

KBC GROUP NV CORPORATE GOVERNANCE CHARTER¹

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¹ Approved by the Board of Directors of KBC Group NV on 8 February 2017 and 15 November 2017.

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INTRODUCTION

This version of KBC Group NV's Corporate Governance Charter has been drawn up in accordance with the provisions of the second edition of the Belgian Corporate Governance Code (see www.corporategovernancecommittee.be), which entered into force on 12 March 2009.

In this Charter, KBC Group NV sets out the main aspects of its Corporate Governance policy.

The Board of Directors regularly checks whether the content of the Charter is in line with prevailing legislation and regulations and whether it is up to date.

More factual information relating to Corporate Governance policy, including reasons for any non-compliance with the Belgian Corporate Governance Code, the remuneration report, a description of the key features of the internal control and risk management systems and a description of the composition of the Board of Directors and how it functions, is included every year in a separate Corporate Governance statement appearing in a specific section of the Annual Report.

The latest version of the Charter (complete with appendices and indication of the last amendment date) can be consulted on the KBC group website (www.kbc.com). The latest Annual Report and Articles of Association are also available on that website.

1. KBC GROUP MISSION AND VISION

The KBC group is a bank-insurance group, which focuses on retail, small and medium-sized enterprises (SMEs) and midcap clients in its five core markets of Belgium, the Czech Republic, Slovakia, Hungary and Bulgaria. It strives to make a positive contribution to society in all the core markets where it operates.

The KBC group will only operate in other countries if it furthers the development of its core markets and bank-insurance model.

The KBC group also provides banking services in the Republic of Ireland.

The KBC group has set the following strategic goals:

- KBC strives to offer its clients an unique bank-insurance experience;
- KBC develops the group with a long-term perspective and therefore achieves sustainable and profitable growth;
- KBC puts its clients' interests at the heart of everything it does and offers them a high-quality service and relevant solutions;
- KBC takes its responsibility towards society and local economies very seriously and aims to reflect that in its everyday activities.

These four cornerstones interact with each other, allowing KBC to offer its clients, employees, shareholders, and society an unrivalled experience of growing and protecting what is valuable to them, today and tomorrow.

KBC is convinced that its strategy – powered by its PEARL culture and with the contribution of its people – helps the group earn, keep and grow trust day by day, making it the reference in its core markets.

2. STRUCTURE AND ORGANISATION OF KBC GROUP NV

2.1. Legal structure

Incorporated under Belgian law, KBC Group NV is a company with limited liability (*naamloze vennootschap*) that has solicited savings from the public. The life of the company is indefinite.

The Main Subsidiaries of KBC Group NV are KBC Bank NV and KBC Insurance NV.

KBC Group NV holds all shares but one of KBC Bank NV (one share being held by KBC Insurance NV). KBC Group NV holds all shares but one of KBC Insurance NV (one share being held by KBC Bank NV).

2.2. Management structure

KBC Group NV applies a dual structure at both group level and at the level of its Main Subsidiaries:

- The *Board of Directors* defines the strategy and general policy of the company. It decides on risk policy, including risk appetite. It supervises management and decides on the governance of the company with respect to such matters as fall within its remit.
- The *Executive Committee* is responsible for the operational management of the company within the confines of the strategy, general policy and risk policy approved by the Board of Directors. The operational management is carried out on the basis of a transfer of authority from the Board of Directors to the Executive Committee and encompasses all management powers of the Board of Directors except those which, by law, are expressly reserved for the Board of Directors.

2.3. Internal governance of the KBC group

The KBC group has a specific group structure within which the various Group Companies – primarily credit institutions, investment companies, insurance companies, and management companies of undertakings for collective investment – are brought together operationally in one or more Business Units managed by KBC Group NV.

As a mixed financial holding company, KBC Group NV sets the strategy for the whole group and seeks, within the operational framework of the Business Units, to create synergy among the various Group Companies, and to achieve unity and continuity of management. This is done in compliance with both the laws and regulations governing the individual core activities of its subsidiaries.

The Business Units are managed as a whole by the Executive Committee of KBC Group NV. The Executive Committee is composed of a Group Chief Executive Officer (Group CEO), a Group Chief Financial Officer (Group CFO), a Group Chief Risk Officer (Group CRO), a Chief Executive Officer for the Belgium Business Unit, a Chief Executive Officer for the Czech Republic Business Unit and a Chief Executive Officer for the International Markets Business Unit. The Group CEO, Group CFO and Group CRO are members of the Board of Directors. The other members of the Executive Committee also attend Board of Directors' meetings.

2.4. Operational organisation

Operationally, the KBC group is made up of Business Units and general operational support units at group level. Management Committees are set up to run these units.

The KBC group's commercial operations are divided up into three Business Units, namely Belgium, the Czech Republic and International Markets. These Business Units comprise several Group Companies (primarily credit institutions, investment companies, insurance companies, and management companies of undertakings for collective investment). Certain activities of some Group Companies (such as KBC Bank NV) are managed from different Business Units. Each Business Unit is led by a CEO, who is a member of the Executive Committee of KBC Group NV.

In addition, there are three general operational support units that operate on behalf of the KBC group. These are 'Corporate Staff', which comes under the Group CEO, 'CRO Services' under the Group CRO and the 'CFO-Services' under the Group CFO.

3. SHARES, CAPITAL AND SHAREHOLDER STRUCTURE

3.1. Shares

3.1.1. *Types of shares*

The KBC Group NV shares exist in book-entry or registered form.

3.1.2. *Book-entry shares*

Book-entry shares are held and traded in electronic form on a custody account.

3.1.3. *Registered shares*

The name, address and number of shares of the owners of registered shares, or of the holders of a right of usufruct or of a lien in respect of such shares, are entered in the shareholder register. By way of confirmation of this entry, the holder or beneficiary of registered shares receives a registration certificate.

The shareholder register is kept electronically at the registered office of KBC Group NV by its secretariat. The shareholders or other beneficiaries are required to notify the secretariat of any changes to their details.

3.1.4. *Conversion of shares*

At the request and expense of the shareholder, book-entry shares may be converted into registered shares, and registered shares into book-entry shares.

In practice, book-entry shares are converted into registered shares by transferring them from KBC Group NV's issuers account at Euroclear Belgium to its registered issuers account. Other financial institutions or financial intermediaries will enter book-entry shares in KBC Group NV's custody account at Euroclear Belgium. Following their entry, the shares will be registered in the name of the shareholder in KBC Group NV's shareholder register, and a registration certificate issued and sent to the shareholder.

Registered shares may be converted into book-entry shares only by deleting the entry in the shareholders register and transferring the shares to the shareholder's custody account.

3.1.5. *Voting rights*

Each share gives entitlement to one vote.

The company recognises only one owner per share for the exercise of voting rights. Co-owners, usufructuaries and bare owners, pledgees and pledgers, in short, all persons who, for one reason or another, have joint entitlement to a share, must arrange to be represented by one and the same person. This person must have joint entitlement or comply with the requirements of the Articles of Association to be allowed to attend the General Meeting. Until this provision has been complied with, the chairman of the General Meeting may suspend the exercise of the rights attaching to those shares.

3.2. Capital

3.2.1. *Statement of capital*

On 31 December 2016, the issued share capital of KBC Group NV amounted to 1°455°289°897,87 euros, divided into 418°372°082 shares with no nominal value. The share capital is fully paid up.

3.2.2. Capital increase and issue of shares

The decision to increase share capital via the issue of new shares is taken by shareholders at the General Meeting in compliance with specific quorum and majority voting requirements.

The General Meeting also decides on whether to issue subordinated or unsubordinated convertible bonds or warrants, whether or not linked to subordinated or unsubordinated bonds, that could lead to increases in capital.

Authorised capital

On 2 May 2013, the General Meeting authorised the Board of Directors to increase, in one or more steps, the share capital by 700 million euros, including by issuing subordinated or unsubordinated convertible bonds or warrants, whether or not linked to subordinated or unsubordinated bonds, that could lead to increases in capital. This authorisation is valid until 20 May 2018, and may be renewed.

The Board of Directors used that 700 million euros to increase share capital by a total of 1 381 570.44 euros in 2013, by a total of 1 448 724.00 euros in 2014, by a total of 1 066 272 euros in 2015 and by a total of 991 883,52 euros in 2016 bringing the authorised capital since that date to 695 111 550,04 euros.

Taking account of the current par value of the KBC Group NV share, a maximum of 199 744 698 shares can consequently still be issued under the limit by which capital may be increased by the Board of Directors.

3.2.3. Preferential subscription rights

On each capital increase carried out by means of a contribution in cash, the new shares must be offered first to the existing shareholders in proportion to the amount of capital that their shares represent at the time of issue.

However, the General Meeting may decide, within the confines of the law and the Articles of Association, that all new shares, or a portion thereof, will not be offered first to the existing shareholders. In that case, the General Meeting will itself establish the conditions and, in particular, the price of the share issue without preferential subscription rights. In the event of the suspension or restriction of the preferential subscription rights, a right of precedence may be granted to shareholders on allotment of the new shares.

The Board of Directors may also suspend or restrict the preferential subscription rights under its authority to increase capital and within the confines of the law and the Articles of Association.

3.2.4. Capital reduction

The General Meeting may approve a reduction in capital, provided that specific quorum and majority voting requirements and other legal requirements are met. The purpose of the reduction, and the procedure to be followed, must be published in the notice convening the General Meeting.

3.2.5 Acquisition of KBC Group NV shares

On 2 May 2013, the General Meeting authorised the Board of Directors to acquire a maximum of 250 000 KBC Group NV treasury shares for a period of five years.

3.3. Shareholders

3.3.1. Core Shareholders

The shareholder structure – as appears from notifications based on the Act of 1 April 2007 on public takeover bids, the Transparency Act and voluntary notifications – is included each year in the Annual Report.

These disclosures show that the Core Shareholders of KBC Group are KBC Ancora Comm.VA, its parent company Cera CVBA, MRBB CVBA and a group of legal entities and individuals, referred to as the Other Core Shareholders.

3.3.2. Shareholder Agreement

A Shareholder Agreement was concluded between these Core Shareholders with a view to ensuring the shareholder stability and continuity of KBC Group and supporting and coordinating its general policy. To this end the Core Shareholders act in concert in the shareholders meeting of KBC Group NV and are represented in the Board of Directors of KBC Group NV.

The Shareholder Agreement provides for a contractual shareholder syndicate. It sets out the rules for the syndicated shares, management of the syndicate, syndicate meetings, voting rights within the syndicate, pre-emptive rights in the event of the transfer of certain syndicated shares, withdrawal from the agreement, and duration of the agreement. Except for a limited number of decisions, the syndicate's meeting decides, in the absence of a consensus, by a majority of two thirds, it being understood that no shareholder group can block a decision. The agreement was extended for a new ten-year period, with effect from 1 December 2014.

3.3.3. Equal treatment and information

The Board of Directors ensures that all shareholders are treated equally.

KBC Group NV attaches great importance to giving its shareholders, bondholders and other stakeholders equal access to information. It accordingly seeks to ensure that information it provides periodically or potential inside information it disseminates via various channels is disclosed simultaneously.

Periodic information (including quarterly, half-yearly and yearly earnings statements) is published on the KBC Group NV website (www.kbc.com) at pre-announced times. This information is e-mailed simultaneously to press agencies, European Information Service Providers, financial websites (such as that of Euronext), financial analysts, institutional and private investors and other individuals who have requested it.

Inside information, as defined in the Dealing Code, must be disclosed without delay. In this case, the same distribution method is used as for periodic information. However, KBC Group NV may, under its own responsibility, delay the publication of inside information on the following provisos:

- (i) if immediate disclosure is likely to prejudice the legitimate interests of the KBC group;
- (ii) if the delay is not likely to mislead the market; and
- (iii) if the confidentiality of the information concerned is assured by KBC Group NV.

