decisions (including proprietary investments, investments conducted on behalf of clients and for the investment funds managed by KBC).

The functions that are most at risk in respect of corruption and bribery are in the following departments: Commercial Activities, Procurement, Sales, Marketing, Sponsorship, Lobbying, ICT and Real Estate, and departments involved in open banking and contracting third parties.

Anti-Corruption and Bribery Policy

Scope	Applicable to all employees of KBC and its subsidiaries as well as third parties with whom KBC has a contractual relationship (e.g., suppliers, joint ventures, service providers, etc.).
Most senior level accountable	This policy is approved by the ExCo and the Board. Top management is responsible for implementation in every entity.
Reference to third-party agreements	The policy is based on principle 10 of the UN Global Compact and the OECD Guidelines for Multinational Enterprises on corruption.
Consideration key stakeholders	The objective of this policy is to protect our clients, our business relationships and society against bribery and corruption. It aims to ensure that everyone, including all employees, is aware of their role and KBC's zero tolerance in this respect.
Disclosure	Published externally on www.kbc.com. Available internally for all employees.

Whistleblower Protection Policy and Procedure
Our Whistleblowing Policy outlines the general principles and procedures for reporting concerns related to unethical or illegal activities within our organisation (see also section 3.1.1.1).

Our goal is to ensure that all employees or other stakeholders, regardless of their location, feel empowered to raise concerns and feel protected when doing so. By fostering an environment where whistleblowing is encouraged and safeguarded, we aim to uphold our core values and promote a culture of responsible behaviour throughout the entire group.

KBC has set up specific whistleblowing channels where people can raise their concerns (including in an anonymous manner) without having to fear retaliation. As a minimum, reports can concern breaches in the 10 areas of Union law enumerated in EU Directive 2019/1937 on the protection of persons who report breaches of Union law and in the areas added by local legislation. All reports are investigated by an independent investigation unit, where confidentiality and objectivity are guaranteed. The compliance officer reports the results of the investigations to the ExCo via the customary reporting lines. Mitigating actions are taken if necessary.

Beyond the (legally required) procedures for following up on reports by whistleblowers, KBC has broadened the scope of the Whistleblowing Policy as follows:
- The scope of the content has been broadened to include immoral or unethical conduct and conduct that compromises the credibility and reputation of the KBC group in general (including corruption and bribery);
- The scope of who can report has been broadened from persons in a work-related environment (being the legal target group of the whistleblowing channel) to anyone who reports unethical or illegal activities in the area of financial services, products and markets. They also benefit from the protection against retaliation.

Anti-Money Laundering Policy
The objective of this policy is to establish the general framework for the fight against money laundering and terrorism financing throughout KBC. We are committed to compliance with high standards of anti-money laundering (AML) and countering the financing of terrorism (CTF). Accordingly, management and employees are required to adhere to these standards in preventing the use of our products and services for money laundering or terrorism financing purposes.

To this end, all credit and other financial institutions that are part of KBC are expected to develop a comprehensive AML programme. It must be based on the Group Compliance Rules, which encompass 'Know Your Customer' and 'Know Your Transactions' requirements. The AML programmes are further transposed into local procedures, taking into account local regulatory requirements and guidelines issued by the European Banking Authority.

In addition, as part of our Compliance Monitoring Programme, we perform recurrent AML/CTF-related quality controls in order to ensure the effectiveness of our instructions, procedures and processes in this domain.

Group Anti-Money Laundering Policy

Scope	Applicable to all credit and other financial institutions within KBC.
Most senior level accountable	The ExCo and in particular the Group Chief Risk Officer, who is a member of the ExCo.
Consideration key stakeholders	The objective of the policy is to protect our clients, our business relationships and society against money laundering and to counter the financing of terrorism. KBC complies with strict regulation and legislation to mitigate these risks.
Disclosure	Published externally on www.kbc.com. The Group Compliance Rules, which specify the associated requirements and instructions, are available internally for all employees.

