

KBC Group Remuneration policy for the Supervisory Board and the members of the Executive Committee

**Approved by the General Meeting of Shareholders on the 6th of May 2021
with 89,48% of the votes**

Introduction

This remuneration policy is drafted to comply with article 7:89/1 of the Belgian Company Code (which includes the transposition of article 9a of the European Shareholders rights directive of 17 May 2017).

This document describes the remuneration policy for the members of the KBC Group NV Supervisory Board and the members of the KBC Group NV Executive Committee.

The purpose of this policy is to create a remuneration framework that is not only compliant with the applicable European and national legislation and regulation but is also in line with and contributes to the Company strategy (incl. the corporate sustainability strategy). It aims to ensure consistency with sound and effective risk management in line with the Risk Appetite Statement as approved by the Supervisory Board, to prevent incentives for excessive risk taking and to be aligned with the long-term interests of KBC Group.

On advice of the Remuneration Committee, the Supervisory Board submits the remuneration policy (and changes to this policy) to the General meeting for approval in case of material changes or in any case at least every four years.

This policy imposes that remuneration schemes (incl. the award and pay out conditions) are gender-neutral in order to guarantee equal pay for equal work or work of equal value.

SUPERVISORY BOARD

Directors are appointed by the General Meeting for a term of office of 4 years.

The KBC Group NV Supervisory Board consists of non-executive directors and 3 executive directors (the CEO, the CFO and the CRO). The 3 executive directors are member of the Executive Committee, are awarded as member of the Executive Committee and do not receive any compensation as director. The description of the remuneration below therefore only relates to the non-executive members of the Supervisory Board.

Members of the Supervisory Board of KBC Group receive solely an annual fixed fee and an attendance fee for each meeting attended. Board members are only awarded in cash and do not receive any variable compensation, are not covered by incentive programs and do not receive performance-based remuneration. No pension contributions are payable on Board members' fees.

Some of the members of the Supervisory board are also member of the Supervisory Board of KBC Bank NV and/or KBC Insurance NV. If meetings of the KBC Group Supervisory Board coincide with meetings of the KBC Bank and/or KBC Insurance Board, the attendance fee will be paid just once for directors sitting on more than one of these Boards.

The basic fee of a Board member is set at a level that reflects the qualifications and contribution required in view of the Group's complexity, the extent of the responsibilities and the number of board meetings. The vice-chairman is entitled to an additional basic fee.

In light of the considerable time required for directors residing outside of Belgium to attend Board meetings, an additional attendance fee is paid to them for each meeting attended.

In view of his extensive responsibilities in relation to the continuous monitoring of the affairs of the KBC Group, the Chairman of the Supervisory Board of KBC Group is not entitled to attendance fees but receives a higher basic fee.

Basic fees are approved annually by the Annual General Shareholder Meeting of KBC Group, taken into account all legal and statutory requirements in this respect.

The directors that are members of the Audit Committee or the Risk & Compliance Committee receive an additional basic fee for the additional effort they deliver in that context. The chairman of the Audit Committee and the chairman of the Risk & Compliance Committee, receive an additional basic fee on top of that. Some of the directors are members of both the AC and the RCC and/or are also member of the AC or RCC of KBC Bank NV and/or KBC Insurance NV. Directors sitting on more than one of these committees receive the basic fee only once.

The directors that are members of the Nomination Committee or the Remuneration Committee do not receive any additional fees.

For the termination of the contract with non-executive members of the Supervisory Board, no notice periods, nor severance payments are applicable.

The fees of the individual Board members are specified in the annual report on the Corporate Governance site.

EXECUTIVE COMMITTEE

The members of the Executive Committee are appointed by the Supervisory Board (on advice of the Nomination Committee) for an indefinite period.

The remuneration of the members of the Executive Committee of KBC Group is set at a level that is consistent with their decision powers, tasks, expertise and responsibilities. It reflects their contribution to the management and the growth of the KBC group, and ensures the Group's continued ability to attract and retain the most qualified Executive Committee members. To emphasize the fact that the Executive Committee acts as a body which bears collective responsibility, the largest part of the remuneration of all the members, except the president, is (apart from a small difference in the calculation of the variable compensation of the CRO, imposed by regulation) identical.

The remuneration of the members of the Executive Committee is assessed annually, taking into account developments in regulatory requirements, market practice (peer benchmarking with the 20 largest companies listed on Euronext Brussels and with a peer group of Western and Central European, non Anglo-Saxon financial institutions), inflation, company performance and evolution of staff remuneration. It is determined by the Supervisory Board of KBC Group based on the advice of the Remuneration Committee of KBC Group and of the President of the Executive Committee of KBC Group (with the exception of his own remuneration).

The remuneration of the members of the Executive Committee of KBC Group consists of the following components:

- a fixed monthly fee;
- an annual variable fee depending on the performance of the Executive Committee as a whole;
- an annual variable fee based on the individual performance of the Executive Committee member;
- a supplementary retirement pension benefit, and supplementary cover in case of death or disability.

