

Governance Memorandum

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1. INTRODUCTION

1.1 Context

This Governance Memorandum contains the basic rules applicable to the governance of the Belfius Group and Belfius Bank SA /NV.

All of these rules must be interpreted and completed in accordance with the legislation applicable to the Belfius Group and to Belfius Bank as well as with the circulars and regulations from the Supervisory Authorities. The annexes and any amendments made to these rules form an integral part of the Governance Memorandum.

The information contained in this document refers to the situation of the Bank and of the Belfius Group as at 30 June 2020, unless otherwise mentioned.

1.2 Overview of Belfius Group and Belfius Bank NV/SA

Belfius Bank SA/NV (hereinafter referred to as “**Belfius Bank**” or the “**Bank**”) is a public limited company (naamloze vennootschap/société anonyme) of unlimited duration incorporated under the Belgian law on 23 October 1962 which collects savings from the public.

Belfius Bank is licensed as a credit institution in accordance with the Belgian Banking Law¹. It is registered with the Crossroads Bank for Enterprises under business identification number 0403.201.185 and has its registered office at 1210 Brussels, Avenue Charles Rogier 11, Belgium. Belfius Bank's LEI code is A5GWLFH3KM7YV2SFQL84.

Belfius Bank is wholly owned by the Belgian federal State through the Federal Holding and Investment Company (FHIC)². Belfius Bank shares are not listed.

Belfius is first and foremost a locally embedded independent bank and insurance group which provides financial services to private individuals, professionals, social-profit institutions, corporates and the public authorities in Belgium.

With an essentially Belgian balance sheet for its commercial activities and customers from all segments, Belfius is in a position to act as a universal bank “of and for Belgian society”. Belfius is committed to maximal customer satisfaction and added social value by offering products and providing services with added value through a modern distribution model. Thanks to a prudent investment policy and a carefully managed risk profile, Belfius aspires to a sound financial profile that results in a solid liquidity and solvency position.

2. STRATEGIC OBJECTIVES AND VALUES

2.1 Strategy

The Belfius Group (hereinafter also referred to as “Belfius”) is firmly embedded in all segments of the Belgian economy and society, ranging from individual customers to small businesses, larger corporates and the public sector. As such, Belfius is continuously re-investing its customers' cash and savings to support local projects of individuals, companies and governmental authorities, all this for the benefit of the Belgian society.

Consequently, Belfius has set itself a new purpose: “Meaningful and inspiring for the Belgian Society Together.” A purpose that goes together with strong CSR engagements that are fully embedded in Belfius' strategic ambitions.

- > A true integrated bank-insurance company. In this way, Belfius can meet all banking and insurance needs of its customers through a single point of contact. The customer can enjoy a more convenient and holistic approach of his/her financials. For Belfius, an integrated model provides significant leverage for future income diversification and growth, as customer potential can be addressed both

through its branches and through digital sales, alongside the offering from our specialist DVV agents and direct insurer, Corona Direct.

- > Further evolve as bank for investors, by activating even more the savings of individual clients into meaningful investment solutions, and this based upon strong own convictions regarding the financial markets. Belfius has a strong growth ambition in the higher end segments, i.e. Private Banking & Wealth Management, based upon strong value propositions and dedicated relationship managers.
- > Belfius also has strong ambitions towards enterprises, serving them throughout their life cycle with a full product suite aside the traditional long-term credit activity, and whereby credit decisions are taken in Belgium, with knowledge of the local market. Through the combination of its private & wealth and commercial & corporate banking ambitions, Belfius is aiming to serve both the personal and professional needs of Belgian entrepreneurs and enterprises.

¹ Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms.

² Also designated as “Société fédérale de Participations et d'Investissement (SFPI)” or “Federale Investeringsmaatschappij (FPIM)”.

Finally, with more than 150 years of unparalleled leadership in the public sector, Belfius aims to create meaningful and inspiring societal value for and together with its public and social sector clients, by tackling the main challenges of these clients and society.

- > Strategic focus on customer satisfaction is relentless. Belfius therefore opts for a combination of quality customer management through local commercial staff in easily accessible touchpoints as well as effective, user-friendly digital channels and Belfius Connect (phone, mail, chat, ...).
- > Belfius is and wants to remain best in class in mobile and digital, for service and sales interactions. Consequently, Belfius is pushing back the boundaries of banking and insurance by providing platforms that offer not only financial, but total solutions, mainly through partnerships.
- > Belfius invests in the efficient delivery of excellent customer experience through respectful data management, redesigning processes as well as replacing core banking & insurance systems.