Dealing Code

The Dealing Code contains measures to avoid insider dealing and market manipulation. It aims to prevent key employees and managers from knowingly or unknowingly performing transactions that are viewed as constituting market abuse. The Code describes prohibited conduct, the corresponding requirements, the duty to report personal transactions to the compliance officer and the relevant conditions. It further requires a list to be drawn up of key employees, who cannot execute personal transactions during periods considered sensitive, called blocking periods. Transactions by employees with a managerial responsibility as well as persons connected with them need to be reported to the Belgian Financial Services and Markets Authority (FSMA).

Furthermore, the Code describes the duties of the compliance officer, such as keeping a list of key employees and notifying them of the existence and content of the Dealing Code. The compliance officer also performs regular checks to ensure that the rules imposed are complied with and takes measures where necessary.

Dealing Code

Scope	Applicable to KBC and its subsidiaries and in particular all key employees and managers as defined in the policy.
Most senior level accountable	The ExCo is accountable for the implementation of the policy.
Consideration key stakeholders	The objective of this policy is to protect our clients, our business relationships and society against Insider Trading, Unlawful Disclosure of Inside Information and Market Manipulation.
Disclosure	Published externally on www.kbc.com. Every person in scope of the Dealing Code is notified of its existence and content and needs to confirm that they have read and understood the Code and have taken action to comply with it.

Ethics and Fraud Policy

This policy aims to ensure that KBC takes all necessary steps to protect the good name, reputation and assets of KBC and its subsidiaries and of all employees, clients, suppliers and other stakeholders. This includes developing processes and procedures, monitoring, creating awareness and training to prevent fraud and misconduct.

It outlines the Fraud Risk Management Process, which consists of the following interdependent and mutually reinforcing steps:
- Establishing an anti-fraud culture;
- Performing fraud risk assessments;
- Implementing preventive measures;
- Implementing detection controls;
- Establishing a clear fraud response protocol;
- Establishing monitoring and reporting practices.

Ethics and Fraud Policy

Scope	Applicable to KBC and its subsidiaries.
Most senior level accountable	Top management of the business units is responsible for the implementation of the policy.
Consideration key stakeholders	Integrity of our operations and the protection and interests of our stakeholders and our clients are placed at the forefront of fraud risk assessments and policy implementation. The policy has been designed and implemented to provide comprehensive protection for assets of both KBC and our stakeholders.
Disclosure	Published externally on www.kbc.com.

Tax Strategy

The general objective of our Tax Strategy is to ensure that we act as responsible taxpayers based on professionally executed tax compliance and legitimate tax planning driven by valid business purposes. Consequently, our employees are not allowed to provide any kind of advice or assistance to clients in terms of tax avoidance or the violation of regulations. Our Tax department operates independently from the business and is mandatorily involved in the NAPP process. We have proactive tax risk management and our tax compliance is based on robust systems, tools and procedures. Moreover, there is full transparency both to the public (e.g., disclosure of country-by-country tax figures (we refer to Note 3.11 in the consolidated income statement), tax rulings) and to the tax authorities.

Tax Strategy

Scope	The KBC tax strategy applies to the entire group.
Most senior level accountable	This policy is approved by the ExCo and the Board. The General Manager of Group Tax is responsible for the implementation of the Tax Strategy.
Consideration key stakeholders	Our Tax Strategy has been drafted taking into account the interests and expectations of a wide base of key stakeholders, including tax administrations and governments, regulators, investors and shareholders, non-governmental organisations, the media and the general public, our clients and our employees.
Disclosure	Published externally on www.kbc.com and available internally for all employees.

Sustainability Code of Conduct for Suppliers

Our Sustainability Code of Conduct for Suppliers ensures that suppliers pay attention to and comply with social, ethical and environmental principles. It informs our suppliers that KBC is entitled to conduct interim screenings to evaluate whether suppliers comply with the agreed sustainability principles. To this end, KBC leverages external and internal databases which provide signals about suppliers. Signals such as lawsuits and other wrongdoings (e.g., negative media attention) of suppliers are captured, evaluated and decided upon by Procurement in consultation with the relevant competent departments (such as, e.g., Group Corporate Sustainability). If any violations come to light that cannot be fundamentally resolved within a reasonable period of time, KBC has the right to terminate all contracts with the supplier concerned.

