



KBC GROUP BIODIVERSITY POLICY

KBC acknowledges the importance of biodiversity¹ as it contributes to economic prosperity and human development. Nature is an important supplier of resources to many different economic sectors and offers essential services such as, for example, purification of water, flood protection, pollination and carbon sequestration. For KBC conservation and the sustainable use of biodiversity are preconditions for sustainable development.

But biodiversity is under pressure. The current biodiversity loss is caused by:

- habitat fragmentation, degradation and destruction;
- unsustainable production and consumption, resulting in an overshoot of the Earth's biological capacity to restore from overexploitation of forests, oceans, rivers and soils, and causing pollution and climate change;
- the introduction of invasive species.

Moreover, human intrusion into wild habitats and fragmentation of habitats increases the risk of transmission of animal diseases to humans. This is not only due to increased contact, but also because populations of wild animals become less fit in shrinking habitats and are therefore more susceptible to disease.

Based on the above considerations, KBC has introduced a comprehensive policy on biodiversity.

Commitment

KBC engages to reduce its direct and indirect impact on biodiversity and to increase its contribution to the sustainable use and management of biodiversity.

¹ Biodiversity: The variability among living organisms from all sources, including managed and unmanaged terrestrial, marine and other aquatic ecosystems, and these ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. (Convention on Biological Diversity)

Implementation

Forest commodities

Deforestation and forest degradation are important drivers of climate change and biodiversity loss. Deforestation is mostly driven by exploitation of forest commodities. Counterparties that make forest commodities and from them derived products (e.g., furniture, chocolate, leather) available on the EU market or export these products from the EU are in scope of, and will have to be compliant with, the EU Regulation on deforestation-free products that is expected to become effective as of January 2025.

Given the above, KBC's policy focuses on activities which are *not* in scope of the EU Regulation on deforestation, thereby setting a number of requirements for activities outside of the EU.

The following *forest commodities* are in scope of the policy: palm oil, soy, wood, rubber, cocoa, coffee and sugarcane. The *counterparties* in scope are producers of such commodities with any production capacity outside the EU and traders in such commodities, providing that they source *and* sell the commodities outside the EU. Retailers remain out of scope.

The producers and traders in scope must commit to have their plantation and/or supply chain fully certified under an internationally recognized certification scheme by 31 May 2028 for existing clients, and by 1 January 2030 for new clients. Acceptable certificates are:

- Palm oil Roundtable on Sustainable Palm Oil (RSPO)²
- Soy Roundtable on Responsible Soy (RTRS)³
- Wood/Rubber Forest Stewardship Council⁴ (FSC) and / or
 Programme for the Endorsement of Forest Certification⁵ (PEFC)
- Cocoa Rainforest Alliance⁶ or equivalent
- Coffee Rainforest Alliance, 4C⁷ or equivalent
- Sugarcane Bonsucro⁸

Producers in scope must also commit to abstain from producing or harvesting the forest commodity at the expense of old growth forests or peatland, High Conservation Value (HCV) or High Carbon Stocks (HCS) areas, and to take measures to reduce and prevent soil erosion and water use and pollution.

Protected areas

Because of the international importance of their ecological, cultural and social value, certain areas – forests as well as other ecosystems – are designated and protected as UNESCO

² <https://rspo.org/as-an-organisation/certification/>

³ <https://responsiblesoy.org/members?lang=en#nuestros-miembros>

⁴ <http://memberportal.fsc.org/>

⁵ <https://www.pefc.org/about-pefc/membership>

⁶ <https://www.rainforest-alliance.org/for-business/2020-certification-program/>

⁷ <https://www.4c-services.org/process/list-of-4c-certificates/>

⁸ <https://www.bonsucro.com/bonsucro-members-2/>

World Heritage Sites⁹, Wetlands of International importance on the Ramsar List¹⁰ or IUCN-listed protected areas¹¹ (category I and II areas). KBC will not finance activities located in or significantly impacting those areas.

Endangered and invasive species

Land use change, overexploitation, climate change, pollution and the introduction of invasive species threaten more species with global extinction than ever before and species are disappearing at an ever faster rate. Species diversity is nevertheless essential for the maintenance of healthy ecosystems and of the services they provide as a system or by specific species (e.g. pollination, medicines). KBC therefore wants to focus not only on the protection of sensitive areas, but also on vulnerable species.

We will not finance activities involving the use of endangered species¹² or non-human primates for any testing and experimental purposes. We will also abstain from financing trade for commercial purposes in endangered species of animals and plants or derived products as regulated under the CITES Convention¹³ and trade (wholesale and retail) in invasive alien species¹⁴.

Cattle farming

Ruminants emit a lot of methane, an even stronger greenhouse gas than CO₂. This has major impact on climate. Technical solutions to capture the methane are difficult to implement and hence the best way to reduce emissions is to reduce the number of animals. Therefore we will not finance farms with more than 200.000 ruminants (i.e. cows, sheep and goats).

Given the significant threat for deforestation through pasture expansion for cattle farming, KBC is not willing to finance cattle farming in Latin America nor traders in beef or cattle if they source the cattle or beef from Latin America and also sell it outside the EU. Retailers are out of scope.

Fisheries

In line with the aforementioned considerations KBC also doesn't want to finance fishing practices that irreversibly damage aquatic habitats and ecosystems, nor shark finning or commercial whaling. Moreover, KBC encourages its clients to subscribe to and implement voluntary standards such as the Marine Stewardship Council (MSC)¹⁵ and the Aquaculture Stewardship Council (ASC)¹⁶.

⁹ <https://whc.unesco.org/en/about/>

¹⁰ <https://www.ramsar.org/>

¹¹ <https://www.iucn.org/>

¹² <https://www.iucnredlist.org/>

¹³ <https://www.cites.org/>

¹⁴ I.e. animals and plants that are introduced accidentally or deliberately into a natural environment where they are not normally found, with serious negative consequences for their new environment

¹⁵ <https://www.msc.org/>

¹⁶ <https://www.asc-aqua.org/>

Oil and gas

Given the concerns about the environmental and health issues in unconventional oil and gas exploration and development, KBC will not finance activities involving Arctic¹⁷ and Antarctic on- and off-shore oil and gas, deepwater drilling, tar sand, shale oil and gas and coalbed methane.

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¹⁷ To be defined according to the Arctic Monitoring and Assessment Programme (AMAP)