In strictly exceptional circumstances KBC Group NV may also delay the disclosure of inside information under its own responsibility in order to maintain stability in the financial system, on the following provisos:

- (i) the disclosure risks undermining the stability of the issuer or in the financial system;
- (ii) it is in the public interest to delay disclosure;
- (iii) confidentiality is assured;

(iv) the FSMA consents to the delayed disclosure.

3.3.4. Dialogue with shareholders and investors

In addition to the provisions in 3.3.3, KBC Group NV strives to maintain a permanent dialogue with shareholders and investors. It does so primarily via its Investor Relations Office, which regularly organises information meetings for financial analysts and investors (whose presentations in this regard are, in many cases, made available on the website). The General Meetings offer good occasions at which to conduct a direct dialogue with the shareholders present at them.

Shareholder and investor information such as the Articles of Association of KBC Group NV, the agendas, participation formalities, proxy forms and other relevant information in respect of General Meetings, information with respect to the company's strategy and development, etc., can be found on the KBC group website (www.kbc.com) or is available from the company's registered office.

4. GENERAL MEETING

4.1. General

Each year, the Board of Directors convenes an ordinary General Meeting to be held at its registered office at Havenlaan 2, 1080 Brussels, at 10 a.m. on the first Thursday in May. The General Meeting may also be held elsewhere, as indicated in the convening notice. If this day falls on a statutory public holiday or bank holiday, then the General Meeting will be brought forward to 10 a.m. on the banking day immediately preceding that day.

Furthermore, the Board of Directors and statutory auditor may convene extraordinary and special General Meetings. They are required to do so if one or more shareholders, holding at least one-fifth of the shares or representing at least one-fifth of the share capital, request the Board of Directors to do so by registered letter. This letter must list and substantiate the case for the proposed agenda items and draft resolutions. In this case, the General Meeting must be convened within three weeks of the date postmarked on the registered letter.

The General Meeting represents all shareholders. Its decisions are also binding on the shareholders who abstain or vote against a decision.

Each share gives entitlement to one vote.

Bondholders are entitled to attend the General Meeting, but they only have advisory voting capacity.

4.2. Agenda items

The following agenda items, among others, will be submitted to the General Meeting:

- A. Ordinary General Meeting
- Presentation of the combined Annual Report of the Board of Directors on the company and consolidated financial statements;
 - Presentation of the statutory auditor's reports on the company and consolidated financial statements;
 - Presentation of the consolidated financial statements;
 - Approval of the company annual accounts and the allocation of profit (including the payment of a dividend);
 - Approval of the remuneration report;
 - Granting of discharge to the members of the Board of Directors and the statutory auditor;
 - Appointment and removal of directors and of the statutory auditor;

- Renewal of the term of office of directors and of the mandate of the statutory auditor;
- Establishment of the remuneration for directors and the statutory auditor.

B. Extraordinary General Meeting

All amendments to the Articles of Association due to, among other things:

- the issue of KBC Group NV shares (unless decided under the authorisation to increase capital);
- a capital reduction;
- important decisions which concern the existence, object and form of the company.

C. Special General Meeting

All items not dealt with at an annual or extraordinary General Meeting and which fall under the authority of the General Meeting.

4.3. Convening notice and agenda

As stipulated by law, the General Meeting is convened by way of a notice. This convening notice contains, among other things, details of the place, date and time of the General Meeting, the agenda containing those items proposed for inclusion and draft resolutions, a clear description of the formalities to be completed by shareholders in relation to attendance at the General Meeting and exercising their voting rights, the record date, the place where and the way in which the documents required by law and the draft resolutions can be obtained, and the full address of the KBC group website where this and other legally required information on the General Meeting can be found.

The agenda is drawn up by the Board of Directors. The various agenda items are communicated as clearly as possible.

The notice convening the General Meeting is given at least thirty days prior to the General Meeting through publication of the convening notice in the Belgian Official Gazette and in one or more Belgian newspapers with national coverage and in other media as may reasonably be assumed that they can ensure the effective dissemination of information to the public throughout the European Economic Area and which are quickly accessible in a non-discriminatory way.

Furthermore, for General Meetings, the holders of registered shares and/or registered bonds, together with the directors and the statutory auditor, will be sent a convening notice at least thirty days prior to the General Meeting, either by ordinary post or by another means of communication to which they have expressly agreed in writing. The holders of registered shares, the directors and the statutory auditor will also be sent the documents required by law.

Holders of book-entry shares and/or book-entry bonds and/or bearer bonds issued exclusively outside Belgium or governed by foreign law may – on presentation of a certificate drawn up by a recognised account holder or clearing house and attesting to the fact that the number of book-entry securities have been registered in the name of the holder or the intermediary on the date required for exercising this right, or upon presentation of the bearer bonds – collect other documents required by law from the registered office of KBC Group NV as soon as the notice convening the General Meeting has been published.

Specific procedures exist for convening extraordinary and special General Meetings, depending on the agenda to be discussed.

One or more shareholders, who collectively own at least 3% of the share capital of KBC Group NV, may propose that one or more items be added to the agenda, and table draft resolutions on items already proposed or that will be proposed for inclusion on the agenda. KBC Group NV must receive such a proposal by letter addressed to the Board of Directors, or as an e-mail sent to secretariat.bod@kbc.be, by no later than the twenty-second day prior to the General Meeting. On the day they submit the proposal, the shareholders must demonstrate that they own 3% of the share capital, based on either the record of their name in the shareholder

register, or a certificate drawn up by the recognised account holder or clearing house attesting to the fact that the relevant number of book-entry securities have been registered in their name on the accounts there. KBC Group NV will confirm receipt of the proposal within 48 hours. By no later than the fifteenth day prior to the date of the General Meeting, KBC Group NV must publish an agenda containing the proposed items and/or draft resolutions that have been added to the agenda by virtue of the shareholders' right to make such proposals. As of the same date, KBC Group NV will also provide a duly modified proxy form on its website. KBC Group NV will only deal with these newly proposed items and draft resolutions at the General Meeting, if – at midnight (Belgian time) on the record date – at least 3% of the share capital has been registered in the name of the shareholders that have drawn up the proposal.

Lastly, the convening notice and agenda, together with the other information and forms (proxy and other) required by law, will be made available on the KBC group website (www.kbc.com) from the date on which the notice and agenda is published until five years after the General Meeting.

4.4. Registration of securities and proxies

4.4.1. Securities

The right of a shareholder or bond holder to attend and vote at the General Meeting is conferred solely on the basis of the accounting record of the shares or bonds in the name of the shareholder or bond holder on the record date, regardless of the number of shares or bonds that the shareholder or bond holder possesses on the day of the General Meeting. The record date is the 14th day prior to the General Meeting, at midnight Belgian time.

Every shareholder and bond holder who wishes to attend the General Meeting must give notice thereof at the latest six days before the Annual General Meeting.

The formalities are further described in the convening notice mentioned in 4.3.

4.4.2. Proxies

Holders of shares and/or bonds may arrange to be represented at the General Meeting by a proxy. To do this, they must sign an original proxy form and remit it to the registered office of KBC Group NV, or submit it electronically as an attachment to an e-mail to 'secretariat.bod@kbc.be', at least six days prior to the General Meeting. If sent by e-mail, the original proxy form must reach the company before the General Meeting starts.

Proxies representing two or more shareholders and/or bond holders must also likewise submit the proxies signed by those shareholders and/or bond holders. In the case of sub-delegation, each link in the chain of signatures must connect perfectly with the next and, for each link in the chain, KBC Group NV must be given a signed proxy in the manner stipulated above.

Blank copies of this form can be downloaded from the KBC group website (www.kbc.com). Alternatively, the company will send a blank copy to the relevant person concerned, at their request.

Every shareholder and bond holder who wishes to be represented must meet the admission requirements set out under 4.4.1.

4.5 Meeting proceedings

4.5.1. Participants

Holders of shares and/or bonds, or their proxies, will be admitted to the General Meeting on presentation of proof of their identity.

They must sign the attendance register.

4.5.2. Chairman and officers

The Chairman or, in the Chairman's absence, a deputy chairman or a director designated by his/her colleagues, will preside over the General Meeting in accordance with the practices that apply in Belgium to general meetings of shareholders. The Chairman will be assisted by a secretary, in principle the secretary to the Board of Directors, and two tellers. Together, they constitute the officers of the General Meeting.

4.5.3. Agenda

The shareholders receive comprehensive information on the resolutions to be passed and are given adequate opportunity to ask questions about the agenda items covered or to give their opinion.

4.5.4. Voting

Each share gives entitlement to one vote.

Except for resolutions for which the law requires a stricter quorum and/or voting majority, resolutions will be passed by a simple majority (50% + 1) of the votes validly cast by those present or represented by proxy, regardless of the number of shares participating in the voting. Invalid and blank votes will not be included in either the numerator or denominator.

Except for resolutions for which the law requires a larger majority, for amendments to the Articles of Association a quorum of 50% of the issued share capital and a majority of at least 75% of the votes validly cast by those present or represented by proxy is required. If this quorum is not reached, another General Meeting must be convened and held, which may then, regardless of the capital represented, adopt resolutions by a majority of at least 75% of the votes validly cast by those present or represented by proxy.

One or more shareholders present can demand that a secret ballot be held if backed by one third of the votes present.

4.5.5. Reporting

The secretary to the General Meeting will take the minutes of the General Meeting, which will include the results of any votes. The minutes will be signed by the officers of the General Meeting and kept at the registered office.

The shareholders may, on request, obtain a copy of or an extract from the minutes signed by the Chairman or two directors.

The minutes will be posted on the KBC group website (www.kbc.com) within fifteen days of the General Meeting being held.

5. CHARTER OF THE BOARD OF DIRECTORS

5.1. Powers

KBC Group NV is administered by a collegiate Board of Directors, which is the highest decision-making body, except in matters that the Companies Code reserves for the General Meeting or another body. The main tasks of the Board of Directors are:

A. Governance of KBC Group NV

- The Board of Directors executes the responsibilities laid down in the Companies Code, such as preparing the consolidated and company financial statements and the Annual Reports, setting the agenda for the General Meeting, proposing how profit should be allocated and communicating the remuneration report to the works council.
- To assist it in particular areas, it sets up specialised committees, whose members are drawn from the ranks of the Board of Directors. It appoints their members and their chairmen (except the chairman of the Audit Committee).
- It proposes the nomination of directors to the General Meeting and has power to co-opt new directors in cases of vacancy, once the Nomination Committee's advice has been sought and subject, where required by statute, to the prior approval of the Competent Regulator.
- It decides on the appointment or removal of the chairman and members of the Executive Committee after the Nomination Committee's advice has been sought and subject, where required by statute, to the prior approval of the Competent Regulator.
- It decides on the removal from office of persons in charge of compliance, risk management and internal audit.
- It approves the Corporate Governance Charter, containing the charters of the Board of Directors and its advisory committees and of the Executive Committee, taking into account the advice of the advisory committees and the Executive Committee, respectively.

B. Determining and monitoring of the strategy, general policy and risk policy of the KBC group

The Board's remit includes:

- the overall strategy of the KBC group and of its various main activities;
- strategic investments and divestments, the conclusion and dissolution of alliances and co-operation agreements deemed of significant importance by the Executive Committee and Chairman;
- capital allocation, key performance indicators and published performance targets;
- risk policy, including risk appetite;
- remuneration policy;
- the organisational structure of the KBC group;
- the governance memorandum of the KBC group.

The Executive Committee submits its proposals on all these matters to the Board of Directors, which, where applicable, takes into account the advice of the relevant advisory committees of the Board.

C. Supervision of management

The Board of Directors supervises:

- the performance of the Executive Committee and its management culture.
- the development of the KBC group, directly and via its advisory committees. To this end, at regular intervals, it discusses
 - the development of the business, in particular of the Business Units and business lines, and of the significant subsidiaries of KBC group. The Board of Directors is informed whenever major developments occur within the KBC group or in the industries in which it operates.
 - the financial reports of KBC Group NV, in particular the quarterly, half-yearly and annual financial statements of KBC Group NV (company and consolidated). It monitors performance against pre-set budgets and targets.
 - the integrated risk reports, the management of all significant risks and the use of external ratings and internal models,
- the integrity of the accounting and financial reporting systems and, at least once a year, the internal control procedures.
- the independent control functions

The Board of Directors can request specific reports from the Executive Committee or the statutory auditor on all matters that it deems relevant.