Sustainability Code of Conduct for Suppliers

Scope	Applicable to all supplier entities (including parent companies and subsidiaries of KBC's contractual counterparties).
Most senior level accountable	The Sustainability Code of Conduct for Suppliers is part of our sourcing relationships, which are largely regulated via contracts. Contract ownership is decentralised at KBC and lies with the beneficiary of the goods and services. In practice, the key beneficiary is usually the Senior General Manager of the department receiving the goods or services (i.e. top management).
Reference to third-party agreements	This policy contributes to our commitment to observe the UN Global Compact Principles.
Consideration key stakeholders	This policy has been challenged by our ISB, representing the interest of key stakeholders.
Disclosure	Published externally on www.kbc.com.

Corporate culture

To grow and maintain the trust of our stakeholders, it is crucial that all our employees always behave responsibly in everything they do, across all layers of the organisation. Responsible behaviour is a cornerstone of our corporate culture and is strongly rooted in all the above-mentioned policies, including the related training and awareness programmes. We have developed a 'Responsible Behaviour Compass' for our employees, a document that outlines basic principles of common sense around responsible behaviour and fair decision-making. It addresses the risks, standards, policies, processes and structures involved in maintaining KBC's high standards on responsible behaviour.

The foundations of our corporate culture are our three core values: be respectful, be responsive and be result-driven. These three attitudes are closely linked to each other and cannot be seen independently from one another. Our corporate culture is summed up in the acronym 'PEARL+' and was established in 2012, when the Strategy was updated. It was decided by the ExCo. We evaluate our corporate culture by conducting employee engagement surveys every six months (see 3.1.1.2). We refer to the 'Our business model' section (which is not subject to external assurance) for more details.

Responsible behaviour is embedded in the whole organisation and is not limited to managers, but is expected from all our employees. All employees should be aware of the company culture, in which people are encouraged to feel both empowered and accountable to report unethical behaviour. As there is space for alternative views and even mistakes, without taboos, speaking up is encouraged at three levels: peer to peer, towards line management and/or via the whistleblowing channels (we refer to our whistleblowing policy). Observed violations of our Code of Conduct for employees, such as unlawful behaviour, are sanctioned in line with work regulations.

Management of relationships with suppliers (4.1.1.2)

KBC is committed to meeting the contractual terms that have been agreed with its suppliers. This includes paying each supplier in a timely manner, i.e. within the contractual payment period. We monitor the timeliness of our payments to suppliers and report to a steering committee at management level. Cases where timely payment is not possible because of certain circumstances, such as issues that are to be resolved with the supplier, are closely followed up. In this regard, all suppliers, including SMEs, are treated equally.

When it comes to managing the risks as well as ESG-related impacts associated with our supplier relationships, we have several processes in place throughout the selection process and contract lifecycle.
First of all, we have defined a blacklist of suppliers based on ESG factors. In this way, companies that are involved, either directly or via a subsidiary, in controversial activities such as the production of nuclear weapons or white phosphorus are excluded from being selected as candidate suppliers. Furthermore, in preparation for a purchase, candidate suppliers are screened as part of our onboarding process. This screening includes a check on financial health, embargoes, lawsuits and convictions. We also perform dedicated ESG screening based on a standard questionnaire for all purchases above 250 000 euros and other purchases when deemed appropriate. KBC encourages suppliers to provide detailed ESG-related information in their product and service offers. The provision of such information can be considered as a positive criterion during supplier selection.

On concluding a contract, each supplier must agree to comply with the social, ethical and environmental principles in our Sustainability Code of Conduct for Suppliers (as described in section 4.1.1.1).
During the contract lifecycle, we actively monitor the contractual performance of our suppliers. In addition, we screen active suppliers on a monthly basis using the KBC internal alerting system, which includes financial health, embargoes, lawsuits and convictions. The setup for monitoring suppliers' ESG-related performance is reviewed as part of the wider reviews of our procurement processes and tooling.

