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KBC strengthens climate commitment

KBC, together with several other leading international banks, today signed the [Collective Commitment to Climate Action](#), an initiative of the United Nations Environmental Program Finance Initiative (UNEP FI). This new commitment is a clear expression of the more general UNEP FI Principles on Responsible Banking, to which KBC committed itself in [December 2018](#) and which were officially reaffirmed today at a formal meeting in New York.

With this Collective Commitment to Climate Action, KBC commits itself - in cooperation with its customers - to stimulate the greening of the economy as much as possible and thus to limit global warming to well-below 2°C, striving for 1.5°C, in line with the Paris climate agreement. In this way, KBC builds on previous policies and initiatives (such as the phasing out of the financing of coal activities and unconventional oil and gas production) that give shape to the sustainable fulfilment of KBC's social role.

Johan Thijs, group CEO of KBC is proud of the signing: "*The impact of global warming is one of the greatest challenges of our society. By signing the Collective Commitment to Climate Action, we, together with KBC Group, are making a clear and far-reaching commitment to make a concrete and tangible contribution in the short term from our core activities, not only as a bank, but also as an insurer and asset manager. I am pleased that as a leading financial group we can once again play a leading role in the process of transition to a more sustainable society.*"

Measuring is knowing

Since 2015, KBC has already reduced direct greenhouse gas emissions from its own operations and its own energy consumption by 38%. By signing the Collective Commitment to Climate Action, KBC is committed to also addressing its indirect impact on the climate. This means that KBC will take into account the lending to and investments in activities and projects of its business clients in the calculation of that impact. In this way, KBC builds on its economic role as a bank, insurer and asset manager.

In a first phase, KBC develops the necessary scientifically sound methods to map out the current climate impact of the activities in its credit and investment portfolio. This is done together with other leading banks, insurers and all other relevant organisations (such as UNEP FI).

Pilot projects launched

KBC has already started the first pilot projects for this purpose. For example, it is actively participating in the UNEP FI methodology, which aims to identify the climate risks for the most impacted sectors in its business portfolio. In addition, KBC screens its loan portfolio using the PACTA (Paris Agreement Capital Transition Assessment) methodology and prepares a pilot to measure the CO2 emissions associated with the activities in the loan and investment portfolio according to the PCAF (Platform Carbon Accounting Financials) methodology.

On the basis of these methodologies, KBC will also be able to publish clear quantitative targets within three years, which will of course be in line with the Paris climate agreement.

In dialogue with business customers

In the meantime, KBC will continue to take its social role to heart, for example by engaging in dialogue with business customers and helping them to support their transition to a greener economy. This is done with the help of the indicators brought together by KBC on the basis of the above-mentioned UNEP FI and PACTA methods, with the green financial products that KBC can offer them and even by putting them in contact with partner organisations that can help realise energy-saving initiatives (such as *Light as a service*, energy scans, ...).

Annex

Overview of KBC's most important policies and concrete initiatives in the area of climate change

• KBC policies

KBC tightened its policy guidelines in 2018 for loans and insurance for the energy sector, while also extending the policy to all the capital-market advice it provides to its customers:

- Coal and unconventional oil and gas:

A specific policy towards energy sources with the greatest negative impact on the environment:

- Exclusion of unconventional oil and gas, including shale oil, shale gas and tar sand.
- Exclusion of all new coal-related activities, including mining and coal-fired power generation.
- Phasing out of all existing coal exposure to zero by 2023. This exposure has already been reduced from 252 million euros in 2016 to 34 million euros in 2018.
- In consultation with local environmental organisations, the funding of coal-fired central district-heating systems in the Czech Republic will be limited solely to ecological improvements and phased out entirely by 2035.
- Reduction in the coal-fired power-generating capacity of integrated energy companies to a maximum of 25% of the total capacity by 2023.

- Oil and gas:

- Exclusion of new oil-fired power generation, including upgrades.
- Exclusion of specialist companies active in the extraction and development of new oil and gas fields.

• Stronger focus on sustainable investment, enabling customers to choose fossil-free investment and savings products:

- All KBC's SRI funds have been fossil-free since the end of 2017.
- Development of new, sustainable investment solutions for different customer profiles, including the launch of an innovative, socially responsible pension savings product.
- Sustainable investments rose from 2.5 billion euros in 2015 to 9 billion euros in 2018, with approximately 40% of new production in SRI funds.
- Since energy companies do not currently report science based targets to reduce the impact of fossil fuels, KBC is not yet able to exclude all these businesses from the conventional investments.

• Renewable energy loans:

- By 2030 at least 50% of KBC's total energy loan portfolio should go to renewable energy.
- By 2018, 44% of KBC's overall energy loan portfolio was already granted to renewable energy projects.

• KBC's direct ecological footprint:

- KBC has tightened its targets for reducing its direct ecological footprint and now aims to achieve a reduction of 25% by 2020 and 50% by 2030.
- Its direct greenhouse gas impact had already been reduced by 38% between 2015 and 2018.

• Sustainable business solutions to support customers in the energy transition:

- KBC wants to facilitate and finance energy-saving investments by its customers via:

- Funding of ESCOs (energy service companies) and alliances in the area of energy-saving for corporate customers.
- Online modules for measuring the carbon impact of renovation investments for retail customers.
- A first KBC Green Bond issue for 500 million euros to fund low-energy home loans and renewable energy projects.

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