To realise these ambitions, Belfius has a clear strategy with a strong commitment to disciplined risk and financial management, targeting further revenue growth and diversification, sustainable operational efficiency, a sound risk profile and a strong balance sheet. Belfius believes that these objectives are the best guarantors for a future-proof business model, solid operating profit expansion and long-term added value for Belfius' customers and the Belgian society as a whole.

2.2 Values

Belfius' strategy is based on the following values :

> Fair

Being fair in all its interactions with the environment and stakeholders is a necessary condition to be meaningful for Belfius' customers. This is Belfius' way to create sustainability in the long term for its customers, itself and the society at large.

> Authentic

Belfius respects individualities and finds differences enriching. Belfius acts in an authentic and unique way.

> Customer Focused

Customer satisfaction is at the core of Belfius' thinking and acting. Belfius is committed to continuously improve the value propositions for its customers.

> Enterprising

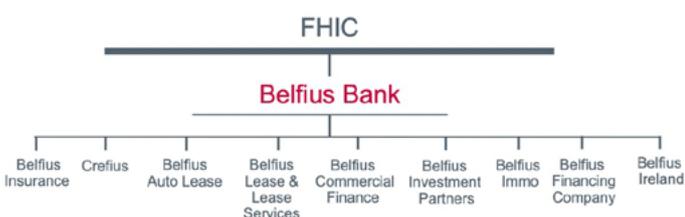
To be inspiring, each staff member needs to take responsibility for decisions and actions to break new ground, push boundaries and discover new opportunities as an entrepreneur would.

3. GOVERNANCE IN A GROUP CONTEXT

3.1 Belfius Group

3.1.1 Group Structure

Belfius Bank (directly and indirectly held by the “Société fédérale de Participations et d’Investissement (SFPI)” / “Federale Participatie- en Investeringsmaatschappij (FPIM)”) is the parent company of the Belfius Group. Belfius Bank has a number of direct and indirect subsidiaries, the simplified³ group structure of Belfius Group at the date of this Memorandum is as follows:



3.1.2 Main commercial subsidiaries in Belgium

3.1.2.1 Belfius Insurance

Insurance company marketing life and non-life insurance products, savings products and investments for individuals, the self-employed, liberal professions, small and medium companies and the public and social sector.

Belfius Insurance offers insurance products to retail and commercial customers through the Belfius Bank branch network, as well as through the tied agents network of DVV. It also offers insurance products through Corona Direct Insurance, a direct insurer active via the internet and “affinity partners”, which are external parties with which Corona collaborates and which offer Corona insurance products. Belfius Insurance’s business model is increasingly focused on bank assurance.

In its drive to go beyond pure insurance activities in order to reinforce its core, Belfius insurance set-up the Joint Ventures: Jane (Artificial Intelligence to help elderly people living alone) and Jaimy (digital market place matching customers’ needs with repairers’ offers).

Belfius Insurance has also integrated the Elantis brand, which offers mortgage loans and consumer loans through independent brokers, for the balance sheet of Belfius Insurance, Belfius Bank and a third party bank.

3.1.2.2 Crefius

Company involved in granting and managing mortgage loans.

3.1.2.3 Belfius Auto Lease

Company for operational vehicle leasing and car fleet management, maintenance and claims management services.

3.1.2.4 Belfius Lease and Belfius Lease Services

Companies for financial leasing and renting of professional capital goods to the self-employed, companies and liberal professions.

3.1.2.5 Belfius Commercial Finance

Company for financing commercial loans to debtors, debtor insolvency risk cover and debt recovery from debtors (factoring).

3.1.2.6 Belfius Investment Partners

Company for administration and management of funds.

3.1.2.7 Belfius Immo

Financial and operational real estate developer focusing on pure financial operations as well as on active co-development.

3.1.3 Entities for specific activities abroad

Belfius focuses exclusively on the Belgian market in its commercial activities. However, for a number of highly specific activities, it retains entities in Luxembourg and Ireland.

- > Belfius Financing Company SA issues (short term and long term) financing securities in Luxembourg, enabling Belfius Group to meet its financing needs in a stable and diversified way by having immediate access to the different markets.
- > Belfius Ireland holds a historical portfolio of long-term bonds. This portfolio is in a run-off mode.