Actions in relation to business conduct policies (4.1.1.3)

In addition to the above-mentioned policies, we have actions in place to manage, assess and follow up the impacts and risks related to business conduct matters.

Integrating governance topics into the risk management framework and compliance risk management
We refer to section 2.2.2.2, describing the action on ESG integration in our Risk Management Framework (RMF), for an overview of the continuous efforts that we make to integrate ESG risks (including governance risks) in our RMF and processes.

Specifically with respect to governance risks, we have implemented the following:
- Within our risk appetite, specific objectives are dedicated to promoting strong corporate culture, corporate governance and risk & compliance management;
- Governance risks are assessed as part of the NAPP (as described in section 2.2.2.2). In particular for business conduct, within the NAPP process risks and potential negative impacts are assessed and necessary actions defined related to conduct risk (the risk of offering financial services and products in an inappropriate or unethical way), fraud, sustainability, anti-money laundering requirements, embargoes, tax fraud and regulatory incompliancy;
- Management quality is assessed for large corporates as part of the loan origination process (in the context of credit risk management).

Our compliance risk management focuses in particular on integrity, including ethical behaviour and management of conduct risk. Protection of consumers, investors and insurance policyholders, prevention of money laundering and terrorism financing, corruption and bribery, fostering ethics and responsible behaviour and aspects of corporate governance are core compliance domains. While the Executive Committee and top management of business units are primarily accountable for the management of compliance risks, the compliance function also plays a fundamental role.

Prevention and detection of corruption and bribery (4.1.1.4)

We have established several procedures to prevent, detect and address allegations or incidents of corruption and bribery. They are mentioned in the Anti-Corruption and Bribery Policy (we refer to section 4.1.1.1) and involve (this list is not exhaustive):

- Conflict of interest policies;
- Policy on Gifts, Entertainment, Donations and Sponsorship;
- Due diligence, pre-employment screening when appointing board members and top management;
- Four-eye principle in our recruitment process;
- Specific anti-corruption procedures and controls in accounting;
- Yearly anti-bribery and corruption risk assessments in each entity, taking into account the country risk, sector risk, transaction risk, business opportunity risk, business partnership risk and due diligence risk;
- Mandatory training and awareness sessions for all staff;
- Implementation of various first-line controls in the business lines to prevent corruption and bribery, which are additionally monitored in compliance monitoring programmes by the compliance function;
- Record-keeping of breaches.

Our Whistleblower Protection Policy, our speak-up culture as mentioned in the Code of Conduct for employees, our Anti-Money Laundering Policy and our Sustainability Code of Conduct for Suppliers (including anti-corruption due diligence procedures and written commitments and clauses in all contractual agreements) support our approach to corruption and bribery. We refer to section 4.1.1.1 for further information on these policies.

The investigations related to corruption and bribery are conducted by an independent investigation unit under the supervision of the compliance function. Incidents and outcomes of corruption- and bribery-related investigations (if any) are reported to local management or the ExCo, the Group ExCo and the RCC.

For more information on training related to corruption and bribery, we refer to section 4.1.1.1.

Business conduct: metrics and targets (4.1.2)

Confirmed incidents (4.1.2.1)

KBC has no convictions nor received any fines for violating anti-corruption and anti-bribery laws during the reporting period. This information is not externally validated by an external body other than the assurance provider.

Payment practices (4.1.2.2)

As mentioned in section 4.1.1.2, KBC is committed to paying all its invoices from suppliers (including suppliers which are SMEs) on time. At KBC, the most commonly used standard payment term is 30 days after the receipt of a correct invoice. This payment term is applied to about 88% of our annual invoices by value, and is used across KBC and its subsidiaries and equally for all suppliers and types of invoices. For invoices related to our leasing activities in Bulgaria, which represent 11% of our annual invoices, we use a standard payment term of 5 days. We further note that for less than 1% of our annual invoices, the payment term deviates at the level of local subsidiaries or as a result of negotiations at the level of individual contracts.