Furthermore, in accordance with the law and the Articles of Association, the Board of Directors has the power to take all action that is necessary or useful for the implementation of the object of the company, with the exception of that which, pursuant to the law or the Articles of Association, solely another body is empowered to take.

With regard to these powers, the company shall be validly represented by two directors, one of whom is required to be a member of the Executive Committee, or by persons especially empowered for that purpose.

Directors may, at the company's expense, seek the advice of an independent expert, having gained prior authorisation to do so from the Chairman.

5.2. Composition

5.2.1. Scope

KBC Group NV is administered by a Board of Directors of at least ten and not more than 16 members appointed by the General Meeting.

The Board of Directors is composed of a number of directors proposed by the Core Shareholders, three independent directors and three Executive Directors (CEO, CFO and CRO) who are members of the Executive Committee.

In no case may Executive Directors constitute the majority on the Board of Directors.

5.2.2. *Independent directors*

As KBC Group NV is a listed company, which must follow – where necessary – the procedure described in Article 524 of the Companies Code, its Board of Directors must include at least three independent directors, as defined in Article 526*ter* of the Companies Code and repeated in Appendix A to the Belgian Corporate Governance Code of 12 March 2009.

Any independent director who no longer satisfies the criteria to qualify as independent, must immediately notify the Board of Directors accordingly.

5.2.3. *Nominations*

Candidates for vacant or additional Non-Executive Director seats are nominated by the Board of Directors at the General Meeting, after obtaining the advice of the Nomination Committee.

5.2.4. *Conditions of appointment*

The Board of Directors shall have a balanced composition, ensuring that the board members have adequate banking and insurance expertise, general corporate management experience and broader societal experience. The composition of the Board of Directors will also reflect diversity in terms of nationality and gender.

All directors, whether Executive Directors or Non-Executive Directors, and with respect to the latter, regardless of whether or not they are independent, must have sufficient capacity to make independent judgement.

When a position on the Board of Directors becomes vacant, the Chairman will, together with the Nomination Committee that he/she chairs, define the specific profile to be met by candidate directors. The Nomination Committee ensures that it has all the information required to make an objective assessment of whether the candidates' competences, knowledge and experience meet the stated profile. Candidate directors must also undertake to make the necessary time available to fulfil their obligations as a director of KBC Group NV. With that aim in mind, the number of offices that the candidate directors hold in other companies, together with any other major commitments, will be checked.

Having assessed the suitability of the candidate director or directors for the vacant seat on the Board of Directors, the Nomination Committee will advise the Board of Directors in this regard on the basis of the information provided.

5.2.5. *Appointments*

Proposals to appoint nominated directors (after first being approved by the Competent Regulator), or to re-appoint directors are submitted by the Board of Directors to the General Meeting for approval. Each proposal is accompanied by a recommendation (including the proposed term of office, relevant information on the candidate's professional qualifications and a list of the positions the candidate already holds) of the Board of Directors, based on the advice of the Nomination Committee.

It is a legal requirement that nominations are communicated as a separate agenda item for the General Meeting at least 30 days before it is held.

When nominating an independent director, the Board of Directors states whether the candidate meets the criteria of the Companies Code to qualify as independent.

The General Meeting appoints the directors by a simple majority of votes validly cast by those present or represented by proxy.

The Chairman and deputy chairman of the Board of Directors are selected by the Board of Directors from among the Non-Executive Directors.

If, during the course of a financial year, a directorship becomes vacant, the remaining directors may arrange for a replacement and appoint a new director. In that case, the next General Meeting will make a definitive appointment.

A director appointed to replace a director whose term of office had not yet come to an end will complete this term of office unless, at the time of the definitive appointment, the General Meeting indicates a different term of office.

5.2.6. Training

Newly appointed directors receive appropriate training that provides them with adequate information and documentation on the business activity, strategy, management, principal policy guidelines, risk-management and internal control systems, and the various challenges facing the KBC group.

Based on their individual needs, directors joining the Board of Directors' committees receive initial training that is focused on the specific role, responsibilities and functioning of these committees.

Directors are expected to keep their skills and knowledge of KBC Group NV up to date. At the Chairman's initiative, separate training sessions may be organised to examine specific topics in more depth.

5.2.7. Term of office

Directors may be appointed for a renewable term of up to four years.

A directorship may be revoked at any time by the General Meeting by a simple majority of the votes cast.

5.2.8. Policy regarding offices held

5.2.8.1. Offices held on nomination by KBC Group NV

Offices which are accepted on the nomination of KBC Group NV, may be assigned solely to members of the Executive Committee or to persons appointed on an *ad hoc* basis by the Executive Committee. The latter category may include Non-Executive Directors. Whenever such an office is taken up by a member of the Executive Committee, it may not be paid by the company or organisation where it has been taken up, except in strictly exceptional cases.

5.2.8.2. Offices held within the KBC group

- Non-Executive Directors of KBC Group NV may not hold executive directorships in other KBC group companies.
- The members of the Executive Committee of KBC Group NV may fill executive directorships in a number of clearly defined categories of other financial companies that are also members of the KBC group.

5.2.8.3. *Offices held outside the KBC group*

- Non-Executive Directors of KBC Group NV may hold no more than five directorships in listed companies. Taking up such a position must not give rise to any actual or potential significant conflict of interest.

The Non-Executive Directors must inform the Chairman of any relevant commitments outside the KBC group, and any changes to those commitments.

- The members of the Executive Committee of KBC Group NV may hold executive or non-executive directorships in listed or unlisted companies outside the KBC group, albeit under certain conditions. The Board of Directors decides in the case of directorships held in listed companies, the Executive Committee in all other cases.

5.2.9. **Age limit**

Save in exceptional circumstances, Non-Executive Directors will relinquish their seats at the Annual General Meeting following their 70th birthday. The reasons for allowing any exceptions will be provided at the General Meeting.

Save in exceptional circumstances, the term of office of Executive Directors will end at the end of the month in which they turn 65.

5.2.10. **Remuneration**

The remuneration awarded to Non-Executive Directors consists solely of an annual fixed component and a fee for each Board of Directors' meeting attended. An additional remuneration can be awarded to the chairmen and the members of the advisory committees of the Board of Directors in accordance with the remuneration policy. The level of remuneration is set by the General Meeting on the basis of legal requirements and of the KBC group remuneration policy set by the Board of Directors, on the advice of the Remuneration Committee.

The Chairman receives a different remuneration package. The Chairman is paid a fixed emolument, which is set separately by the Remuneration Committee and approved by the Board of Directors.

[More information on the remuneration of Executive Directors can be found under '7.2.4. of the Charter of the Executive Committee']

5.3. **Chairmanship**

The Chairman is elected by the Board of Directors from among the Non-Executive Directors and removed from office on the recommendation of the Nomination Committee, where appropriate on the prior approval of the Competent Regulator.

The office of chairman of the Board of Directors cannot be held simultaneously with that of the office of chairman of the Executive Committee.

The Chairman presides over the Board of Directors and is responsible for ensuring that it functions smoothly in compliance with the charter of the Board of Directors. The Chairman will endeavour to develop and preserve a climate of trust among the members of the Board of Directors, with a view to contributing to open and fair dialogue, and facilitating constructive criticism and responsible decision-making.

More specifically, the Chairman assumes the following tasks:

- A. The Chairman ensures that KBC Group NV's management structure is appropriate and, where necessary, makes proposals in this regard to the Board of Directors. In light of this, the Chairman, with the assistance of the Nomination Committee, takes the necessary initiatives regarding the appointment and removal of members of the Executive Committee.
- B. The Chairman ensures a balanced composition of the Board of Directors and is assisted in this task by the Nomination Committee, which he/she chairs. To achieve this, the Chairman takes the necessary initiatives and directs activities with regard to:
 - (a) determining what competences and qualifications are required for the appointment of members of the Board of Directors;
 - (b) gathering information in advance on candidate directors;
 - (c) the appointment or re-appointment procedure for members of the Board of Directors and its committees;
 - (d) the self-appraisal procedure of the Board of Directors as a whole and its committees.
- C. The Chairman is responsible for ensuring the smooth and efficient functioning of the Board of Directors by:
 - (a) drawing up the annual calendar of Board of Directors' meetings in consultation with the chairman of the Executive Committee, and taking account of the fixed, annually recurring agenda items.
 - (b) supervising the correct observance of the procedures regarding the preparation, deliberation and approval of resolutions, and the implementation of the resolutions passed. More specifically, the Chairman ensures that the directors receive accurate, timely and clear information prior to and, if necessary, between Board of Directors' meetings.
 - (c) presiding over deliberations by the Board of Directors, and ensuring sufficient time is allocated for them.
 - (d) ensuring that the Board of Directors appoints members and a chairman for each Board of Directors' committee (except: the members of the Audit Committee appoint the chairman of that committee).
 - (e) as chairman of the Nomination Committee, to make provision for suitable initial training for new directors, bearing in mind the individual needs of each director.
 - (f) organising separate training sessions for the Board of Directors, based on specific requirements.
- D. The Chairman holds regular discussions with the chairman of the Executive Committee on subjects and projects that could be of strategic importance, such as possible mergers, investments and divestments and other important operations.
- E. The Chairman chairs the General Meeting and, if required, answers shareholders' questions on the meeting's agenda.
- F. In consultation with the chairman of the Executive Committee, the Chairman personally represents the KBC group and promotes its interests at important meetings, events and forums.

The deputy chairman of the Board of Directors is also selected by the Board of Directors from among the Non-Executive Directors. The deputy chairman's primary task is to replace the Chairman in that person's absence. In that case, the deputy chairman temporarily assumes the aforementioned tasks. The deputy chairman is also consulted by the Chairman whenever the latter deems it necessary in order to execute his/her tasks smoothly and efficiently.

5.4. Secretariat

The Board of Directors appoints a secretary who does not have to be a director.

The secretary assists the Board of Directors, its Nomination Committee and the Chairman as well as the individual members of the Board of Directors.

Under the supervision of the Chairman of the Board of Directors, the secretary is responsible for implementing the initial training and the professional development of directors, ensuring a proper flow of information, organising the Board of Directors' meetings and compiling the minutes. The minutes summarise the deliberations, detail the resolutions passed and report any reservations that the directors have.

Together with the Chairman of the Board of Directors, the secretary ensures that the Board of Directors and its committees comply with the law, the Articles of Association, and their Charters and procedures. The secretary keeps up-to-date on practices and developments in the financial and legal worlds and introduces them as necessary, commensurate with the needs that arise with respect to the governance of KBC Group.

Under the supervision of the Chairman of the Board of Directors, the secretary is also responsible for the practical organisation of the General Meetings.

5.5. Procedures

On the basis of an agenda approved by the Board of Directors at the end of the previous financial year, the Board of Directors meets at least eight times each calendar year at the invitation of its Chairman, its deputy chairman or two of its directors. Additional meetings may be held whenever this is in the company's interest.

Between meetings, members of the Board of Directors are kept informed of any major events that might influence the course of business in the KBC group.

No later than one and a half weeks before a Board of Directors' meeting, a director may ask the Chairman to add an item to the agenda.

Generally one week before the meeting, the meeting agenda together with all documents explaining the various agenda items is sent under the supervision of the Chairman by post, courier, fax, e-mail or other electronic means to the members of the Board of Directors. In this way, directors who wish to do so can request clarification from the Chairman before the meeting. Urgent additional agenda items and documents may be sent electronically to the directors up to one day prior to the meeting taking place.

In cases of extreme urgency, the invitation and agenda may be communicated by phone.

A director who is unable to attend a meeting may – by means of a signed proxy sent by post or by other means of communication which contains the signed proxy in documentary form, – authorise another member of the Board of Directors to represent him/her. A director may not represent more than one other director.

Members of the Board of Directors are expected to attend Board of Directors' meetings regularly and to stay for the duration of the meeting.