In the exceptional case that a member of the Executive Committee would, on behalf of KBC, hold a remunerated directorship in another company, the reimbursement for such a directorship will be deducted from the fixed/variable income of the member holding the directorship.

Members of the Executive Committee are also entitled to a monthly cost allowance (lump sum) that is agreed upon with the Belgian tax authorities.

Risk Adjustment

Payment of the variable remuneration is risk-adjusted (ex ante and ex post):

Ex ante risk adjustment

A quantitative ex ante risk-adjustment mechanism (called 'risk gateway') is installed for all Key Identified Staff, including the members of the Executive Committee. This comprises a number of capital and liquidity parameters that have to be met before the variable remuneration can be awarded. These parameters are set each year by the Supervisory Board. If one or more of these parameters

are not met, no variable remuneration can be awarded for the respective performance year and also the deferred amounts relating to previous years, to be vested in that year will not vest and will be lost for that year.

Ex post risk adjustment – malus and claw back

Ex post risk adjustment operates either by reducing deferred but not yet vested amounts (malus), or by reclaiming ownership of deferred amounts already vested or paid in the past, up to maximum five years after payment (claw back) at the discretion of the Supervisory Board of KBC Group and to the extent permitted by law.

A **malus** can be applied:

1. to the variable pay of a member of the Executive Committee in case of evidence of misbehavior or serious error by that member of the Executive Committee (e.g. breach of code of conduct or other internal rules, especially concerning risks, use of misleading information), as well as fraud or participation in a special mechanism by that member of the Executive Committee in order to promote or with the consequence of promoting fiscal fraud by a third party;
2. to the variable pay of the members of the Executive Committee in case KBC Group suffers a significant downturn in its financial performance due to the misconduct or serious error as mentioned under point 1 of this paragraph by a member of the Executive Committee. A significant downturn is defined as a downturn by at least 25% of either the net result or the risk adjusted profit of KBC Group in the year preceding the year of vesting compared to the year of granting;
3. to the variable pay of the members of the Executive Committee in case of a downturn by at least 50% of either the net result or the risk adjusted profit of KBC Group in the year preceding the year of vesting compared to the year of granting;
4. to the variable pay of the members of the Executive Committee in case of a negative net result or a negative risk adjusted profit of KBC Group in the year preceding the year of vesting;
5. to the variable pay of the members of the Executive Committee in case KBC Group suffers a significant failure of risk management (e.g. reflected in a significant increase of the capital requirement);
6. to the variable pay of a member of the Executive Committee in case of any regulatory sanctions where the conduct of that member of the Executive Committee contributed to the sanction.

The malus can be applied on the deferred but not yet vested amounts relating to the year of granting. The KBC Group Remuneration Committee can advise the Supervisory Board of KBC Group not to apply a malus for specific reasons. The KBC Group Remuneration Committee will also advise on the scale (percentage to be applied from 0% to 100%) of the malus taking into account the following elements:

- the impact on the financial situation of KBC Group;
- the seriousness of the facts which have occurred and the role of the member(s) of the Executive Committee therein;
- all circumstances that are broadly relevant to the incidents mentioned under points 1 to 6 above.

The final decision whether a malus should be applied and what percentage should be applied is taken by the Supervisory Board of KBC Group.

A **claw back** can be applied in case of incidents mentioned above under number 1 and number 6 of the possible malus applications.

The KBC Group Remuneration Committee will advise whether a claw back should be applied and on the percentage to be applied (taking into account the seriousness of the facts which have occurred and the role of the member of the Executive Committee therein). The final decision is taken by the Supervisory Board of KBC Group.

Defining the variable compensation

The performance of the Executive Committee is assessed once a year, based on a written performance agreement, containing pre-agreed financial and non-financial criteria relating to the performance of the Executive Committee and of the company. These goals are set by the Supervisory Board on advice of the KBC Group Remuneration Committee. For the CRO there is no link with the financial performance of KBC Group and the impact of the risk & control topics in the assessment is more pronounced. These goals reflect KBC Group's value creation targets, both in the short and in the long term and are centred on four broad areas: implementation of the strategy, realization of the financial plan, strengthening the risk control environment and the satisfaction of the stakeholders (clients, staff, board and society).

- As regards implementing strategy – besides achieving any specific targets – the main focus is on what has been achieved in terms of client centricity, sustainability and encouraging responsible conduct, and innovation (preparing for the digital revolution).
- The criteria for assessing whether the financial plans have been achieved comprise a number of financial parameters (return, profit, capital, and cost of credit), but also an assessment of the progress made in further implementing the bank-insurance model and income diversification.
- Strengthening the risk control environment is assessed based on stated liquidity, capital and funding criteria, implementing recommendations made by audit and the regulator, and the degree to which the quality of data has improved.
- Stakeholder satisfaction is assessed on the basis of the results from client and employee satisfaction surveys and on the progress made in the area of sustainability.

This assessment of all these criteria is reflected in a percentage between 0% and 100% that is applied to the maximum performance-related variable emolument. The size of the variable emolument, therefore, depends to a small extent on achieving financial results. Risk management and compliance, stakeholder management, innovation and sustainability are aspects that are at least equally important in this regard.

