KBC Tax Strategy

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

The general aim of the KBC Tax Strategy is therefore to ensure that KBC Group NV and its subsidiaries act as **responsible taxpayers** based on a professionally executed tax compliance and a legitimate tax planning driven by valid business purposes.
All KBC group entities in all jurisdictions shall ensure that their decisions are made in line with the principles as set out below. Furthermore, all internal policies and guidelines are established in accordance with the values and guiding principles of the KBC Tax Strategy.

The KBC Tax Strategy is approved by the Board of Directors and the Executive Committee of KBC Group NV. It is reviewed every three years and published on the corporate website of KBC (www.kbc.com).

Values and guiding principles of our tax strategy

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

1. ACCURATE TAX COMPLIANCE

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

The prerequisite for accurate tax compliance is a thorough knowledge of the tax regulations and its latest changes. Therefore, there is a focus on knowledge management. KBC invests in internal and external trainings, amongst others by making tax documentation readily available and creating centres of competence (e.g. Transfer Pricing, DAC, CRS, FATCA, …). In its core countries KBC is in close cooperation with the tax authorities via sector organisations.

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

KBC's tax compliance teams also gather and report accurate data to clients and fiscal authorities to respond to the increasing requests for exchange of information, such as FATCA, CRS, DAC and country-by-country reporting. Any processing and reporting of personal data for tax purposes will be in line with international and/or local legislation and shall ensure full respect for the right to the protection of personal data.

2. RESPONSIBLE TAX RISK MANAGEMENT

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

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

The General Manager Group Tax and the local tax managers are jointly responsible for an independent and pro-active tax risk management.

Towards risk appetite KBC positions itself slightly more conservatively than the market average. In case of uncertainty it seeks an external opinion.

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

3. LEGITIMATE TAX PLANNING BASED ON SOUND BUSINESS REASONS

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

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

KBC adheres to the arm's length standard on intra-group transactions and it commits not to transfer value to low tax jurisdictions in violation of the OECD Guidelines.
KBC adheres to the same business philosophy in providing financial products and services to its clients. Financial products and services are only provided to serve the business purposes of clients and not to allow them to avoid taxes.

KBC only provides tax advice to private customers in accordance with the regulatory framework on financial planning.

Tax fraud is never tolerated within KBC. This is not only the case inside the organisation but also in the relationship with clients and contractors.

KBC staff must refrain from providing the customers with advice of a nature to incite them to commit tax violations. They must ensure that they do not set up mechanisms which deviate from standard bank practice and which clearly aim to promote or result in promoting tax evasion fraud by their customers.
Moreover, ethical behaviour and the personal responsibility to act with integrity, transparency and honesty, in the interest of customers and the society, is enforced by the Banker's Oath to which banking service providers are legally obliged, as described in KBC Policy Bankers' Oath.
KBC has a speak up culture. Its employees can report breaches on an anonymous basis through various internal channels. These reports are kept strictly confidential as prescribed in KBC's Whistleblower Protection Policy and Procedure.

4. FULL TAX TRANSPARENCY

As regards to tax transparency, KBC:

- communicates in an open and honest manner about its Tax Strategy to the public as well as in the context of legal sustainability reporting requirements (e.g. EU CSRD). The Tax Strategy, the tax figures and relevant tax rulings are published on the corporate website of KBC (www.kbc.com).
- complies with public country-by-country requirements as laid down in the Capital Requirements Directive IV and the Belgian banking law and publicly reports country-by-country data in the consolidated financial statements of KBC Bank NV.
- has been publishing groupwide country-by-country reporting data in the financial statements of KBC Group for years and will comply with new mandatory public country-by-country reporting requirements as laid down in the EU Public CbCR Directive that will apply to financial years starting on or after 22 June 2024.
- complies with Pillar 2 (global minimum tax) rules in force in the different tax jurisdictions in which KBC operates.

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

5. INDEPENDENT TAX FUNCTION

The Tax Function is organized as one central tax team in Belgium on group level (headed by the General Manager Group Tax) and one local tax team per country in which KBC has a substantial presence. The tax advisory function within KBC is exclusively assigned to these teams and all external communication on tax matters needs approval by these teams.

There is not only a strong cooperation between the central tax team and the local teams but also a formal process of reporting by the local teams to the General Manager Group Tax, including an assessment of the local compliance and of local tax risks.
The General Manager Group Tax reports on tax risks to KBC Group’s Executive Committee.

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

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