Exceptionally, a director may, with the consent of the Chairman, take part in the meeting or deal with one specific agenda item by phone or by video conference.

The Board of Directors' meeting is chaired by the Chairman and, in the Chairman's absence, by the deputy chairman or a director appointed by those directors present.

A Board of Directors' meeting is valid if at least half of the directors are present or represented by proxy. Directors who, in accordance with the Companies Code or this Charter, may not participate in deliberations and the vote, are not taken into account when determining whether the required quorum has been reached.

At the Board of Directors' meeting, explanations regarding certain agenda items may be given by the chairman or other members of the Executive Committee or the Board of Directors'

committees. If they should consider it necessary, they may be assisted by a member of management or by internal or external specialists, or both.

When passing resolutions, the Board of Directors strives for consensus. Where consensus cannot be reached, resolutions are passed by a simple majority of the votes cast. In the case of a tied vote, the chairman of the Board of Director's meeting has the casting vote.

In cases of extreme urgency, and insofar as permitted by law, the resolutions of the Board of Directors may be passed by unanimous written agreement of the directors, without the need to hold a meeting. The directors will then each sign a single document, or several copies of that document, whose date will be the date on which the last signature is appended.

The minutes of Board of Directors' meetings are approved and signed by the acting chairman and submitted for signature to the other members of the Board of Directors.

To be valid, copies and extracts from the minutes must be signed by the Chairman, by two directors, by the secretary to the Board of Directors, by the secretary to the Executive Committee or by the Group Secretary.

Directors must handle all information and reports they receive for the purposes of their office with the necessary confidentiality.

5.6. Evaluation

With a view to constantly improving its own effectiveness, at least once a year the Board of Directors evaluates, under the leadership of its Chairman and assisted by the Nomination Committee, its scope, composition and functioning.

Directors who are nominated for re-appointment are subject to an individual evaluation that focuses on their efforts and effectiveness, and – where appropriate – their performance as the chairman or member of a committee. This evaluation is performed by the Chairman. The Board of Directors evaluates the Chairman who must not be present when the evaluation is being performed.

Once a year, the Non-Executive Directors assess their interaction with the executive management. To that end, the Non-Executive Directors meet at least once a year without the Executive Directors.

On the basis of the result of these assessments, the Board of Directors will, if necessary, take concrete measures to ensure that it continues to function effectively.

5.7. Conflicts of interest

The rules set out below apply to transactions and contractual relationships between KBC group entities and members of the Board of Directors. Arm's-length transactions executed during the entities' normal course of business are excluded.

Directors are expected to avoid transactions in which they have an interest that conflicts with the interests of KBC Group NV or an Affiliated Company.

A director will be deemed to have a conflict of interest if a transaction involves a conflict of interest of a financial nature for:

- a) the director.
- b) a Close Relative of that director.
- c) a company controlled, within the meaning of Article 5 of the Companies Code, by a director and/or a Close Relative or Close Relatives of that director.
- d) a company in which the director or Close Relative of the director holds an office as a director/business manager, sits on the executive committee or is the person responsible for day-to-day management. This does not apply if the company is an Affiliated Company of KBC Group NV or a company in which KBC Group NV has a Participating Interest.

Nevertheless, if a conflict of interest exists with KBC Group NV or an Affiliated Company, the following rules apply:

5.7.1. Conflicts of interest within the meaning of Article 523 of the Companies Code

The procedure required by law will be applied to these transactions.

5.7.2. Other conflicts of interest

If a decision concerning a particular transaction is to be taken by the Board of Directors, the director with the conflict of interest must inform the other directors of KBC Group NV of this fact in advance of the decision, and refrain from participating in the deliberations and from voting on the transaction concerned. The existence of the conflict of interest will be reported in the minutes of the meeting of the Board of Directors.

If a decision concerning a particular transaction is not to be taken by the Board of Directors but by another body, the director with the conflict of interest must inform the Chairman of this fact in advance of the decision, insofar as the director is aware of this conflict of interest.

In any event, these transactions may take place at arm's length only.

5.8. Transactions in financial instruments carried out by directors

Directors of KBC Group NV can, whether regularly or occasionally, have access to information deemed by law to be inside information. The Board of Directors wishes to avoid situations in which directors might misuse any inside information, or consciously or otherwise deal in such a way as could be regarded as market abuse.

Therefore any dealing by directors on their own account needs to adhere to the Dealing Code which has been established in accordance with the Market Abuse Regulation, 596/2014, of 16 April 2014 (hereafter 'Market Abuse Regulation').

The Dealing Code applies to all dealing concerning listed Financial Instruments issued by KBC Group, KBC Bank, another group company or KBC Ancora Comm. VA. that is done by directors on their own account.

The Dealing Code restates the regulatory prohibitions against insider dealing and market manipulation. It also sets out the precautions to be taken in order to avoid unlawful disclosure of inside information. Furthermore it provides for the following preventive measures:

- 'Blocking periods': during each month immediately preceding the announcement of interim or annual results, dealings in Financial Instruments by directors on their own account are in principle prohibited. Dealings under discretionary asset management are exempted.
- 'Reporting duty': directors (and their Persons Closely Associated) are under a duty to report their Dealings in Financial Instruments to the FSMA, which in turn makes these dealings public.
- The Dealing Code contains specific prohibitions and requirements aimed at precluding speculative behaviour.

The Compliance Officer performs the necessary controls of compliance with the Dealing Code. The main tool for controls is insider lists. These lists can be requested by the FSMA for investigatory purposes.

6. ADVISORY COMMITTEES OF THE BOARD OF DIRECTORS

6.1. INTRODUCTION

The following advisory committees have been established: the Audit Committee, the Risk & Compliance Committee, the Nomination Committee and the Remuneration Committee. The Nomination Committee and the Remuneration Committee also function as such for the Main Subsidiaries of KBC Group NV.

These committees comprise exclusively non-executive members of the Boards of Directors of KBC Group NV, and at least one of their members must be independent within the meaning of Article 526ter of the Companies Code. No member may sit on more than three of the aforementioned committees.

The Board of Directors may set up other committees, whose remit, composition and functioning it will determine.

All committees have an advisory role. Only the Board of Directors has the authority to pass resolutions, unless specific authority has been granted to pass resolutions.

All committees have the power to employ, in reasonable measure, the means necessary to ensure they function smoothly. They may, for instance, seek the advice of external specialists. They are accountable to the Board of Directors for the proper performance of their duties.

6.2. CHARTER OF THE AUDIT COMMITTEE

6.2.1. Introduction

This Charter defines the role, the responsibilities and the functioning of the Audit Committee of KBC Group NV.

The charter is compliant with the applicable legal and regulatory requirements as well as with best corporate governance practices.

6.2.2. Purpose and Authority

6.2.2.1. Purpose

The Audit Committee is a committee of the Board of Directors. The Audit Committee advises the Board of Directors on the integrity of the financial reporting and the effectiveness of the internal control and risk management processes. It assists the Board of Directors by ensuring that necessary remedial actions are taken.

The Audit Committee steers the internal audit function and oversees the external audit function.

6.2.2.2 Authority

The Audit Committee has no other powers and responsibilities than those delegated by the Board. Only the Board has the authority to decide and keeps full responsibility. The Audit Committee has an advisory role unless specific decision authority has been delegated by the Board or given by local legislation.

The Audit Committee has unrestricted access to all information. It is entitled to meet with all members of management and members of staff as well as with external parties without any executive manager present. In the case that an individual Audit Committee member wants to meet separately with the people

mentioned above, he/she is allowed to do so after prior consultation with the chairman of the Audit Committee.

The Audit Committee can initiate special investigations in all areas for which it is responsible. The chairman of the Executive Committee must be apprised of such investigations, which may be performed by either internal or external parties. KBC Group NV will provide the necessary resources for these investigations.

The Audit Committee is entitled to seek external professional advice at the expense of KBC Group NV, on subjects within its remit, after having presented its intended course of action to the Chairman.

The KBC Group NV Audit Committee is responsible for oversight of the financial reporting and the internal control and risk management processes of all entities within the KBC group. In order to give effect to this oversight role, and without impacting the responsibilities of the Board of Directors of the various subsidiaries within the group, the KBC Group NV Audit Committee has authority to define governance rules for the organisation and functioning of the various audit committees within the KBC group entities. This entails – but is not limited to – drawing up rules for communication between those audit committees and the KBC Group NV Audit Committee. In this regard, the chairman of the KBC Group NV Audit Committee is always invited to attend the meetings of local audit committees.

6.2.3. Organisation

6.2.3.1. Composition

The Audit Committee of KBC Group NV is composed of at least three non-executive directors, of whom at least one must be independent as defined by Article 526ter of the Companies Code. The composition of the Audit Committee takes into account the specific shareholder structure of KBC Group NV and especially the presence of the Core Shareholders.

The members of the Audit Committee are appointed by the Board of Directors.

The chairman of the Audit Committee is appointed by the members of the Audit Committee and cannot simultaneously hold the office of chairman of the Board of Directors.

The members of the Audit Committee shall collectively have the skills and experience to understand and monitor KBC's lines of business, as well as competence in accounting, risk management and audit. At least one member must have relevant expertise in the areas of accounting and audit.

The members of the Audit Committee are entitled to all training necessary for them to perform their responsibilities. KBC Group NV will provide the necessary resources for this purpose.

6.2.3.2 Meetings

The Audit Committee meets at least four times a year.

The Audit Committee's meeting schedule (frequency and dates) as well as the principal items on the agenda are established on a yearly basis and approved by the Audit Committee. Additional meetings can be held at the request of any member or participant of the Audit Committee, subject to prior consultation

with and the approval of the chairman. Each member or participant is entitled to put additional items on the agenda.

The following persons, or their representatives, participate as permanent guests at all meetings:

- The Chief Executive Officer (CEO) of KBC Group NV;
- The Chief Risk Officer (CRO) of KBC Group NV;
- The Chief Financial Officer (CFO) of KBC Group NV;
- The KBC Group Internal Auditor;
- The KBC Group Compliance Officer.

Additionally, any person who can provide the Audit Committee with relevant information can be invited to attend the meeting. Their participation is limited to the relevant agenda topics. In particular, the following persons will regularly be invited to give explanations and presentations on specific topics:

- The senior general manager of Group Finance;
- The senior general manager of Group Risk;
- The KBC Group Legal Officer;
- The KBC Group Tax Officer.

The external auditors are invited to each meeting but they will attend at least two meetings a year.

Both the external and the internal auditors have at all times direct and unrestricted access to the chairmen of the Audit Committee and of the Board of Directors as well as to all members of the Audit Committee. Furthermore, the Audit Committee may hold private meetings with those persons invited to attend its meetings. At least once a year, the Audit Committee will hold (at least part of) a meeting without the presence of the Executive Committee members of KBC Group NV.

Members of the Audit Committee should attend all meetings. Valid meetings require the presence of at least half of the members.

Meetings can be held via all technical means of communication, such as video and phone conferences, provided that the security and confidentiality guidelines are respected.

The meetings are chaired by the chairman. If the chairman is not present, the Audit Committee meeting will be chaired by the member with the most seniority as an Audit Committee member.

The Audit Committee has a permanent secretary appointed by the chairman.

The meeting agenda and supporting papers are distributed sufficiently in advance for the members to prepare for the meeting. Meeting minutes must be in writing and distributed in a timely fashion to the Audit Committee members and the other participants (each for matters pertaining to them).

The chairman of the Audit Committee and the chairman of the Risk & Compliance Committee should interact with each other as appropriate in order to ensure consistency and avoid any gaps.

6.2.4. Responsibilities

The Audit Committee has the following responsibilities:

6.2.4.1. Internal Control

The Audit Committee ensures that the Executive Committee establishes and maintains an adequate and effective internal control system and adequate and effective internal control processes. The system and processes should be designed to provide assurance in areas including reporting (financial, operational, risk), monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets.