In 2024, the average number of days between the payment date and the date of receipt of an invoice was 16 days. This metric is not externally validated by an external body other than the assurance provider. It was calculated for the first time for the purpose of this Sustainability Statement. The calculation is based on actual invoice data from KBC and its subsidiaries in our five core countries and excludes payments to employees, intra-group items and payments to tax authorities. The consolidated figure at the level of KBC represents a weighted average based on the total number of invoices.

Cases where KBC does not respect the payment period are mostly related to processing issues, such as incorrect invoices where, for instance, the amount, price or VAT is not in line with the data in our financial systems. The team that resolves these issues has to report to our Procurement management the number of blocked invoices and the period needed to resolve the issues.
Additionally, we note that KBC (including all its subsidiaries) does not have any outstanding legal proceedings for late payments.

KPMG

Independent auditor's limited assurance report on the consolidated sustainability information of KBC Group NV

FREE TRANSLATION OF A LIMITED ASSURANCE REPORT ORIGINALLY PREPARED IN DUTCH

To the general meeting

In the context of the legal limited assurance engagement on the consolidated sustainability information of KBC Group NV ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our report on this engagement.

We were appointed by the general meeting of May 2, 2024 in accordance with the proposal of the board of directors on the recommendation of the audit committee and as presented by the workers' council of the Company to perform a limited assurance engagement on the consolidated sustainability information of the Group included in the section Report of the Board of Directors – Sustainability statement of the Annual report KBC Group 2024 as of December 31, 2024 and for the year ended on this date (the "sustainability information").

Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended December 31, 2024. This is the first year that we have performed the assurance engagement on the sustainability information of the Group.

Limited assurance conclusion

We have performed a limited assurance engagement on the sustainability information of the Group.

Based on the procedures performed and assurance evidence obtained, nothing has come to our attention to cause us to believe that the sustainability information of the Group is in all material respects:

- not prepared in accordance with the requirements of article 3:32/2 of the Companies' and Associations' Code, including compliance with the applicable European standards for sustainability information (European Sustainability Reporting Standards (ESRS));
- not in compliance with the process carried out by the Group to identify the sustainability information ("the Process") in accordance with the European Standards as disclosed in section 'Description of the processes to identify and assess material impact, risks and opportunities (1.4.1)' of the sustainability information; and

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BTW - TVA BE 0419.122.548
RPR Brussel - RPM Bruxelles
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- not in compliance with article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation") regarding the publication of the disclosure included in the section EU-taxonomy – detailed tables of the Annual report KBC Group 2024.

Our conclusion on the sustainability information does not extend to any other information that accompanies or contains the sustainability information and our report.

Basis for conclusion

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB), as adopted in Belgium.

Our responsibilities under this standard are further described in the "Responsibilities of the independent auditor for the limited assurance engagement on the sustainability information" section of our report.

We have complied with the ethical requirements that are relevant to our assurance engagement on the sustainability information in Belgium, including the independence requirements.

Our firm applies International Standard on Quality Management (ISQM) 1. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for our limited assurance engagement.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

The scope of our procedures is limited to our limited assurance engagement on the sustainability information of the Group. Our limited assurance engagement does not extend to information relating to the comparative figures.

Interconnectivity between the sustainability information and the consolidated financial statements

The board of directors is responsible for referencing the sustainability information to the amounts reported in the consolidated financial statements to ensure the interconnectivity between the sustainability information and the consolidated financial statements. Our conclusion included in the section "Limited assurance conclusion" does not extend to the interconnectivity between the sustainability information and the consolidated financial statements, and we do not express any assurance conclusion thereon. In the context of our limited assurance engagement, we are responsible, as contractually determined, to verify the referencing from the sustainability information to the amounts reported in the consolidated financial statements. In the context of the procedures carried out in this respect, we did not identify any material misstatements that we have to report to you.

Board of directors' responsibilities for the preparation of the sustainability information

The board of directors of the Company is responsible for designing and implementing the Process and for disclosing this Process in section 'Description of the processes to identify and assess material impact, risks and opportunities (1.4.1)' of the sustainability information. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- making assumptions and estimates that are reasonable in the circumstances.