3.2 Group interests and interests of subsidiaries

3.2.1 Entities for specific activities abroad

The Board of Directors of Belfius Bank, as parent company of the Belfius Group, defines : the strategy, the general policy and the risk appetite of the Belfius Group and the entities belonging to the Belfius Group.

Those entities must implement their policy and strategy and risk appetite in line with those of the Group (they must hence carry on their activity following the guidelines set by the Board of Directors of Belfius Bank). The entities must also ensure that their own implementation is in line with the rules additionally applicable to and obligation of their entity as autonomous legal and regulated entity.

In defining the group policy, risk appetite and strategy, the Board of Directors of Belfius Bank has to ensure that the interests of the subsidiaries are preserved.

³ An exhaustive list can be found in the annual reports of Belfius

In case of conflicting interests, the group interests have - within certain limits - priority on the interests of the subsidiary (f.i. subject to leading to charges at subsidiary level not exceeding the financial capacity of the entity, subject to delivering to the entity a corresponding advantage too, ...). See also the 4 conditions of the so-called "Rozenblum" approach:

- > the existence of group relations between the companies concerned should be based on a common interest, formulated against the background of group-wide objectives;
- > group internal relations should have a reciprocal consideration;
- > the group interest should not distort the balance of the respective liabilities of the companies concerned ;
- > the group interest should not exceed the financial capacity of the group entity supporting the burden.

The management bodies of the different subsidiaries must also ensure that the implementation of the group's strategic orientation is in line with the rules and obligations to which the subsidiary is subject as a regulated institution (solvency).

3.2.2 Belfius Bank as head of a financial conglomerate

Belfius Bank, being the parent company of the Belfius Group, has to comply with the supplementary conglomerate supervision which relates to

- > group solvency:
 - to respect minimum own funds at financial conglomerate level
 - to operate adequate management and internal control procedures w.r.t. this group's solvency position (a.o. to operate an appropriate solvency policy, that anticipates the future consequences for the group of the company strategy on the risk profile of the group and the solvency requirements as stipulated in the Banking Law)
 - to operate adequate strategies relating to own funds
- > risk concentrations:
 - to monitor & report significant risk concentrations
 - to operate adequate management and internal control procedures w.r.t. these risk concentrations of the group (a.o. to operate an appropriate management and governance, with approval and periodical evaluation of the strategy and policy by the competent decision bodies, related to the important risks (including non financial risks) that have been entered into by the financial conglomerate; to deliver a statement describing and listing the material risk concentrations, ...)

- > intra-group transactions:
 - to monitor and report significant intra-group transactions
 - to operate adequate management and internal control procedures w.r.t. these intragroup transactions (a.o. to deliver a statement describing and listing the material intragroup transactions, ...)
- > other conglomerate statistics : to deliver accounting statements wrt the conglomerate (B/S, P&L, ...)

3.2.3 Intragroup conflicts of interest

The procedure for intragroup conflicts of interests describes the applicable process to identify, assess, prevent, manage and mitigate actual and potential intra-group conflicts of interest for Belfius Group. It applies to Belfius Bank and all its subsidiaries in which it possesses, directly or indirectly, minimum 50% of the voting rights.

The Secretary General of Belfius Bank maintains a conflict of interest register (hereinafter the Register) which is designed to identify and record material⁴ Conflicts of Interests which have been disclosed by the concerned Belfius Companies to the management boards, the group committee, the Mediation Committee or the board of directors.

3.3 Governance of the Belfius Group

Belfius Bank's Board of Directors is responsible for the general policy, risk appetite and strategy of the Belfius Group. Belfius Bank's Management Board is responsible for the effective management of the Bank, by direct authority out of the law⁵.

In relation to the steering and management of the financial conglomerate, this means that the Management Board of Belfius Bank, as operational decision body of the Board of Directors of Belfius Bank and as operational decision body of the parent company:

- (i) should ensure that the Board of Directors of Belfius Bank is assessing the compliance of the policies and strategies of all entities of the group with the laid down Group Policies on a regular basis, and
- (ii) should ensure that Belfius Bank is fully compliant with the additional requirements related to the conglomerate supervisions.

