



KBC Group Responsible Tax Strategy

Objectives and mission

The KBC group is committed to being a **responsible taxpayer**, based on professionally executed tax compliance and **legitimate tax planning**, based on valid business purposes.

More specifically, KBC's reputation as a responsible taxpayer shall be safeguarded by:

- ensuring correct and timely payment of all tax due
- managing tax risks and tax disputes pro-actively
- providing tax clearance for KBC products

whilst legitimate tax planning should lower the overall tax cost incurred by KBC by:

- mitigating the effective rate of corporation tax and all other tax liabilities
- avoiding tax leakage via compensation of all carry-forward losses and optimisation of VAT recovery
- pro-actively managing the tax base
- providing high-quality and solution-driven tax advice.

As a rule, these objectives do not conflict with each other and are put into practice via:

1. an optimal organisation of taxes
2. excellent and efficient compliance with tax obligations in the various jurisdictions in which KBC operates
3. a code of conduct specifying the standards of fiscal best practice
4. policies aimed at limiting and controlling tax risk
5. a reporting system and information exchange to ensure transparency.

Hence, the mission of KBC's tax function is twofold:

- Managing the tax administration (including correct and efficient processing of all the fiscal data in accordance with tax law provisions)
- Providing tax advice (including tax risk management, tax planning)

Principles

1. An optimal organisation of taxes at KBC entails
 - a central tax management function per country
 - absence of a 'profit centre' approach (to avoid jeopardising the provision of objective and independent advice)
2. Excellent and efficient compliance with tax obligations entails
 - an official, prudent approach to tax risk management, expressed as the number 4 on a scale from 0 (no risk acceptance) to 10 (very tax aggressive)
 - timely and correct filing of tax returns
 - a well-organised documentation system with strict archiving rules

- management of tax disputes/litigation: tax disputes must be handled with sufficient competence and should be solution-oriented
3. A code of conduct specifying the standards of fiscal best practice:
- Tax clearance for KBC products: the launch of new products or the acquisition/establishment of a new business is conditional on positive tax advice.
 - Business strategy shall take precedence over tax strategy: KBC supports only those transactions or products that have a valid and well-documented business purpose.
 - Tax avoidance is allowed, but *tax evasion* is NEVER permitted (tax evasion is fraud, a violation of tax law).
 - Full disclosure to tax authorities.
 - Internal tax advice must meet certain quality standards ('four-eyes' principle, legally accurate, timely, customer-friendly, solution-driven).
 - Anticipation of and timely response to legislative changes.
 - Tax advice to external customers: KBC does not and shall not provide customers with information that could incite them to commit tax violations.
4. Specific policies aimed at controlling and limiting tax risk, including with regard to transfer pricing (to avoid double taxation or other unnecessary costs due to intra-group transactions), employment of expatriate staff, VAT, 'substance' guidelines for cross-border operations and a policy concerning external tax advisers.
5. Transparency via a reporting system and information exchange:
- Each year, local tax functions are required to report on tax matters to the central tax function.
 - International tax legislation/jurisprudence and trends are to be monitored by the central tax function and communicated to local tax functions, while local

tax functions are to serve as competence centres for national tax legislation/trends.

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