The board of directors of the Company is further responsible for the preparation of the sustainability information, which includes the information determined by the Process:

- in accordance with the requirements of article 3:32/2 of the Companies' and Associations' Code, including compliance with the applicable European standards for sustainability information (European Sustainability Reporting Standards (ESRS)); and

- in compliance with the requirements of Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation") regarding the publication of the information included the section EU-taxonomy – detailed tables of the Annual report KBC Group 2024.

This responsibility entails:

- designing, implementing and maintaining such internal controls that the board of directors determines are necessary to enable the preparation of the sustainability information such that it is free from material misstatement, whether due to fraud or error; and
- selecting and applying appropriate sustainability reporting methods and making assumptions and estimates that are reasonable in the circumstances.

The audit committee is responsible for overseeing the Company's sustainability information reporting process.

Inherent limitations in preparing the sustainability information

In reporting forward-looking information in accordance with ESRS, the board of directors of the Company is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected and the deviations may be material.

Responsibilities of the Independent auditor for the limited assurance engagement on the sustainability information

It is our responsibility to plan and perform the assurance engagement to obtain limited assurance about whether the sustainability information is free from material misstatement, whether due to fraud or error, and to issue a limited assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the sustainability information as a whole.

As part of a limited assurance engagement in accordance with ISAE 3000 (Revised), as adopted in Belgium, we exercise professional judgment and maintain professional skepticism throughout the engagement. The work carried out in an engagement with a view to obtaining a limited degree of assurance, for which we refer to the section "Summary of the work performed", is less in extent than for a reasonable assurance engagement. We therefore do not express a reasonable assurance conclusion.

As the forward-looking information contained in the sustainability information and the assumptions on which it is based, relate to the future, it may be affected by events that may occur and/or by possible actions of the Group. The actual outcome is likely to differ from the assumptions, as the anticipated events will frequently not occur as expected and the deviations may be material. Our conclusion is therefore not a guarantee that the actual outcomes reported will be consistent with those included in the forward-looking information included in the sustainability information.

Our responsibilities in relation to the Process for reporting the sustainability information, include:

- obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in section 'Description of the processes to identify and assess material impact, risks and opportunities (1.4.1)' of the sustainability information.

Our other responsibilities in respect of the sustainability information include:

- obtaining an understanding of the Group's control environment, relevant processes and information systems for the preparation of the sustainability information but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- identifying areas in the sustainability information where material misstatements are likely to arise, whether due to fraud or error; and
- designing and performing procedures focused on disclosures in the sustainability information where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain assurance evidence about the sustainability information. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The nature, timing and extent of our procedures depend on our professional judgment, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the sustainability information.

In conducting our limited assurance engagement with respect to the Process, we have:

- obtained an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- evaluated whether the assurance evidence obtained from our procedures about the Process implemented by the Group was consistent with the description of the Process set out in section 'Description of the processes to identify and assess material impact, risks and opportunities (1.4.1)' of the sustainability information.

In conducting our limited assurance engagement with respect to the sustainability information, we have amongst others:

- obtained an understanding of the Group's reporting processes relevant to the preparation of its sustainability information by, through the performance of inquiries, obtaining an understanding of the Group's control environment, relevant processes and information systems for the preparation of the sustainability information;
- evaluated whether material information identified by the Process is included in the sustainability information;
- evaluated whether the structure and the presentation of the sustainability information is in accordance with the ESRS;
- performed inquiries of relevant personnel and analytical procedures on selected disclosures in the sustainability information;

- performed substantive assurance procedures based on the basis of a limited sample on selected disclosures in the sustainability information;
- obtained assurance evidence on the methods for developing material estimates and forward-looking information as further described in the "Responsibilities of the Independent auditor for the limited assurance engagement on the sustainability information" section of our report;
- obtained an understanding of the process of the Group to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the sustainability information.

Information about the independence

Our audit firm and our network have not performed any engagement which is incompatible with the limited assurance engagement and our audit firm remained independent of the Group during the term of our mandate.

Zaventem, March 28, 2025

KPMG Bedrijfsrevisoren
Independent Auditor
represented by

Kenneth Vermeire Bedrijfsrevisor	Steven Mulkens Bedrijfsrevisor