⁴ 'Material' can be interpreted to mean the matter has 'a capacity to influence the vote of a particular director on the decision to be made'. The interest need not necessarily be of a financial or pecuniary nature. Whether a situation is considered as 'material' and falls within the scope of the Conflicts of Interest Procedure, is the judgment of the management board/ board of directors of the entity that reveals the conflict of interest, which shall resolve by simple majority vote.

⁵ See article 20 of the Law of 23 March introducing the Code of Companies and Associations and miscellaneous provisions replacing article 24 § 1 of the Banking Law.

In practice this means that:

- > At Board level, a **mediation committee** was put in place. Also, Belfius Bank and Belfius Insurance share common independent Directors
- > A Financial Conglomerate Policy was set , focused on a group-wide approach of the following areas: corporate governance, capital adequacy and liquidity, and risk management has been established
- > The **Group management Committee** has been reviewed
- > The “Corporate Strategy” responsibility was added to the operational duties of the CFO of Belfius Bank (now CFSO), including following tasks more specifically : (i) Strategy and Partnership Development, (ii) Capital Management and Investor Relations, (iii) Execution Monitoring Strategy 2025, and (iv) Financial Conglomerate Management
- > A **Group Financial Conglomerate Review (“GFCR”)** is put on the agenda of the Management Board of Belfius Bank on a quarterly basis (or on ad-hoc more frequent basis if need be)
- > A **functional** link exists between the Chief Financial Officer of Belfius Insurance and the CFSO of Belfius Bank;
- > A **functional** link exists between the Chief Risk Officers (CRO’s) of Belfius Bank and Belfius Insurance;
- > A **Capital Group committee** has been established since end 2017 to anticipate, understand, prepare, analyze & monitor all capital aspects on a conglomerate level (Bank, Insurance & related subsidiaries) in compliance with regulatory, legal and economic constraints.
- > **Shared service centers** are set up in the Integrated Corporate Management line to service Belfius Bank as well as Belfius Insurance (Accounting, Strategic planning & performance management, Research). The service delivery is defined in service level agreements.
- > Several **support and control functions** operate at group level within Service level agreements : HR, Communication, Data Protection Officer, IT infrastructure, security and architecture.
- > **Harmonized processes** are set up where possible and efficient : procurement, IT projects, Secretary General, tax & legal. For instance, a common Tax Policy note is published on the Belfius website.
- > **Control functions** work transversally when possible. Still, the independence of (i) the CRO of Belfius Bank and of Belfius Insurance, of (ii) the internal audit of Belfius Bank and of Belfius Insurance, and of (iii) Compliance of Belfius Bank and Belfius Insurance will remain a given, as well as the availability of sufficient means for fulfilling all tasks in respect of each legal entity.

3.3.1 Mediation Committee

A Mediation Committee had been set up within the Belfius Group competent for all subsidiaries of the Belfius Group. The composition and functioning of the Mediation Committee are described in the committee’s internal rules.

3.3.1.1 Responsibilities and scope

The Mediation Committee is tasked to advise the Board of Directors on material intra-group transactions:

- > between Belfius Bank and its subsidiaries, on the one hand,
- > between the subsidiaries of the Belfius Group, on the other hand,
- > between their respective subsidiaries

when companies cannot reach an agreement among them within a relatively short period .

It takes into consideration the interests of the group as well as the interests of all companies involved when giving its reasoned opinion to the Board of Directors of the relevant companies concerned which will then take a decision on the planned decision or operation.

The Mediation Committee also plays a pivotal advisory role in the escalation procedure in case of conflicts of interest between entities of Belfius Group.

3.3.1.2 Composition

The Mediation Committee should be composed of 5 independent directors with relevant operational management experience:

- > The Chairman of the Board of Directors of Belfius Bank, who chairs the Mediation Committee
- > Two independent non-executive Directors of Belfius Bank
- > Two independent non-executive Directors of Belfius Insurance

The Chairmen of the Management Board of Belfius Bank and Belfius Insurance attend the meetings of the Mediation Committee as permanent invitees.

3.3.1.3 Functioning

The Mediation Committee meets upon being convened by the Chairman of the Management Board or the Chairman of the Board of Directors of Belfius Bank or of a subsidiary of Belfius Group by means of a notice sent to the committee secretary.

