KBC Group’s support for the Paris COP21 Agreement and the 2° scenario is a general reflection of its broader ambition – translated in the KBC Sustainability Strategy – of contributing towards a low-carbon society. The energy sector is crucial to the transition towards a low-carbon economy, but it will face substantial challenges in this regard, such as securing the energy supply as demand grows and further increasing the share of renewable energy.

Commitment

KBC’s ambition is to gradually increase the share of renewables in the total KBC Energy Credit Portfolio to at least 50% by 2030 at the latest. To help achieve this:

- KBC supports renewable energy, such as hydro, solar and wind;
- KBC will only consider financing biomass and biofuel activities subject to stringent conditions, including careful consideration of environmental impacts.

KBC takes a clear and concrete stance on:

- activities in the energy sector that KBC no longer wishes to support through lending, providing insurance or providing advisory services\(^1\) (see below for exclusions);
- the conditions to be met by each counterparty in non-excluded areas to be/remain eligible for loans, insurance or advisory services.

Account is also taken here of the characteristics of the available energy sources (in particular their environmental acceptability), technological possibilities and limitations, anticipated market trends and local specificities.

Implementation

\(^1\) Within the scope of this policy, “advisory services” should be understood as the advisory services provided by KBC Securities and KBC entities providing similar services in Central Europe. This includes e.g. advice on debt and equity capital market transactions and on M&A transactions.
**Coal-fired electricity generation, including coal mining**

KBC stops financing, insuring or providing advisory services with regard to coal-fired electricity generation, district heating and coal mining.

Given the current local energy mix, local government policies and KBC’s responsibility towards the local economies and societies in which it operates, an exception will be made for the financing of local coal-based power generation, district heating and coal mining in the Czech Republic. This is, however, subject to strict conditions:

- ČSOB in the Czech Republic will exit the coal sector and current exposure to coal-fired electricity generation will be reduced to zero by 2023 at the latest. This means that as of June 2018 there will be:
  - no financing of new coal-fired power plants and no new investments in existing ones;
  - no financing of new or existing coal mines.
- There is one exception: until 2035 – and with decreasing intermediary maximum exposures – existing coal-fired district-heating plants, which heat approximately 40% of Czech homes, can still be financed to assist in the ongoing ecological upgrade of these plants. As such KBC/ČSOB wishes to play its role as a responsible company within the Czech economy and society.
- Heating plants for dual use: where the district-heating system uses residual heat from a coal-fired power plant, ČSOB will only finance upgrades related to the heating solution (e.g. steam pipeline to a housing estate, dedicated boiler). Such financing will always be project/investment-linked – there will be no general purpose financing.
- Financing is only permitted where the best available clean coal technology is to be used.

**Renewables**

KBC will support financing, insuring or providing advisory services with regard to counterparties active in the **hydro, solar and wind renewable** segment. Special attention will be given to the assessment of:

- policies and subsidies in the counterparty’s home country;
- the impact of a reduction in/termination of government support on the counterparty’s repayment capacity;
- the electricity system in the counterparty’s home country.

**Biomass**

Financing, insurance or advisory services regarding biomass/biofuels/bioliquids activities are permitted, subject to a set of conditions to be respected in full:

1. GHG reductions must comply with current EU requirements;
2. Sustainable inputs:
   - Food: only acceptable where the food is not fit for human consumption;
   - Inputs should comply with the European Commission’s non-binding recommendation on sustainability criteria for biomass;
   - Input sourcing should be abundantly available;
   - Sustainable transport: no excessive transport of input materials or by-products;

3. Financing of biomass/biofuels/bioliquids is to be limited to plants within the EU;


**Oil and gas**

KBC refrains from financing, insuring or providing advisory services with regard to:
- oil-fired power generation, both new and upgrades;
- unconventional oil and gas, both exploration and development;
- specialised companies that are only active in the development and extraction of oil and gas fields.

KBC will otherwise continue to finance, insure or provide advisory services linked to oil and gas-based activities, albeit subject to stringent conditions.

**Nuclear**

KBC will continue to finance, insure or provide advisory services regarding activities related to nuclear power generation under stringent conditions, including compliance with the IAEA Action Plan on Nuclear Safety and the EURATOM New Safety Directive.

**Integrated energy companies**

KBC will continue to finance or insure integrated energy companies, provided that:
- with regard to new clients, they have no more than 25% of their production capacity that is coal-related;
- with regard to existing clients, they have no more than 50% of their production capacity that is coal-related.

In any case, direct financing of coal-related activities is not allowed.

Providing advisory services is only allowed provided that no more than 25% of a client’s production capacity is coal-related.

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