To this end, the Audit Committee *inter alia*:

- annually reviews the quality of internal control based on the statement provided by the executive management and supplemented by the opinion of internal audit;
- is regularly informed of the reports issued by internal and external auditors, so that it is aware of the main risks reported and the actions taken by management to mitigate those risks;
- reviews the statements on internal control and risk management included in the Annual Report.

6.2.4.2 Financial Reporting

The Audit Committee monitors the financial reporting process and submits recommendations or proposals to ensure its integrity.

The Audit Committee informs the Board of Directors of the outcome of the statutory audit and explains how the statutory audit contributed to the integrity of financial reporting and what the role of the Audit Committee was in that process.

To this end, the Audit Committee *inter alia*:

- discusses the Annual Report and the quarterly financial statements prior to approval by the Board.
- discusses the review of the financial statements by the external auditors and management's response.
- discusses the findings and recommendations by External and Internal Audit and management's response.
- reviews significant accounting and reporting issues, including the valuation and the consolidation rules applied.
- reviews significant financial reporting judgments contained in the financial statements.
- reviews any public announcement on the financial statements prior to their release. In this respect the Audit Committee is authorised by the Board of Directors to approve the press releases.
- is informed of all significant and unusual transactions and how they are accounted for.

6.2.4.3 Internal Audit function

The Audit Committee monitors and reviews the effectiveness of the Internal Audit function within KBC Group NV, overseeing its independence, professionalism and expertise.

To this end, the Audit Committee *inter alia*:

- monitors compliance with the principles of the Internal Audit Charter, as approved by the Board of Directors;
- approves the activities and the structure of Internal Audit, including the audit plan, resources, scope and budget;
- approves the appointment, the replacement and the dismissal of the KBC Group Internal Auditor and the members of the Corporate Audit Management Team on a proposal of the Executive Committee;
- assesses the performance of the KBC Group Internal Auditor;
- approves the annual remuneration of Internal Audit, including performance awards, on a proposal of the Executive Committee;
- approves the annual internal audit plan and is informed at least twice a year of the progress made in order to ascertain that audit coverage is adequate;
- reviews and discusses the audit reports and the way management deals with the internal audit recommendations resulting from these reports;
- reviews instances of fraud that are discovered and breaches of laws and regulations raised by Internal Audit;
- ensures that Internal Audit maintains open communication with senior management, external auditors, the supervisory authority, and the Audit Committee;
- ensures that deficiencies identified by supervisory authorities related to the internal audit function are remedied within an appropriate time frame and that progress on necessary corrective actions is reported to the Board of Directors.

6.2.4.4 Statutory auditor – External audit function

The Audit Committee monitors the statutory audit of the annual and consolidated financial statements. It reviews and monitors the independence of the statutory auditor, and in particular the appropriateness of the provision of non-audit services. It recommends the statutory auditor to be appointed, where applicable following a selection procedure organized in accordance with applicable legislation.

To this end, the Audit Committee *inter alia*:

- advises the Board on the (re-)appointment and the dismissal of the external auditor including remuneration and terms of engagement.
- investigates the reasons for the external auditor's resignation and recommends any necessary action.
- discusses the review reports presented by the external auditor and the way management deals with the external audit recommendations resulting from these reports.
- reviews the external auditor's programme of work and evaluates its effectiveness.
- monitors the independence of the external auditor, and in particular approves the nature and extent of the non-audit services provided by the external auditor in accordance with KBC's policy on engagement of the external auditor in non-audit services. The Audit Committee advises the Board of Directors on the development of such policy.

The statutory auditor:

- informs the Audit Committee yearly of additional services provided to KBC Group NV or any of its related entities;
- discusses with the Audit Committee identified threats to the auditor's independence including the related safeguards that have been applied to eliminate or reduce them to an acceptable level, based on the information provided, in particular when the total fees received from

KBC Group NV in each of the last three consecutive financial years represent more than 15% of the total fees received in each of those financial years;

- annually presents its declaration of independence to the Audit Committee;
- annually submits the legally required additional report to the Audit Committee and to the Board of Directors.

6.2.5. Reporting

After each Audit Committee meeting, the chairman will report to the Board of Directors on its activities, its findings and recommendations for improvement. The minutes of Audit Committee meetings are distributed to the members of the Board.

To facilitate its supervisory responsibility, the minutes of Audit Committee meetings of the direct subsidiaries of KBC Group will be distributed to the members of the KBC Group NV Audit Committee and discussed at its next meeting.

6.2.6. Review and Performance evaluation

On an annual basis, the Audit Committee reviews its Charter and evaluates its effectiveness. The Board of Directors is informed of the results and of any proposal for improvement resulting from the review and evaluation exercises.

6.2.7 Conflicts of interest

Every member will inform the Audit Committee of:

- any personal interest of a financial nature in one or more matters dealt with by the committee;
- any conflict of interest that might arise as a consequence of holding one or more other offices.

The member concerned will not take part in the deliberations and the vote on the matters in question.

Statutory auditor

An external audit is carried out of the financial situation and accounts of KBC Group NV and its Main Subsidiaries. Only a limited audit is carried out on the consolidated six-monthly and quarterly accounts. The external audit is carried out by a statutory auditor who appears in the list of auditors and audit companies recognised by the Competent Regulator.

The statutory auditor is appointed for a renewable term of three years. The appointment, remuneration, re-appointment or removal of the statutory auditor is carried out in accordance with specific legal provisions.

In addition to its normal external audit responsibilities, the statutory auditor also fulfils a complementary role for the purposes of the Competent Regulator's prudential supervision of KBC Group NV.

Being officially recognised by the Competent Regulator, the statutory auditor is subject to its supervision and submits reports to it at regular intervals.

Within the company, the statutory auditor reports to the Audit Committee and the Risk & Compliance Committee, and, in principle, attends at least two of their meetings. In principle, the statutory auditor also attends the Board of Directors' meeting at which the annual accounts are discussed and approved, as well as the Annual General Meeting. Lastly, it has direct and unrestricted access to the chairmen of the Audit Committee, the Risk & Compliance Committee and the Board of Directors.

The Audit Committee monitors the independence, expertise and quality of the services provided by the statutory auditor. This is assessed annually.

The statutory auditor's independence is guaranteed by specific legal provisions implemented within the KBC group. More specifically, both qualitative and quantitative restrictions apply with regard to non-audit services. Non-audit services are those not entrusted by law to the statutory auditor.

The qualitative restriction on non-audit services limits the number of such services that the statutory auditor may undertake.

The quantitative restriction limits the non-audit services performed by the statutory auditor to those for which the remuneration does not exceed the remuneration it receives as statutory auditor (the so-called 'one-to-one' rule). The Audit Committee may deviate from this rule. Furthermore, these non-audit services may not be prohibited under the qualitative restriction.

The rules regarding qualitative and quantitative restrictions on non-audit services must be observed not only by the statutory auditor and the company it is auditing, but also by persons within the network surrounding the statutory auditor and by persons and companies affiliated with the audited company.

6.3. CHARTER OF THE RISK & COMPLIANCE COMMITTEE

6.3.1. Introduction

This Charter defines the role, the responsibilities and the functioning of the Risk & Compliance Committee of KBC Group NV (hereinafter 'RCC').

6.3.2. Purpose and authority

6.3.2.1 Purpose

The RCC is a committee of the Board of Directors. The RCC advises the Board of Directors on the overall current and future risk appetite and risk strategy, as well as on the current and future compliance rules. It assists the Board of Directors in monitoring and overseeing the implementation of these elements and rules by senior management. The RCC monitors whether the prices of the liabilities and assets and the categories of off-balance sheet products offered to clients take full account of KBC's business model and risk strategy and, in particular, the possible reputation risks linked to these products.

The RCC oversees the risk management and compliance functions.

6.3.2.2 Authority

The RCC has no other powers or responsibilities than those delegated by the Board of Directors. In principle, only the Board of Directors has authority to decide and the RCC has an advisory role, unless specific decision authority has been delegated by the Board or given by local legislation. The Board of Directors shall retain full responsibility for risks.

The RCC determines the nature, format, content and frequency of the reported information. The RCC has unrestricted access to all information. It is entitled to meet with all members of management and members of staff, as well as with external parties without any executive manager present. In the case that an individual RCC member wants to meet separately with the people mentioned above, he/she is allowed to do so after prior consultation with the chairman of the RCC.

The RCC can initiate special investigations in all areas for which it is responsible. The chairman of the Executive Committee must be apprised of such investigations, which may be performed by either internal or external entities. KBC Group NV will provide the necessary resources for these investigations.

The RCC is entitled to seek external professional advice at the expense of KBC Group NV on subjects within its remit, after having presented its intended course of action to the chairman of the Board of Directors.

The KBC Group NV RCC is responsible for the oversight in terms of risk and compliance of all entities within the KBC group. In order to give effect to this oversight role, and without impacting the responsibilities of the board of directors of the different subsidiaries within the group, the KBC Group NV RCC has the authority to define governance rules for the organisation and functioning of the different risk & compliance committees within the KBC group entities. This entails – but is not limited to – drawing up rules for communication between those risk & compliance committees and the KBC Group NV RCC. In this regard, the chairman of the KBC Group RCC is always invited to attend the meetings of local risk & compliance committees.

6.3.3. Organisation

6.3.3.1 Composition

The RCC is composed of at least three non-executive directors, of whom at least one must be independent as stipulated in Article 526^{ter} of the Companies Code.

The members of the RCC are appointed by the Board of Directors.

The chairman of the RCC is appointed by the Board of Directors and cannot simultaneously hold the office of chairman of the Board of Directors.

The members of the RCC shall collectively have the skills and experience to understand and monitor KBC's lines of business and in the areas of risk management and compliance. The members of the RCC shall individually have the necessary knowledge, expertise and skills to understand and monitor the (risk) strategy and risk appetite of KBC Group NV.

The members of the RCC are entitled to all training necessary to perform their responsibilities. KBC Group NV will provide the necessary resources for this purpose.

6.3.3.2 Meetings

The RCC meets at least four times a year. The RCC meeting schedule (frequency and dates) and the principal items on the agenda are established on a yearly basis and approved by the RCC. Additional meetings can be held at the request of any member or participant of the RCC, subject to prior consultation with and the approval of the chairman. Each member or participant is entitled to put additional items on the agenda.

The following persons, or their representatives, participate as permanent guests at all meetings:

- The Chief Executive Officer (CEO) of KBC Group NV;
- The Chief Risk Officer (CRO) of KBC Group NV;
- The Chief Financial Officer (CFO) of KBC Group NV;

- The KBC Group Internal Auditor;
- The KBC Group Compliance Officer.

Additionally, any person who can provide the RCC with relevant information can be invited to attend the meeting. Their participation is limited to the relevant agenda topics. In particular, the following persons will regularly be invited to give explanations and presentations on specific topics:

- The senior general manager of the Group Credit Risk directorate (GCRD);
- The general manager of the Group Risk (GRIS);
- The CRO of International Product Factories (IPF) – Markets;
- The KBC Group Legal Officer;
- The KBC Group Tax Officer.

The external auditors are invited to each meeting but they will attend at least two meetings a year.

The RCC may hold private meetings with the persons invited to attend its meetings.

At least once a year the RCC will hold (at least part of) a meeting without the presence of the Executive Committee members of KBC Group NV.

Members of the RCC should attend all meetings. Valid meetings require the presence of at least half of the members.

Meetings can be held via all technical means of communication, such as video and phone conferences, provided that the security and confidentiality guidelines are respected.

The meetings are chaired by the chairman. If the chairman is not present, the RCC meeting will be chaired by the member with the most seniority as an RCC member.

The RCC has a permanent secretary appointed by the chairman.

The meeting agenda and supporting papers are distributed sufficiently in advance for the members to prepare for the meeting. Meeting minutes must be in writing and distributed in a timely fashion to the RCC members and the other participants (each for matters pertaining to them).

The chairman of the RCC and the chairman of the Audit Committee should interact with each other as appropriate in order to ensure consistency and avoid any gaps.

6.3.4. Responsibilities

6.3.4.1 Risk appetite, risk strategy and risk profile

The RCC advises on the institution's overall current and future risk appetite, risk strategy and risk profile.