The Mediation Committee operates in a collegial manner and its decisions result from a consensus of its members. If applicable, the Chairman may, on his/her own initiative or at the request of a member, submit the issue under debate to a vote. The decision is then taken by simple majority of the votes cast by all the members present. In the event of a tie, the Chairman of the Board of Directors of Belfius Bank shall have a casting vote.

3.3.2 Group Management Committee

3.3.2.1 Responsibilities and scope

The Group Committee treats important “group topics” impacting different entities of the Belfius Group (Belfius Bank, Belfius Insurance, Belfius Investment Partners and their main subsidiaries) that are not discussed in the quarterly Group Financial Conglomerate Review or in other committees (such as Alco, RCB Manco, Brand Committee,...) and for which a group alignment is necessary.

The Group Committee will discuss, prepare, validate and take decisions on matters related to a.o.:

- > IT Group strategy, IT Group security requirements and monitoring of implementation of IT security action plans, including IT project priorities for the Belfius Group;
- > Data governance and data strategy for the Belfius Group;
- > HR group strategy and intragroup mobility;
- > Digital strategy for Belfius Group and monitoring of the implementation and results;
- > Corporate Social Responsibility (CSR);
- > Common actions with regard to strategic and/or sensitive acquisitions, investments and partnerships of subsidiaries of Belfius Bank and ad-hoc issues and monitoring of the implementation of these acquisitions and partnerships ;
- > Common Compliance issues, Privacy and GDPR topics with group impact;
- > Macro-economic and financial hypotheses that will be used for the elaboration of the financial plan.

3.3.2.2 Composition

The Group Management Committee is composed of

- > 5 executive members of Belfius Bank with voting power;
- > CEO and CFO of Belfius Insurance with voting power

The Group Committee is chaired by the CEO of Belfius Bank; in absence of the CEO of Belfius Bank, the Group Committee is chaired by the oldest member of the management board of Belfius Bank.

3.3.2.3 Functioning

3.3.2.3.1 Conditions of quorum and majority

The Group Committee operates **collegially** and its decisions result from a **consensus** of its members. If necessary, the chairman may on his or her initiative or on request of two other members, submit the question being discussed to a vote. The decision is then taken by simple majority of the votes of all the members present and represented. If equal numbers of votes are cast, the chairman of the Group Committee shall have the casting vote.

For Belfius Insurance and/or other subsidiaries the decisions of the Group Committee must be formally approved (in advance or afterwards) by the Management Board of Belfius Insurance

and/or the subsidiaries to be legally binding. This decision will occur at least 10 calendar days after the decision of the Group Committee has been taken.

3.3.2.3.2 Frequency

The Group Committee meets in principle every month but on another day than the one of the respective management board days. If necessary, it may be convened at any time by the chairman or if a member so requests.

3.3.2.3.3 Escalation Procedure

If at the Group Committee, matters of material importance cannot be resolved/mediated to the satisfaction of the majority of the representatives of the management board of Belfius Insurance, this will be written down in the minutes of the Group Committee and the Escalation Procedure can be initiated.

3.3.3. Group Financial Conglomerate Review

3.3.3.1. Responsibilities and scope

In order to further improve the compliance of the Financial Conglomerate steering and the general governance of Belfius Bank, as parent company of Belfius Group and as responsible entity for the financial conglomerate, a Group Financial Conglomerate Review (“GFCR”) is put on the agenda of the Management Board of Belfius Bank at quarterly basis (or on ad-hoc more frequent basis if need be).

The smaller subsidiaries (such as the asset finance companies: Belfius Lease, Belfius Autolease, Crefius, Corona, Jamie & Jane, ...) will be integrated in the GFCR on a yearly basis (or on ad-hoc more frequent basis if need be). This GFCR will have following agenda points :

- Overview and analysis of operational and financial/risk performance of the subsidiaries
- Overview and analysis of financial conglomerate solvency, of material risk concentrations, of intercompany deals and conflicts of interests (if any)
- Check of compliance of the strategies, solvency and risk profiles of the subsidiaries with the strategy, solvency and risk profiles of the Belfius Group as defined and validated by the Board of Directors of Belfius Bank (as such preparing the Board of Directors of Belfius Bank, for the agenda matters that should allow the Board to assessing the compliance of the policies and strategies of all entities of the group with the laid down Group Policies on a regular basis).