The individual performance of the members of the Executive Committee is assessed once a year. On the basis of the advice obtained from the Remuneration Committee (which takes due account of the assessment performed by the President of the Executive Committee with regard to the performance of the members of the ExCo), the Board assesses the performance

of each member of the Executive Committee in view of the five aspects of our corporate culture (PEARL: *Performance, Empowerment, Accountability, Responsiveness and Local Embeddedness*) and the core value of being *Respectful*. This results in a global score for these six aspects that ultimately determines the size of the individual variable emolument.

In case of a significant downturn of the net result or the risk adjusted profit or a negative net result or risk adjusted profit of KBC Group, the Supervisory Board of KBC Group can decide, on advice of the KBC Group Remuneration Committee, to decrease the total variable pay of the members of the Executive Committee.

The total variable remuneration is capped at 50% of the annual fixed remuneration. An absolute cap is set at 750.000 euro (gross) per year. There is no floor on variable remuneration.

60% of the variable remuneration will not be paid straightaway but the payment of this 60% is equally spread over a period of 5 years.

Half of the total variable remuneration is awarded in the form of phantom stocks¹ with a retention period of 1 year (i.e. they are only converted into cash one year after being awarded). This implies that the last payment of the variable remuneration related to financial year X will only be paid in the year X+7. In this way, also the longer-term effects of the company strategy on the value of the group are reflected in the remuneration.

Termination

Termination of the term of office: members of the Executive Committee who have worked six years or less in the KBC group are entitled to a severance payment of 12 months' remuneration, for those who have worked between six and nine years, the severance payment equals to 15 months' remuneration, and for those who have worked more than nine years, it is 18 months' remuneration. In this context, remuneration is taken to be the fixed remuneration component for the current year and the variable component for the last full year preceding termination of office. Such a severance payment is not due in case the initiative for the termination is taken by the member of the Executive Committee, in case of retirement and in case the termination is the result of acts or facts which under Belgian labour law would be qualified as a reason for immediate dismissal for serious cause.

In case of termination of the term of office of members of the Executive Committee, following principles apply with respect to the payment of variable remuneration:

- Variable remuneration allocated in previous performance years, but not yet vested or paid out at the moment of termination, is still to be paid out after this termination, except in case the termination is the result of acts or facts which under Belgian labour law would be qualified as a reason for immediate dismissal for serious cause.
- Variable remuneration for the performance year in which the termination takes place will still be allocated (pro rata temporis). The Supervisory Board of KBC

¹ As the Czech National Bank does not allow the exclusive use of phantom stocks (as these are related to the KBC Group results), 50% of the phantom stocks for the member of the Executive Committee responsible for the Czech Business Unit are replaced by Virtual Investment Certificates (which are related to the CSOB CZ results).

Group (upon advice of the Remuneration Committee of KBC Group) can however decide not to allocate it in case the termination is due to acts or facts which under Belgian labour law would be qualified as a reason for immediate dismissal for serious cause.

Deferred amounts do not vest in an accelerated way at the date of the termination of the term of office, unless termination is due to death.

In case of change of control of KBC Group, the Supervisory Board of KBC Group will decide on a possible accelerated vesting of any outstanding amounts.

Pension, disability and death cover

Pension arrangements, disability cover and death cover:

The members of the Executive Committee have a separate defined contribution plan that is funded entirely by KBC. When drawing up this plan, account was taken of the fact that the career of a member (and especially the President) of the Executive Committee is shorter than that of an average employee. In the pension formula, therefore, the first ten years that an individual sits on the Executive Committee are the ones in which a significant part of the supplementary pension is built up. The contribution that KBC makes to the pension plan amounts to 32% of the fixed emolument (40% for the CEO) during those first ten years, 7% for the next five years (3% for the CEO) and 3% starting from the sixteenth year of plan membership. A minimum return of 0% (capped at 8.25%) is guaranteed on the contributions. Given the specific structure of this new pension plan, funding of the plan is not spread equally over the entire career. During the first ten years, the size of the payment made into the pension fund is rather large, but declines to a fraction of what it had been previously starting from the eleventh year and even more markedly from the sixteenth year.

The plan applies to all members of the Executive Committee who are resident in Belgium. For the members who had joined the Executive Committee prior to 1 January 2016, the vested reserves built up (in the previous pension plan) by 31 December 2015 were transferred to the new plan. The pension plan also includes a death benefit, which equals four times the amount of the fixed emolument (or, if higher, the reserves that have been built at the time of death). Where applicable, there is also an orphan's pension, comprising a one-off benefit of 197 950 euros and an annuity of 6 420 euros per year (figures 2021).

The disability benefit provided under the plan amounts to approximately 762 347 euros (annuity-figure 2021). All these figures are linked to the evolution of the health index.

In case it would be necessary to serve the long-term interests and sustainability of the company or to assure its viability, a temporary derogation of this policy can be granted by the Supervisory Board on advice of the Remuneration Committee.