The RCC monitors implementation of the risk appetite and risk strategy by senior management and monitors the evolution of the risk profile.

The RCC monitors the effectiveness of the structures, the processes and the controls set up to identify, to measure, to monitor and to manage the risks that KBC is exposed to. In particular, the RCC reviews the monitoring of all major

risk types and advises the Board of Directors on the structure and the level of the limits.

6.3.4.2 Prices of liabilities and assets and categories of off-balance sheet products offered to clients

The RCC reviews whether prices of liabilities and assets and categories of off-balance sheet products offered to clients take full account of the institution's business model and risk strategy.

Where prices do not properly reflect risks in accordance with the business model and risk strategy, the RCC shall present a remedy plan to the Board of Directors.

6.3.4.3 Risk management function

The RCC supervises the organisation of the risk management function within KBC, overseeing its independence, professionalism and expertise.

The RCC reviews the activities and the structure – including the resources – of the risk management function with a view to ensuring that KBC possesses an adequate risk management function and, to this end monitors whether the Executive Committee has taken the necessary measures to ensure that the institution has a permanent, appropriate, independent risk management function.

The RCC confirms the action plan drawn up by the risk management function.

The RCC is informed of achievement of the objectives, the human and material resources, the tasks and the reports.

The RCC advises on the appointment, the replacement and the dismissal of the KBC Group Chief Risk Officer.

6.3.4.4 Compliance with laws and regulations

The RCC supervises compliance with procedures, statutory provisions, laws and regulations, as well as with the provisions of the KBC Group Code of Conduct.

The RCC discusses the findings and recommendations of the supervisory authorities and management's responses to those findings and recommendations.

The RCC is kept informed on a regular basis of ongoing litigation and tax issues.

6.3.4.5 Compliance risks

The RCC monitors compliance with the principles of the Compliance Charter approved by the Board and application by management of the Integrity Policy.

The RCC assesses compliance risks and discusses them (on the basis of reports from management, the head of compliance, the supervisory authorities and discussions), in particular to establish whether they are properly identified, recognised, managed and mitigated.

To do so, the RCC:

- is informed of material changes in the statutory/regulatory context with an indication of how these changes could influence the Integrity Policy and the organisation/functioning of the compliance function;
- receives an overview of the most significant findings, related recommendations and the way management responds to them.

The RCC reviews KBC's policy on whistle-blowers and is kept informed of its implementation and adherence. The RCC is also informed of all significant issues that are reported under this policy.

Approval of the Integrity Policy (and its annual assessment), the Compliance Charter, the Code of Conduct and the measures to manage conflicts of interest as well as the revision thereof are exclusively the competence of the Board of Directors.

6.3.4.6 Compliance function

The RCC supervises the organisation of the compliance function within KBC, overseeing its independence, professionalism and expertise.

The RCC reviews the activities and the structure – including the resources – of the compliance function with a view to ensuring that KBC possesses an adequate compliance function and, to this end monitors whether the Executive Committee has taken the necessary measures to ensure that the institution has a permanent appropriate independent compliance function.

The RCC confirms the action plan drawn up by the compliance function.

The RCC is informed of the achievement of the objectives, the human and material resources, the tasks and the reports.

The RCC advises on the appointment, the replacement and the dismissal of the Compliance Officer.

6.3.4.7 Remuneration policy and practice

To assist in the establishment of remuneration policies and practices that promote sound and effective risk management and facilitate a proper risk culture within the institution, the RCC examines, without prejudice to the tasks of the remuneration committee, whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings. In this context, the RCC ensures that the risk tolerance and strategy framework is integrated into the KBC Remuneration Policy.

The RCC is involved, without prejudice to the tasks of the remuneration committee, in the identification process of the members of staff whose professional activities have a material impact on the institution's risk profile ("KIS").

To ensure a smooth cooperation between the remuneration committee and the RCC, the chairman of the RCC participates in the meetings of the remuneration committee.

6.3.5. Reporting

After each RCC meeting, the chairman will report to the Board of Directors on its activities, its findings and its recommendations. The minutes of RCC meetings are distributed to the members of the Board.

To facilitate its supervisory responsibility, the minutes of the meetings of the risk & compliance committees of the direct subsidiaries of KBC Group NV will be distributed to the members of the RCC of KBC Group NV and will be discussed at its next meeting.

6.3.6. Review and performance evaluation

On an annual basis, the RCC reviews its Charter and evaluates its effectiveness. The Board of Directors is informed of the results and of any proposal for improvement resulting from the review and evaluation exercises. The Annual Report of the Board of Directors reviews the individual and collective expertise of the members of the RCC.

6.3.7. Conflicts of interest

Every member will inform the RCC of:

- any personal interest of a financial nature in one or more matters dealt with by the committee;
- any conflict of interest that might arise as a consequence of holding one or more other offices.

The member concerned will not take part in the deliberations and the vote on the matters in question.

6.4. CHARTER OF THE NOMINATION COMMITTEE

6.4.1. Powers

6.4.1.1. Role

The Nomination Committee advises the Board of Directors by way of recommendations regarding the selection of suitable candidate members for the Board of Directors, its advisory committees, the Executive Committee of KBC Group NV and the boards of directors, advisory committees and executive committees of the Main Subsidiaries, and regarding any change in their composition.

6.4.1.2. Remit

The Nomination Committee has the following tasks:

- Identifying and recommending for approval by the general meeting or, as the case may be, by the board of directors of KBC Group or its Main Subsidiaries, candidates to fill vacancies on the boards of directors of KBC Group or its Main Subsidiaries;
- Examining how knowledge, skills, diversity and experience are distributed in the aforementioned boards of directors;
- Preparing a description of the tasks and skills required for a certain appointment and assessment of how much time requires to be devoted to that position;
- Stipulating a target figure for representation of the under-represented sex on the aforementioned boards of directors and outlining a policy to increase the number of representatives of that sex on said boards of directors;
- Assessing periodically, and at least once a year, the structure, scope, composition and performance of the aforementioned boards of directors and formulating recommendations to the said boards of directors with regard to possible changes;
- Assessing periodically, and at least once a year, the knowledge, skills, experience and degree of involvement (viz. regular attendance) of the

individual members of the aforementioned boards of directors, and reporting thereon to those boards of directors;

- Proposing the composition of the advisory committees of the aforementioned boards of directors, viz. the audit committees, the risk & compliance committees, the Nomination Committee and the Remuneration Committee;
- Proposing the composition of, and the profiles of the members of, the Executive Committee after first consulting with the chairman of the Executive Committee.

In exercising its duties concerning the composition of the board of directors, the Nomination Committee observes the criteria laid down in the Rules for the Board of Directors.

6.4.2. Composition

The Nomination Committee is composed such that it can give a proper, independent judgement on the composition and procedures of the boards of directors, the advisory committees and the Executive Committees of KBC Group and its Main Subsidiaries, particularly the individual and collective expertise of their members and their integrity, reputation, independence of spirit and availability.

The Nomination Committee consists of at least three members, at least one of whom must be independent as stipulated in Article 526*ter* of the Companies Code.

The term of a member's period in office cannot exceed the term of his or her directorship.

6.4.3. Chairmanship

The Chairman of the Board of Directors chairs the Nomination Committee, except when the Nomination Committee is dealing with the designation of his/her successor. In the Chairman's absence, one of the members of the Nomination Committee is chosen by the other members of the Nomination Committee to act as chairman.

The chairman ensures that meetings run smoothly. He makes sure that the committee has all the information and internal and external support that it needs in good time to be able to properly perform its tasks and that it fulfils its responsibilities in accordance with all statutory and regulatory provisions and the terms of this Charter.

6.4.4. Secretariat

The secretary to the Board of Directors acts as secretary to the Nomination Committee. The secretary to the Executive Committee acts as deputy secretary.

The secretary calls committee meetings in consultation with the chairman of the committee or on a request from any member of the committee.

The secretary draws up a report of each meeting summarising the discussions that take place and the recommendations that are made.

6.4.5. Procedures

The Nomination Committee will meet as often as necessary, but at least twice a year.

The meetings are held according to the rules applying to meetings of the Board of Directors.

In cases of urgency, meetings can be held by telephone (conference call) or video conference.

If it wishes, the committee can invite non-members, such as the chairman of the Executive Committee, to attend its meetings.

The committee can seek out external professional advice at the company's expense.

A director may not attend that part of the meeting of the Nomination Committee at which his/her appointment, re-appointment or removal is to be discussed, or be involved in any advice on those matters.

The members must treat all information and reports that they receive in the framework of their responsibilities with the necessary confidentiality.

6.4.6. Reporting

The chairman reports verbally to the Board of Directors on discussions that have taken place at the most recent meetings.

The reports drawn up by the secretary are approved by the committee.

A copy of the latest report approved by the committee is sent to the members of the Board of Directors and included on the agenda of the next following meeting of the Board of Directors.

Members of the Board of Directors may at any time request copies of the documents appended as enclosures to the original reports.

6.4.7. Evaluation

The committee draws periodic evaluations of its composition and procedures and reports on them to the Board of Directors, and in doing so it makes proposals to the Board if necessary. On such occasions, the requisite skills and experience of the committee are analysed as a whole, among other matters.

6.4.8. Conflicts of interest

Each member of a committee must inform that committee of:

- any personal financial interest in any one or more matters that the committee is dealing with;
- any conflict of interest that might arise owing to the fact that he or she occupies one or more other offices.

The member concerned does not take part in the discussions and votes on the matters in question.

6.5. CHARTER OF THE REMUNERATION COMMITTEE

6.5.1. Powers

6.5.1.1. Role

The Remuneration Committee provides advice on the remuneration policy that the Board of Directors has to draw up and on any amendment to that policy.

It is charged with preparing resolutions on remuneration, more specifically:

- resolutions that affect the risks and risk management of the KBC group and that have to be passed by the Board of Directors. When preparing such resolutions, the Remuneration Committee takes account of the long-term interests of shareholders, investors and other stakeholders of the KBC group, as well as of general interests.
- resolutions on the remuneration of the persons responsible for the independent control functions. Moreover, the committee directly oversees the remuneration of the persons responsible for the independent control functions.

6.5.1.2. Remit

- (a) To put forward proposals to the Board of Directors on the remuneration policy for Non-Executive Directors, and proposals in this respect that are required to be submitted to the General Meeting.
- (b) To put forward proposals to the Board of Directors on the remuneration policy for members of the Executive Committee, such as:
 - the main contractual terms, including those regarding pension and survivors' pension schemes and arrangements for the termination of employment.
 - the principal components of the remuneration package, including:
 - the relative size of each component;
 - the criteria applying to the variable components;
 - the benefits in kind.
- (c) To put forward proposals to the Board of Directors on the individual remuneration of the members of the Executive Committee.
- (d) To prepare the remuneration report that the Board of Directors incorporates into the Corporate Governance statement in the Annual Report and to present the remuneration report at the company's annual general meeting.
- (e) To meet annually with the chairman of the Executive Committee to discuss the functioning and performance of the Executive Committee, with a view to setting the variable remuneration.
- (f) To provide advice to the Board of Directors with regard to the KBC group remuneration policy and to receive information on all exceptions thereto granted by the Executive Committee.
- (g) To provide advice to the Board of Directors on the remuneration systems for senior managers and employees whose professional activities (could) have a material impact on the risk profile of the financial institution (so-called 'risk-taking positions').
- (h) To provide advice to the Board of Directors on the remuneration of the heads of the control functions, in particular risk, compliance and audit and of the actuarial function holders of KBC Insurance NV.
- (i) To review the list of key identified staff, including the 50 KBC group employees with the highest income over the past year and to provide advice to the Board of Directors on this.
- (j) To advise the Board of Directors about Group HR's annual assessment of the existing remuneration systems against the KBC group remuneration policy.

