



Press release

Brussels, 11 December 2020 – 2 p.m.

KBC takes stock after a year's Collective Commitment to Climate Action and sets out ambitious ongoing sustainability engagement.

KBC has defined sustainability as a strategic cornerstone for some years now. The group pursues a concrete and far-reaching policy in the area of sustainable lending, investments, insurance and banking advice, all with the permanent support of internal and external expertise.

KBC intensified its sustainability commitment on 23 September 2019 as one of the first financial institutions in Europe [to sign up to](#) the UN's Collective Commitment to Climate Action (CCCA). The organisation has not sat back during the past year. KBC has taken all sorts of initiatives to make its business operations fundamentally more sustainable. Through its active engagement within the CCCA, KBC can help bring about a substantial change of course within the financial sector, the economy and society – not only in Belgium, but elsewhere in Europe too. And KBC's commitment is not limited to its CCCA obligations.

Filip Ferrante, General Manager of Corporate Sustainability at KBC Group sums up the importance to KBC: *'Our thinking is steadily evolving in line with society's shifting perceptions and expectations. I'm delighted by the growing international recognition for our years of effort to make sustainability a strategic anchor point and for the pioneering role we play in this field. This year, for instance, we were the only Belgian financial institution to be included in the Sustainability Yearbook 2020 published by the rating agency S&P Global in collaboration with the sustainability expert RobecoSAM. We were also acknowledged in December 2020 for the fourth year in a row as a leader in the field of climate action by the international non-profit organisation CDP. All this places KBC in the 35% of financial sector businesses that have achieved "leadership" level in their efforts to tackle climate change. It shows we're the reference in the sustainability space too and that we're eager to make a growing contribution to a liveable and healthy environment for everyone.'*

Under the auspices of the United Nations Environmental Programme (UNEP FI), the CCCA brings together 38 leading banks – mostly European but also from other continents – which are joining forces to help achieve an entirely climate-neutral economy and society by 2050. These banks have agreed to align their portfolios and business strategy with the Paris Climate Accord to limit global warming to below 2°C while striving for a target of 1.5°C. Taken together, they represent total assets of 15 trillion USD.

The signatory banks have committed themselves to:

- take concrete action to reduce their exposure to carbon-intensive and climate-sensitive sectors;
 - translate the 1.5°C target into concrete objectives per sector, based on scientific scenarios by the end of 2022;
 - use their client relationships, products and services to stimulate the economic transition and hence to boost the greening of our economy and society; and
- ensure regular and transparent reporting in these areas.

Need for advanced measuring and reporting instruments

If these ambitions are to be realised, it is crucial that the right measuring instruments and definitions are available and that they are applied consistently by all the banks. Only then will accurate, overall progress reporting be possible.

A great many methods/methodologies have yet to be perfected at this point. In some instances, broader-based or deeper academic or scientific underpinning is required; not every approach is equally suitable for all sectors, production methods or technologies; some client segments lack the resources or opportunities to deliver all the requested data consistently and systematically; and so on.

KBC is therefore participating in the pilot project to implement new measuring instruments like PACTA (*Paris Agreement Capital Transition Assessment*) and PCAF (*Partnership for Carbon Accounting Financials*). The latter has already been intensively tested by KBC on its loan portfolio (home loans, car loans and vehicle leasing) – initially in Flanders but recently also in other regions and countries where KBC is active. KBC also uses PACTA as a more effective methodology for analysing the climate impact of particular sectors and the transition process. The knowledge derived from this analysis is likewise helping KBC to offer guidance to clients in their transition to a lower-carbon economy.

Active KBC contribution to realising the CCCA ambitions

The CCCA refers in its annual review to KBC's updated policies on the financing and/or insurance of coal-related industries. These policies are accessible to the public on KBC's corporate website.

KBC has indeed focused strongly on climate improvement over the past year by stimulating activities with a positive impact. KBC Securities Project Finance, for example, has now funded green energy projects to the tune of 1 billion euros, over 900 million of which has gone towards wind parks offshore and on land. This makes it one of the project finance leaders in Belgium, where seven out of eight offshore wind parks have been established with KBC's involvement.

KBC's ambitions for climate-improving investments were clarified during the strategy update of 12 November 2020 by **KBC Group CEO Johan Thijs**: *'We want to remain the reference and will substantially raise the bar for our climate-related ambitions. For example, it is our ambition to further reduce our greenhouse gas emissions by 80% by 2030 and to achieve full climate neutrality by the end of 2021, by offsetting the balance.'*

This has been further translated into the following heightened ambitions:

- more than double the number of SRI funds by 2025, with SRI accounting for 50% or more of new fund production by 2021;
- renewable energy to rise from 50% of total lending to the energy sector) to 65% by 2030;
- KBC has a proven track record in reducing its direct exposure to the coal industry. The exception that still applied to the Czech Republic for the funding of coal-fired power stations for communal heating systems will be dropped in 2021;
- increase from 90% (percentage of KBC's own power consumption) to 100% green electricity by 2030;
- reduction of 80% rather than 65% (compared to 2015) of the group's own greenhouse gas emissions by 2030. KBC will offset the remainder in order to be entirely climate-neutral by the end of 2021.

KBC is committed to many other aspects of sustainability too. In the field of mobility, the group has pioneered cycle leasing in Belgium. By the end of November 2020, KBC had already leased 19 000 bikes to businesses and public sector organisations, avoiding the emission of over 4 000 tonnes of CO2 a year. In this way, KBC is also actively contributing to the greening of business transport.

What's more, KBC provides direct access to public transport tickets and shared cars and cycles through its Mobile Banking app. Between the launch of this service at the beginning of 2019 and the end of September 2020, no fewer than 1.7 million public transport tickets and 18 650 shared cycle rides were sold. It means that KBC's 'digital first' focus has also been followed through in the sustainable KBC Mobile service offering.

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