⁶ The 3 associated members of MB BB are permanently invited based on their double role. They have no voting power

⁷ The other members of the Management Board of Belfius Insurance are systematically invited when topics with regard to their domain are treated. They have no voting power.

3.3.3.2 Composition

The Group Financial Conglomerate Review is composed of

- > The members and associated members of the management board of Belfius Bank
- > Head of Corporate Strategy of Belfius Bank (without voting power)
- > The CEO, CFO and CRO of Belfius Insurance (without voting power),
- > Other CEO's of other subsidiaries of Belfius Bank (without voting power) on invitation only by the Management Board of Belfius Bank.

3.3.3.3 Functioning

Under operational responsibility of the CFSO, the Head of Corporate Strategy will be responsible for preparing this review, to be held at and within the Management Board of Belfius Bank, at quarterly basis (or on ad-hoc more frequent basis if need be).

The Financial Conglomerate matters will also be submitted for information to the Risk Committee of Belfius Bank (ideally having a joined meeting with the Risk and Underwriting Committee of Belins) on a quarterly basis that will afterwards report to the Board of Directors of Belfius Bank.

An escalation procedure has been put in place to resolve / remediate conflicts of interests.

3.3.4 Capital Group Committee

3.3.4.1 Responsibilities and scope

Since end 2017, the Capital Group Committee ("CGC") has been set up to anticipate, understand, prepare, analyze & monitor all capital aspects on a conglomerate level (Bank, Insurance & related subsidiaries) in compliance with regulatory, legal and economic constraints.

Belfius approach to capital management aims to always ensure sufficient capital adequacy when due, optimize capital use and support targeted Long Term debt rating at Group level.

The challenge of the CGC is to seek within the regulatory constraints an optimal balance between available capital needs, costs and market by taking pro-active stance and adopting a sound judgement in order to adapt to the changed market context at all levels (Group, Bank, Insurance, Financial Conglomerate).

More particularly, the roles & responsibilities (Conglomerate, Bank & Insurance, related subsidiaries) encompass:

- > analyze and monitor capital within the different solvency indicators (Risk Appetite Framework) and buffers (regulatory and internal)
- > analyze and assess the adequacy of loss absorbing capacity (Minimum Requirement Eligible Liabilities) and its inclusion in the Risk Appetite Framework.

- > prepare and monitor capital planning and the adequacy of the capital buffers versus capital requirements. Monitor and coordinate forward-looking capital needs (related to risk) and their impacts (Base & Stress cases scenarii).
- > anticipate and analyze the capital reserve: assessment, allocation & distribution (capital policy, dividend pay-out, payout evolution, temporary capital buffers, business development / investment, ...).
- > analyze and propose capital transaction, corrective and recovery actions to improve capital ratios.
- > analyze & review the capital allocation to entities and business lines.
- > review & follow the contingency capital plan, resolution & Bail-in process.
- > analyze and propose transactions to support credit ratings .
- > advise and inform on a regular basis Management Boards

3.3.4.2 Composition

Meeting once a month (or ad-hoc basis), the CGC is a joint committee Risk / Finance integrating both Belfius Bank and Belfius Insurance.

The CGC is chaired by the CFSO of Belfius Bank with 2 vice-presidents (the CRO of Belfius Bank and the CFO of Belfius Insurance).

3.3.5 Mechanisms put in place at independent control functions level

3.3.5.1 Internal audit

As Belfius is a financial conglomerate, the head of internal audit at Belfius Bank is responsible for internal audit at group level. Within that framework, the head of internal audit at Belfius Insurance has a functional link with the head of internal audit of Belfius Bank and the Auditor General of Belfius Bank attends meetings of the Audit Committee of Belfius Insurance.

In his capacity as head of internal audit at a group level, the head of internal audit of Belfius Bank defines the internal audit policy and strategy concerning internal audit for the group, establishes the organisation of the internal audit function both within Belfius Bank and within its subsidiaries, this latter point in agreement and consultation with the respective board of directors of the subsidiaries and in compliance with the laws and regulations which are applicable to them. He reports on these elements to the Belfius Bank audit committee.

The audit committee of Belfius Bank SA and the audit committee of Belfius Insurance SA meet jointly at least twice per annum. The half-yearly financial results and the work of the Audit Committees of Belfius Insurance are dealt with there.