6.5.1.3. Remuneration policy

- (a) When drafting proposals on the remuneration of Non-Executive Directors, the Remuneration Committee observes the following principles:
- The remuneration policy must be sufficiently attractive to attract, keep and motivate people with the required expertise and experience, taking into account the nature and scope of their individual responsibilities.
 - Remuneration must be based on the allocated role and responsibilities, and the time spent on fulfilling them. It takes into account the additional effort spent as member or chairman of an advisory committee of the Board of Directors.
 - Non-Executive Directors may only receive a fixed emolument to the exclusion of performance-related remuneration, benefits in kind or benefits linked to pension plans. The Chairman receives a different remuneration package.
 - KBC Group NV does not grant loans or guarantees to members of the Board of Directors. However, such loans or guarantees can be obtained from the banking subsidiaries of KBC Group NV in the course of their ordinary banking activities on the same terms and conditions as apply to clients.
 - All reasonable expenses incurred with the approval of the Chairman will be reimbursed.
- (b) When formulating proposals on the remuneration of members of the Executive Committee, the Remuneration Committee observes the following principles:
- The remuneration policy must be sufficiently attractive to attract, keep and motivate people with the required expertise and experience, taking into account the nature and scope of their individual responsibilities.
 - Part of the remuneration of Executive Committee members must be variable and related to targets and performance criteria, so that their interests are geared to those of the company and its shareholders.
 - No advance payments will be made in relation to the variable emolument. In accordance with the prevailing provisions in this regard, half of the variable emolument will be awarded in the form of equity-related instruments that are to be retained for a period of one year. If the variable remuneration amounts to $\geq 200^{\circ}000$ euros, 40% of that emolument (both cash and equity-related instruments) in respect of a particular financial year will be paid out during the following financial year and, in principle, the award and payment of the remainder will be spread equally over the next five financial years.
 - In specified circumstances, it may be decided not to pay out the deferred portion of the variable emolument and, in exceptional circumstances, it may even be decided to claw back this emolument.
 - Rights allocated under the remuneration systems approved by the General Meeting and in the form of shares, stock options or any other right to acquire shares may not be considered to be vested before the third anniversary of these rights being allocated.

6.5.2. Composition

The Remuneration Committee is composed in such a way that it can provide a thorough and independent assessment of the remuneration policy and remuneration

practices and the impact they have on risk management, capital requirements and liquidity.

The Remuneration Committee consists of at least three Non-Executive Directors. The majority of the members are independent directors in the sense of Article 526ter of the Companies Code.

The Remuneration Committee must possess the requisite expertise in the area of remuneration policy.

The chairmen of the Nomination Committee and Risk & Compliance Committee are entitled to attend Remuneration Committee meetings, but do not have any voting rights.

The term of office of a committee member may not exceed the term of office of a director.

6.5.3. Chairmanship

The Board of Directors appoints one of the members of the Remuneration Committee as chairman of that committee.

The chairman is responsible for the smooth running of the meetings. He/she must ensure that the committee receives in good time all necessary information and internal as well as external support to carry out its remit properly and that it carries out its tasks in compliance with all legal and regulatory rules and with these Rules.

6.5.4. Secretariat

The secretary to the Executive Committee acts as secretary to the Remuneration Committee. The secretary to the Board of Directors acts as deputy secretary. The secretary takes minutes at every meeting of the committee, and provides a summary of its deliberations and recommendations.

6.5.5. Procedures

The Remuneration Committee meets as often as necessary, but at least twice a year.

The meetings are held in accordance with the rules applying to Board of Directors' meetings.

In urgent cases, meetings may be held by telephone conference call or via video conference.

The committee may, if it wishes, invite non-members, such as the chairman of the Executive Committee, to attend its meetings. The chairman of the Executive Committee is invited when the remuneration of the other members of the Executive Committee is being dealt with.

The committee may seek external professional advice, at the company's expense, provided it informs the Chairman of the Board of Directors in advance.

No director may attend the Remuneration Committee meeting at which his/her remuneration is being discussed, and will not be involved in any deliberations on his/her individual remuneration.

Members of the committee must handle all information and reports they receive for the purposes of performing their duties with the necessary confidentiality.

6.5.6. Reporting

The chairman of the committee provides a verbal report to the Board of Directors on deliberations at the most recent meetings.

The minutes drawn up by the secretary must be approved by the committee.

A copy of the most recent minutes approved by the committee are provided to the members of the Board of Directors and included on the agenda of the next Board of Directors' meeting.

Members of the Board of Directors may, at any time, request a copy of the documents that are attached to the original minutes as appendices.

6.5.7. Evaluation

The committee regularly evaluates its composition and how it functions, and reports on this to the Board of Directors, and, where it deems necessary, makes proposals. At the same time, factors such as the required competences and experience of the committee as a whole are analysed.

6.5.8. Conflicts of interest

Every member of the committee will inform the committee of:

- any personal interest of a financial nature in one or more matters dealt with by the committee;
- any conflict of interest that might arise as a consequence of holding one or more other offices.

The member concerned will not take part in the deliberations and the vote on the matters in question.

7. CHARTER OF THE EXECUTIVE COMMITTEE

7.1. Powers

7.1.1. Role

Pursuant to Article 524*bis* of the Companies Code, the Board of Directors has delegated its management powers to the Executive Committee. The Executive Committee is competent to act autonomously in these matters, yet always within the scope of the strategy defined by the Board of Directors. Therefore, this delegation of powers does not relate to general policy or matters which are reserved by law for the Board of Directors. Moreover, the Board of Directors is responsible for supervising the Executive Committee.

7.1.2. Remit

The main tasks of the Executive Committee are:

- a. to conduct the operational management of KBC Group NV by:
 - developing, implementing and pursuing the strategy set by the Board of Directors, taking into account the values of the KBC group, its appetite for risk and the policy guidelines;
 - conducting day-to-day management;
 - supervising line management and compliance with the delegated powers and responsibilities, and reporting.

- b. to report to the Board of Directors on the implementation of the policy guidelines in general and to provide a balanced and comprehensible assessment of the financial situation of KBC Group NV in particular, and to provide the Board of Directors with the information it needs to carry out its responsibilities.
- c. to research, formulate and draft policy proposals and strategic or structural projects to be submitted to the Board of Directors.
- d. to draw up comprehensive, timely, reliable and accurate financial reports for the KBC group, in accordance with prevailing accounting standards and company policy, and to bear responsibility for that.
- e. to prepare the compulsory release of the financial statements and other material information.
- f. to establish, manage and follow up internal control measures to make it possible to identify, evaluate, manage and control financial and other risks.
- g. to carry out other tasks entrusted to it in specific cases by the Board of Directors.
- h. to report as required on a periodic basis to the Competent Regulator, the statutory auditor and the Board of Directors, on the financial position and state of the management structure, the organisation, the internal control system and the independent control functions.

The Executive Committee reports to the Board of Directors on the exercise of its responsibilities.

With regard to the powers of the Executive Committee, KBC Group NV shall be represented by two members of the Executive Committee, or by one member of the Executive Committee acting together with a senior general manager, or by one member of the Executive Committee acting together with the secretary to the Board of Directors, the secretary to the Executive Committee, or the Group Secretary, or by persons especially empowered for that purpose.

The Executive Committee is entitled to seek external professional advice, at the company's expense, on matters that fall within its competence.

7.1.3. Value and risk management

The Executive Committee is responsible for implementing the value and risk management strategy, outlining the structure and making the necessary resources available to effectively fulfil its risk-management responsibilities.

At KBC Group NV level, there is strong and centralised risk management under the leadership of the Group CRO. In his/her capacity as Executive Director, the Group CRO reports at every meeting of the Board of Directors on the integrated risk profile and risk management of the KBC group and seeks approval for the overall risk appetite.

Furthermore, the Group CRO is authorised to put items that fall within the scope of his/her responsibilities on the meeting agendas of the relevant decision-making bodies within the KBC group (including the Board of Directors and the Executive Committee). In addition, the Group CRO is authorised to demand the implementation in all relevant subsidiaries of decisions taken within the Group CRO's area of responsibility at KBC Group NV level. Lastly, the Group CRO is a guest participant at every meeting of the Audit Committee and the Risk & Compliance Committee.

7.1.4. Financial policy

From its ranks, the Executive Committee has appointed a Group CFO to be responsible for the financial policy of the KBC group. The Group CFO's responsibilities are wide and, besides financial planning and forecasts, include capital management, budget preparation and management, analysis of financial data, and internal and external financial reporting, as well as a number of KBC group functions. In the contacts the KBC group has with the supervisory authorities, the Group CFO is responsible for providing complete financial transparency. Lastly, the Group CFO is a guest participant at every meeting of the Audit Committee and the Risk & Compliance Committee.

7.2. Composition

7.2.1. Scope

In accordance with the Articles of Association, the Executive Committee comprises no more than ten members, who together form a collegiate body.

The Executive Directors who are members of the Executive Committee may never constitute the majority on the Board of Directors.

7.2.2. Competence requirements

Candidates put forward for membership of the Executive Committee must have the necessary financial expertise, professional integrity, management talent and broad experience to take on the effective leadership of the group. In addition, they must have the competences specific to the relevant profile and sufficient capacity to make independent judgement.

Moreover, Executive Directors must also meet the conditions of appointment for the position of director of KBC Group NV [see '5.2.4 of the Charter of the Board of Directors'].

7.2.3. Appointments

The chairman and other members of the Executive Committee are nominated, appointed and removed by the Board of Directors, after consulting the Executive Committee and after receiving advice from the Nomination Committee.

The appointment and removal of the chairman and other members of the Executive Committee is subject, where required by statute, to the prior approval of the Competent Regulator.

7.2.4. Training

Newly appointed members of the Executive Committee will receive appropriate training, based on their individual needs.

Moreover, the provisions of the Rules for the Board of Directors [see '5.2.6 of the Charter of the Board of Directors'] apply to the new Executive Directors.

In addition, the members of the Executive Committee are expected to keep their competences and knowledge concerning the company and the markets in which it operates up to date on an ongoing and in-depth basis by means of independent study, specific internal sessions and specialised external workshops and conferences at home and abroad.

7.2.5. Term of office

Members of the Executive Committee who are Executive Directors are appointed as directors by the General Meeting for a renewable term of up to four years. The other

members of the Executive Committee are appointed by the Board of Directors for an indefinite period.

The term of office of a member of the Executive Committee ends:

- 1) for both Executive Directors and the other members:
 - upon the relevant age limit being attained (see point 7.2.6. below);
 - upon the member resigning;
 - upon revocation of their office at any time by the Board of Directors, after consultation with the Executive Committee, after obtaining the advice of the Nomination Committee and after notifying the Competent Regulator.
- 2) for Executive Directors:
 - upon the General Meeting deciding not to renew the director's term of office and after the Competent Regulator has been notified.

7.2.6. Age limit

Save in exceptional circumstances, the term of office of a member of the Executive Committee will expire at the end of the month in which the member turns 65.

7.2.7. Remuneration

The members of the Executive Committee also form the executive committees of KBC Bank NV and KBC Insurance NV. In this capacity, they receive a total remuneration package that covers the performance of these offices.

The Board of Directors determines the remuneration of the members of the Executive Committee on the basis of the advice of the Remuneration Committee and after obtaining the advice of the chairman of the Executive Committee. To this end, regular comparisons are made with remuneration levels prevailing in the market.

The remuneration of individual Executive Committee members is made up of the following components:

- a fixed monthly emolument;
- an annual, performance-related variable emolument.

No advance payments will be made in relation to the variable emolument. In accordance with the prevailing provisions in this regard, half of the variable emolument will be awarded in the form of equity-related instruments that are to be retained for a period of one year. If the variable remuneration amounts to $\geq 200^{\circ}000$ euros, 40% of that emolument (both cash and equity-related instruments) in respect of a particular financial year will be paid out during the following financial year and, in principle, the awarding and payment of the remainder spread equally over the next five financial years.

In specified circumstances, it may be decided not to pay out the deferred portion of the variable emolument and in exceptional circumstances it may even be decided to claw back this emolument.

Any remuneration paid exceptionally for offices held at the behest of KBC Group NV or a KBC group company in a company of the KBC group or external companies will be offset against the above-mentioned remuneration components.

