



ENERGY CREDIT, INSURANCE AND ADVISORY SERVICES POLICY

The commitment of the ČSOB Group, which through the KBC financial group supports the Paris COP21 agreement seeking reduction of global warming by 1.5 ° C, reflects wider ambitions - in connection with the adopted sustainability strategy, we want to contribute to a low-carbon society.

In September 2019, KBC (on behalf of whole financial group) strengthened its climate commitment by signing the Collective Commitment to Climate Action (CCCA), an initiative of the UN Environmental Program Finance Initiative (UNEP FI). 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

Our ambition is to gradually increase the share of renewable sources in the total energy portfolio, but at least 65% by 2030. To achieve this goal:

- We support renewable energy sources, such as hydro, solar and wind;
- We are considering funding for biomass and biofuels activities, including careful consideration environmental impacts.

We also take a clear and concrete position on:

- Activities that we no longer want to support in the field of energy through credit, insurance or consultancy services¹ (see exceptions below);
- 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 (their environmental acceptability), technological possibilities and limitations, anticipated market trends and local specificities.

¹ For the purposes of this policy, we understand “advisory services” to mean services provided by companies of the ČSOB Group and the KBC Group in Central Europe, such as debt advisory or capital market transactions and M&A transactions.

Implementation

Coal-fired energy generation, including coal mining

In general, we do not want to participate in financing, insurance or providing advice concerning electricity generation from coal, district heating and coal mining.

We will not only abstain from any direct financing or insurance of coal related projects, but also from general corporate financing and insurance of energy companies, when such companies:

- new customers: have any portion of their energy production capacity which is coal-fired;
- existing customers: have more than 25% of their energy production capacity which is coal-fired.

From 2030 on, we will abstain from all financing or insurance of and advisory services to energy companies which have any coal-fired energy production capacity.

However, in order to support the desired transition to green energy, we remain prepared to finance energy transition projects for existing customers (and only for them), even if coal-fired power generation capacity exceeds the 25 % threshold, providing a. o. that these projects are part of strategic and credible energy transition plan.

Regarding the current situation in the Czech Republic (energy mix, local government policy and our responsibility to local economies), some exceptions remain in force:

1. Direct financing of coal electricity and district heating in the Czech Republic:

- no new funding is allowed;
- existing financing can be maintained until maturity, but no longer than the end of 2021

2. Direct financing of projects not related to ČSOB coal in the Czech Republic:

financing for existing customers remains possible, even when a company's coal-fired energy production capacity exceeds 25%, providing that these projects are linked to:

- environmental improvements not related to an active coal-fired plant or coal mine;
- social good cause

Renewable resources

It is our ambition to provide financing, insurance or consulting services to organizations operating in the segment of renewable resources: hydro, solar and wind. However, we will focus increased attention on:

- the 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;
4. Positive assessment of technology risk

Oil and gas

We refrain from financing, insuring or providing advisory services with regard to:

- oil-fired power generation, both new and upgrades;
- exploration and development of unconventional oil and gas, both existing and new, including:
 - Arctic and Antarctic on- and off-shore oil and gas;
 - deep water drilling;
 - tar sands;
 - shale oil and gas.
- exploration of any other new oil or gas fields;
- specialized companies that are only active in the development and extraction of oil and gas fields.

As for vertically integrated oil and gas companies, all new financing shall mature in 2030 at the latest, unless the company has publicly committed to no longer start operating new fields.

Limited exceptions linked to the energy transition apply.

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

Nuclear

We 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.

The following link provides more information, as well as the ability to verify the authenticity of this document:

<https://www.kbc.com/en/corporate-sustainability/setting-rules-and-policies.html>

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