



KBC Tax Strategy

Corporate sustainability is part of the overall strategy and everyday business of the KBC group (hereinafter : KBC). **Responsible behaviour** is the basic layer of sustainability in KBC and is expected from all staff.

The general aim of the KBC Tax Strategy is therefore to ensure that KBC Group NV and its subsidiaries act as **responsible taxpayers** based on a professionally executed tax compliance and a legitimate tax planning driven by valid business purposes. All internal policies and guidelines are established in accordance with the values and guiding principles of the Tax Strategy.

The KBC Group Tax Strategy is approved by the Board of Directors and the Executive Committee of KBC Group NV and reviewed periodically.

Values and guiding principles of our tax strategy

- Accurate tax compliance
- Responsible tax risk management
- Legitimate tax planning based on sound business reasons
- Full tax transparency
- Tax Function independent from the business

1. ACCURATE TAX COMPLIANCE

KBC strives for a full compliance with the letter as well as the spirit of the tax laws and regulations in all the countries where it operates. KBC also adheres to the principles of the OECD guidelines and standards. This includes (but is not limited to) adherence to the at arm's length standard for intra-group transactions.

The prerequisite for accurate tax compliance is a thorough knowledge of the tax regulations and its latest changes and the availability of robust tools and efficient procedures.

Therefore, there is a focus on knowledge management. KBC invests in internal and external trainings, amongst others by making tax documentation readily available and creating centres of competence (e.g. Transfer Pricing, CRS, FATCA, ...).

In order to cope with the complex and continuously changing tax world, there are robust systems, tools and procedures in place which allow efficient gathering and correct and timely processing of fiscal data (e.g. at the occasion of filing tax returns for VAT, corporate tax, withholding taxes and miscellaneous taxes).

KBC's tax compliance teams also gather and report accurate data to clients and fiscal authorities to respond to the increasing requests for exchange of information, such as FATCA-, CRS- and DAC6-reporting.

2. RESPONSIBLE TAX RISK MANAGEMENT

KBC tax risk management aims at safeguarding the status of KBC as a responsible taxpayer by :

- ensuring a top quality tax compliance in all KBC entities based on KBC tax compliance guidelines and a periodic assessment of key risk controls in the local tax compliance functions;



- pro-actively identifying, managing and mitigating tax risks based on a formal tax risk management process which is actively monitored by Group Tax acting in a transparent way by reporting twice per year to the Executive Committee of KBC Group NV the significant tax risks;
- ensuring upfront involvement of the tax advisory function to provide tax clearance for new or changed KBC-products. The involvement of the tax advisory function is structurally embedded in the group's New and Active Products Processes (NAPP);
- maintaining an excellent and transparent working relationship with tax authorities and taking a proactive and constructive approach with the view of avoiding tax disputes.

The Group Tax Manager and the KBC Country Tax Managers are jointly responsible for an independent and pro-active tax risk management.

Towards tax risk appetite KBC positions itself slightly more conservatively than the market average.

Adherence to the values and principles of the KBC Group Tax Strategy and related group wide tax policies and guidelines is further assessed and monitored based on the KBC Operational Risk Control Framework which is under the supervision of the financial regulator (National Bank of Belgium/European Central Bank) and makes part of the yearly Internal Control Statement (ICS) to the financial regulator.

3. LEGITIMATE TAX PLANNING BASED ON SOUND BUSINESS REASONS

KBC only allows legitimate tax planning. The leading criterion to determine whether efforts to reduce KBC's tax cost are legitimate is the presence of a valid business purpose.

KBC adheres to the same business philosophy in providing financial products and services to its clients. Financial products and services are only provided to serve the business purposes of clients and not to allow them to avoid taxes.

Tax fraud is never tolerated within KBC. This is not only the case inside the organisation but also in the relationship with clients. KBC staff must refrain from providing the customers with advice of a nature to incite them to commit tax violations. They must ensure that they do not set up mechanisms which deviate from standard bank practice and which clearly aim to promote or result in promoting tax evasion fraud by their customers.

The use of tax havens and non-cooperative jurisdictions by KBC for tax avoidance purposes as well as the use of tax structures without commercial substance (i.e. artificial structures that are not based on economic activities and value generation of the company but only serve to reduce the tax bill) are not allowed.

KBC adheres to the arm's length standard on intra-group transactions and it commits not to transfer value to low tax jurisdictions in violation of the OECD Guidelines.

4. FULL TAX TRANSPARENCY

KBC communicates in an open and honest manner about its Tax Strategy, about its tax figures and its relevant tax rulings via the corporate website of KBC (www.kbc.com).

KBC complies with public country-by-country requirements as laid down in the Capital Requirements Directive IV and the Belgian banking law and publicly reports country-by-country data in the consolidated financial statements of KBC Bank NV. In addition, KBC also publicly reports country-by-country reporting data in the financial statements of KBC Group.

In the relationship with tax authorities and their requests for information, full disclosure in line with the relevant tax legislation is the guiding principle.



5. INDEPENDENT TAX FUNCTION

The Tax Function is organized as one central tax team in Belgium on group level (headed by the Group Tax Manager) and one local tax team per country in which KBC has a substantial presence, with a strong cooperation between the central tax team and the local teams.

There is a formal process of reporting to the Group Tax manager, including an assessment of the local compliance and of local tax risks.

The Tax Function operates as an independent supporting entity without an immediate vested interest in the result of the business transaction on which it is asked to give advice. Tax advice is never designed merely on the basis of a “desired” or “dictated” opinion of commercial management.

The remuneration of staff of the tax teams is not based on tax savings realized, nor on the effective tax rate of the KBC entities.