Members also benefit from a retirement and survivor's pension scheme which comprises a supplementary retirement pension or – if the insured person dies and leaves a spouse – a survivor's pension and, as the case may be, an orphan's pension. It also provides cover in the event of disability.

7.3. Chairmanship

The chairman of the Executive Committee is appointed by the Board of Directors on the proposal of the Executive Committee, after having received the advice of the Nomination Committee, and subject to the prior approval of the Competent Regulator.

The office of chairman of the Executive Committee cannot be held simultaneously with the office of Chairman of the Board of Directors.

The chairman heads the Executive Committee and is responsible for ensuring it functions smoothly in compliance with the charter of the Executive Committee. This entails:

- organising, chairing and leading the meetings of the Executive Committee;
- guiding and supporting the members of the Executive Committee in the performance of their individual responsibilities;
- determining the objectives of the Executive Committee and assessing its performance in conjunction with the other Executive Committee members.

Where the Board of Directors is concerned, the chairman of the Executive Committee is responsible for:

- maintaining a continual dialogue with the Chairman in a climate of mutual trust and openness;
- accounting to the Board of Directors for the functioning of the Executive Committee.

The chairman of the Executive Committee, together with the other members of the Executive Committee, is the flag-bearer of the KBC group values.

To the outside world, the chairman of the Executive Committee is the main spokesman for the KBC group.

7.4. Secretariat

The Executive Committee will appoint a secretary who does not have to be a member of that committee. The secretary will assist the Executive Committee and its chairman, as well as the individual members of the Executive Committee.

Under the supervision of the chairman of the Executive Committee, the secretary will be responsible for organising the Executive Committee meetings and compiling the minutes.

7.5. Procedures

7.5.1. *Division of responsibilities*

The Executive Committee divides its duties up among its members, without detracting from their collective responsibility.

7.5.2. *Meetings*

The Executive Committee meets regularly at the invitation of its chairman. Additional meetings may be held – also at the request of an Executive Committee member – whenever it is in the company's interest to do so.

At least four days before each meeting, save in cases of extreme urgency, the meeting agenda, together with all documents explaining the various agenda items will, under the supervision of the chairman of the Executive Committee, be handed over or sent by post, courier, fax, e-mail or other electronic means to the members of the Executive Committee.

In cases of extreme urgency, the invitation and agenda may, exceptionally, be communicated by phone.

Executive Committee meetings will be chaired by the chairman and, in the his/her absence, by another member appointed by the committee.

An Executive Committee meeting will be valid if at least half of the members are present or represented. Executive Committee members who, pursuant to the Companies Code and this charter may not participate in the deliberations and the vote, are not counted when determining whether the relevant quorum has been reached.

At the meeting, explanations regarding certain agenda items may be given by members of management or by internal or external specialists.

When passing resolutions, the Executive Committee aims for consensus. If no consensus can be reached, the resolutions will be passed by a simple majority of the votes cast. In the case of a tied vote, the chairman of the meeting will have the casting vote.

The Chairman may attend all Executive Committee meetings with advisory voting capacity.

7.5.3. Reporting to the Board of Directors

The chairman of the Executive Committee reports to the Board of Directors on the activities and resolutions of the Executive Committee, and submits those of its proposals that require a Board of Directors' decision to the Board of Directors.

7.5.4. Delegation

The Executive Committee may, within the limits of its authority, delegate special powers to agents of its choice. In this way, the Executive Committee delegates some of its powers to committees such as the group risk committees, Asset/Liability Management Committee (ALCO), the Management Committees of the Business Units, the management committees covering two or more companies or directorates and that are important for steering a Business Unit or the KBC group. Other committees are set up at the level of one or more subsidiaries of KBC Group NV or to manage the Business Units and ensure they function properly.

7.6. Evaluation

On the initiative of its chairman, the full Executive Committee will discuss the Executive Committee's objectives and assess its performance once a year.

Each year, the chairman of the Executive Committee will evaluate each member of the Executive Committee. The individual evaluation of the chairman of the Executive Committee must be performed by the Chairman of the Board of Directors.

The Remuneration Committee meets annually with the chairman of the Executive Committee to discuss the functioning and performance of the Executive Committee [see 6.5.1.2 (e) of the Charter of the Remuneration Committee].

7.7. Conflicts of interest

The rules set out below apply to transactions and contractual relationships between KBC group entities and members of the Executive Committee. Arm's-length transactions executed during the entities' normal course of business are excluded.

Members of the Executive Committee are expected to avoid transactions in which they have an interest that conflicts with the interests of KBC Group NV or an Affiliated Company.

A member of the Executive Committee will be deemed to have a conflict of interest if a transaction involves a conflict of interest of a financial nature for:

- a) the member of the Executive Committee.
- b) a Close Relative of that member of the Executive Committee.
- c) a company controlled, within the meaning of Article 5 of the Companies Code, by the Executive Committee member and/or a Close Relative or Close Relatives of that member.
- d) a company in which the member of the Executive Committee or Close Relative of that member holds an office as director/business manager, sits on the executive committee or is the person responsible for day-to-day management. This does not apply if the company is an Affiliated Company of KBC Group NV or a company in which KBC Group NV has a Participating Interest.

Nevertheless, if a conflict of interest exists with KBC Group NV or an Affiliated Company, the following rules apply.

7.7.1. Conflicts of interest within the meaning of Article 524ter of the Companies Code

The procedure required by law will be applied to these transactions.

If all members, or all but one member, of the Executive Committee have a – direct or indirect – interest that is incompatible with a decision that falls within the competence of the Executive Committee, the members of the Executive Committee will inform the Board of Directors, which will take the decision in the legally prescribed manner.

7.7.2. Other conflicts of interest

If a decision concerning a particular transaction is to be taken by the Executive Committee, the Executive Committee member with the conflict of interest must inform the other Executive Committee members of this fact in advance of this decision, and refrain from participating in the deliberations and voting on the transaction concerned. The existence of the conflict of interest is reported in the minutes of the meeting of the Executive Committee.

If a decision concerning a particular transaction is not to be taken by the Executive Committee but by another body, the Executive Committee member with the conflict of interest must inform the chairman of the Executive Committee of this fact in advance of this decision, insofar as the member is aware of this conflict.

In any event, these transactions may only take place at arm's length.

7.8. Transactions in financial instruments carried out by members of the Executive Committee

Members of the Executive Committee can, whether regularly or occasionally, have access to information deemed by law to be inside information. The Board of Directors wishes to avoid situations in which members of the Executive Committee might misuse any inside information, or consciously or otherwise deal in such a way that could be regarded as market abuse.

Therefore any dealing by Members of the Executive Committee on their own account needs to adhere to the Dealing Code which has been established in accordance with the Market Abuse Regulation, 596/2014, of 16 April 2014 ('Market Abuse Regulation').

Members of the Executive Committee need to adhere to the Dealing Code in exactly the same terms as directors (see section 5.8).

APPENDIX 1 DEFINITIONS

<p>Appendix 1 to the KBC Group NV Corporate Governance Charter</p>

DEFINITIONS

Affiliated Company

A company affiliated with another company within the meaning of Article 11,1° of the Companies Code.

Annual Report

The annual report of KBC Group NV.

Articles of Association

The articles of association of KBC Group NV.

Audit Committee

The audit committee of KBC Group NV.

Belgian Corporate Governance Code

The body of principles, provisions and guidelines designed to ensure the sound management of listed companies under Belgian law. The Code, which was drawn up jointly by the CBFA (now the FSMA), Euronext Brussels and the Federation of Belgian Enterprises, entered into effect on 1 January 2005. A second edition of the Code was published on 12 March 2009, replacing the first edition and entering into effect for the reporting years commencing on or after 1 January 2009.

Board of Directors

The board of directors of KBC Group NV.

Business Unit

One of the activity segments into which KBC group operations have been divided up.

Cera CVBA

Cera CVBA, a co-operative limited liability company (*coöperatieve vennootschap met beperkte aansprakelijkheid*), with registered office at Philipssite 5, box 10, 3001 Leuven (Belgium), with company number 0403.581.960.

Chairman

The chairman of the Board of Directors

Charter

KBC Group NV's charter; this is a document which Belgian listed companies are required to publish in accordance with the Belgian Corporate Governance Code and in which they set out their Corporate Governance structure and policy.

Close Relative

The spouse, partner, first-degree blood relative, or any other person who is part of the actual family of the person concerned.

Companies Code

The Belgian companies code as set out in the Act of 7 May 1999, published in the *Belgian Official Gazette* of 6 August 1999 and entered into force on 6 February 2001, as amended from time to time.

Competent Regulator

The ECB or the NBB, as the case may be.

Compliance

Verification of the observation of the laws and regulations governing the integrity of banking and insurance.

Core Shareholders

The core shareholders of KBC Group NV, namely, KBC Ancora Comm.VA, Cera CVBA, MRBB CVBA and the Other Core Shareholders which have entered into the Shareholder Agreement.

ECB

The European Central Bank.

Executive Committee

The executive committee of KBC Group NV.

Executive Director

A member of the Board of Directors who is also a member of the Executive Committee of KBC Group NV and, as such, is involved in the operational management of the company.

FSMA

The Financial Services and Markets Authority (formerly known as the Belgian Banking, Finance and Insurance Commission).

General Meeting

The general meeting of Shareholders of KBC Group NV.

Group Company

Any company affiliated with KBC Group NV.

Internal Governance

Aspects of Corporate Governance which are subject to prudential supervision by the Competent Regulator.

Investor Relations Office

KBC Group NV's Investor Relations Office, an office that is responsible for communicating with the financial markets on KBC strategy, business developments and financial results.

KBC Ancora Comm.VA

KBC Ancora Comm.VA, a civil company (*burgerlijke vennootschap*) in the form of a limited partnership with share capital (*commanditaire vennootschap op aandelen*) and that has solicited savings from the public, with registered office at Philipssite 5, box 10, 3001 Leuven (Belgium), with company number 0464.965.639.

KBC Bank NV

KBC Bank NV, a company with limited liability (*naamloze vennootschap*) that has solicited savings from the public, with registered office at Havenlaan 2, 1080 Brussels (Belgium), with company number 0462.920.226.

KBC group or the group

KBC Group NV, together with its direct and indirect subsidiaries.

KBC Group NV

KBC Group NV, a company with limited liability (*naamloze vennootschap*) that has solicited savings from the public, with registered office at Havenlaan 2, 1080 Brussels (Belgium), with company number 0403.227.515.

KBC Insurance NV

KBC Insurance NV, a company with limited liability (*naamloze vennootschap*), with registered office at Professor Roger Van Overstraetenplein 2, 3000 Leuven (Belgium), with company number 0403.552.563.

Main Subsidiaries

KBC Bank NV and KBC Insurance NV.

Management Committee

A committee established to run and manage a Business Unit or group function and which is led by a member of the Executive Committee of KBC Group NV.

MRBB CVBA

The Maatschappij voor Roerend Bezit van de Belgische Boerenbond, a co-operative limited liability company (*coöperatieve vennootschap met beperkte aansprakelijkheid*), with registered office at Diestsevest 40, 3000 Leuven (Belgium), with company number 0403 552 959.

NBB

The National Bank of Belgium.

Nomination Committee

The nomination committee of KBC Group NV.

Non-Executive Director

A member of the Board of Directors, who is not a member of the Executive Committee and, as such, is not involved in the operational management of the company.

Other Core Shareholders

The various shareholders which, together with KBC Ancora Comm.VA, Cera CVBA and MRBB CVBA, constitute the Core Shareholders, and concluded the Shareholder Agreement.

Participating Interest

A participating interest within the meaning of Articles 13 and 14 of the Companies Code.

Remuneration Committee

The remuneration committee of KBC Group NV.

Risk & Compliance Committee

The risk and compliance committee of KBC Group NV.

Shareholder Agreement

The shareholder agreement reached among the Core Shareholders of KBC Group NV on the creation of KBC Group NV through the merger of Almanij NV and KBC Bank and Insurance Holding Company NV on 2 March 2005.