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KBC tightens energy policy and introduces new policy on biodiversity

Wednesday, May 6, 2020

- **Further tightening of current, already far-reaching KBC energy policy: no new financing or insurance of coal activities from 1 July 2020 and full exit by 2030.**
- **New: biodiversity separately on KBC's sustainability radar**
- **International recognition for KBC sustainability approach**

As society's expectations of sustainability and social responsibility evolve, KBC is constantly working on tightened and new objectives and policies. KBC decided to discontinue all financing and insurance of coal-related activities and businesses by 2030. This is a substantial tightening of the current, already far-reaching policy on coal financing. KBC is also introducing a new policy on biodiversity.

These new and stricter policies will take effect on 1 July 2020 and apply to all credit and insurance activities in the KBC Group's core markets.

Johan Thijs, CEO KBC Group, explains the evolution of the KBC policy lines: "*Our modified energy policy not only provides for zero tolerance by 2030 for the financing and insurance of coal activities, but also for a stricter evaluation of customer relationships. With this stricter policy, our signing of the UNEP FI "Collective Commitment to Climate Action" in September 2019 will take further concrete form.*

We also decided to introduce a new, comprehensive policy on biodiversity, building on previous specific initiatives in this direction. As a matter of fact, biodiversity on our planet is declining at an alarming rate. Nevertheless, biodiversity is essential for the survival of mankind, the economy and society in general.

With these new and adapted policies, we are once again raising the bar, both for ourselves and for our customers. Our insights are constantly evolving in line with society's changing perceptions and expectations. I am pleased that we are now also gaining more and more international recognition for these years of efforts to make sustainability a strategic anchor point and for the pioneering role we are playing in this area. This shows that we are also the reference in the field of sustainability and that we are eager to contribute even more to a liveable and healthy environment for everyone. "

Filip Ferrante, Director Corporate Sustainability KBC Group, elaborates on this international recognition that KBC's sustainability is now receiving: "*We were recently included in the Sustainability Yearbook 2020 that rating agency S&P Global publishes in collaboration with sustainability expert RobecoSAM. The Sustainability Yearbook only includes companies that are among the 15% best-performing in their sector worldwide. We are the only Belgian financial institution to be included in this ranking and are among the best-performing companies in Belgium.*

We were also recognised by the international non-profit organisation CDP as a 'global leader' for the way in which we encourage our suppliers to make a positive contribution to climate change. We received this recognition for our actions and policies - through the supply chain - to reduce CO2 emissions and manage climate risks".

KBC was included on the Supplier Engagement Leaderboard, which lists the 3% best companies evaluated by CDP. CDP also confirmed KBC's excellent 'A-' Leadership score for its focus, actions and approach to climate change.

KBC Asset Management also joined "*Climate 100 Action Plus*", an organisation of asset managers and institutional investors whose aim is to jointly encourage companies to make faster and better progress with climate transition, and to help them do so where possible.

What do the tightened and new policy lines mean in concrete terms?

1. No more coal financing and coal insurance after 2030

As from 1 July 2020, KBC will no longer finance or insure new customers if they derive any energy production capacity (electricity and heat) from coal.

For existing customers, the maximum allowed production capacity from coal will be reduced from the current 50% limit to 25% from 1 July 2020. For customers who do not meet this limit, the current credit and insurance contracts will be phased out within the applicable contractual agreements.

In 2030 this limit will drop to zero for all customers. From then on, KBC will no longer finance or insure any company that still derives energy production capacity from coal.

The financing and insurance of coal-fired power plants and coal mining was excluded anyway. In addition, the financing of import and export transactions relating to thermal coal is now also excluded.

In order to support the necessary energy transition, the financing and insurance of projects that form part of this transition remains possible for existing customers, even if they derive more than 25% of their energy production capacity from coal, but under a number of strict conditions.

2. Exceptions for the Czech Republic are tightened

However, taking into account the specific energy mix of the Czech Republic and KBC's social responsibility towards the local population, some limited exceptions remain possible in this country. The financing and insurance of existing customers that derive more than 25% of their energy production capacity from coal remains possible for:

- projects involving environmental improvements (e.g. reconversion of a former mining site);
- projects of social benefit.

However, KBC will no longer finance or insure heat distribution networks in the Czech Republic.

Current coal-related financing and insurance in the Czech Republic will be phased out at an accelerated pace:

- power generation and mining: by the end of 2023 at the latest;
- heat production: by the end of 2030 at the latest (instead of 2035 before).

KBC's detailed updated energy policy can be found in the *KBC Group Energy Policy*.

3. New biodiversity policy prohibits or restricts a wide range of controversial activities

Building on existing KBC policies on forestry, mining, unconventional oil and gas extraction, palm oil and soy, KBC is now also implementing a comprehensive policy for biodiversity. Under this policy, a number of activities are either excluded for financing and insurance, or are only allowed under strict conditions.

KBC prohibits the financing and insurance of activities that relate to, take place in, or have a serious impact on a wide range of themes: deforestation, threats to UNESCO World Heritage sites or protected areas (according to the list of the *International Union for Conservation of Nature - IUCN*), use of protected animal species for experiments, trade in protected animal and plant species, trade in invasive animal and plant species, fishing practices that cause irreparable damage to aquatic habitats and ecosystems, and unconventional oil and gas extraction (e.g. tar sands, shale oil and shale gas and arctic and antarctic drilling).

For forestry, mining and the cultivation of crops such as palm oil, soy, cocoa, coffee and sugar cane, KBC introduces restrictions, usually in the form of generally accepted sector principles (e.g. the *Roundtable on Sustainable Soy, Bonsucro,* etc.) that must be endorsed by the companies concerned. In addition, these companies must undertake to bring their entire production in line with these principles within 5 years.

The detailed KBC Biodiversity Policy can be found in the *KBC Group Biodiversity Policy*

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