Furthermore, on the request of the chairman of the Bank's audit committee, (additional) joint meetings may be held with the audit committee of Belfius Insurance SA, Belfius Financing Company SA (BFC) and/or Belfius Investment Partners SA

(BIP). In addition, the minutes of the audit committee of Belfius Insurance SA, Belfius Financing Company (BFC) and Belfius Investment Partners (BIP) are systematically submitted to the Belfius Bank audit committee.

Belfius Bank together with Belfius Insurance have established a Belfius Group joint audit charter which contains the guidelines (i.e. strategy and operating rules) for the collaboration between Belfius Bank and its subsidiaries in audit matters. This charter has been validated by the Management Boards of Belfius Bank and Belfius Insurance as well as by their respective Audit Committees and Boards of Directors.

Measures of collaboration and of supervision aim on the one hand to fulfil the duty of assurance required as to the quality and effectiveness of internal control, risk management and governance systems and processes, and on the other hand to ensure efficient communication between the various stakeholders (Auditors General, Management Boards and Audit Committees).

The heads of Internal Audit respectively for Belfius Bank and Belfius Insurance are responsible for the independent audit of risks relating to their entity and their subsidiaries and branches which do not have their own internal audit department as well as for the supervision of all audit tasks in relation to those entities, subsidiaries and branches.

The audit departments within the Belfius Group rely on a central "support" unit (the "Audit Office") within Belfius Bank reporting to the Auditor General. On proposal of that central unit, the Auditors General of Belfius Bank and Belfius Insurance consult and ratify the internal audit methodologies and processes to be implemented in each entity, as well as their developments, and ensure the application of the decisions taken.

3.3.5.2 Compliance

The Compliance function, the integrity policy and the guidelines and codes of conduct concerning compliance - approved by the competent bodies - are coordinated centrally within the Belfius Group by the Compliance function at Belfius Bank ("group Compliance function").

A local Compliance function is put in place within each regulated entity of the Belfius Group.

The local Compliance function must also implement the group's integrity policy in its entity and may only divert from this, on substantiated grounds, with the assent of the group Compliance function.

The group Compliance function is responsible for collaboration, coordination, the provision of support and advice and

rationalisation of the various local Compliance functions within the Belfius Group. In its turn, the Belfius Insurance Compliance function performs a group Compliance function for the entities constituting the Belfius Insurance group.

The local Compliance function reports operationally to the group Compliance function. The local Compliance function reports a.o. periodically on its activities and any compliance incidents in its entity to the group Compliance function. The local Compliance function also has a right of direct escalation to the group Compliance function.

3.3.5.3 Risk Management

In line with article 194 of the Banking Law, Belfius manages risks based on a group-wide co-ordinated and integrated risk management framework. The overall objective is to have a risk management coordination, ensuring consistency while respecting each entity's specificities, responsibilities and legal/regulatory obligations. The main pillars of risk management are an appropriate risk governance structure, risk monitoring and a decision-making process.

At the level of the Risk departments of Belfius Bank and Belfius Insurance, the CRO's, assisted by their Risk Executive Committees ("Risk ExComs"), ensure adequate integration and coherence regarding methodologies, tools and risk management.

In terms of risk governance structure, Belfius implements:

- > a similar Committee governance and decision taking processes: through Board of Directors, Risk Committee (Belfius Bank) - Risk & Underwriting Committee (Belfius Insurance),
- > the presence of Belfius Bank Board of Directors' members on Belfius Insurance Committees assuring enhanced coherence;
- > the possible organisation of a common Belfius Bank Risk Committee / Belfius Insurance Risk & Underwriting Committee;

Both entities have a similar risk policies & guidelines framework and approach and use similar and/or common tools ensuring consistency and enabling coherence, as well as an integrated management of risks and internal controls.

More information regarding the risk governance of Belfius Insurance can be found in the annual report of Belfius Insurance.

3.3.6 Other mechanisms in place

Mechanisms have also been put in place to guarantee the synergy within the Belfius group as well as an improved communication and information management.

These mechanisms are in place both at Board of Directors level and advisory committees level as well as in the different divisions of Belfius Bank and of Belfius Insurance and their subsidiaries.

3.3.6.1 Mechanisms put in place at Board of Directors level in Belfius Bank and Belfius Insurance

The Nomination Committee ensures that the Board of Directors of Belfius Bank is composed of a sufficient number of Directors with experience in banking and insurance matters given that,

- > several Directors of Belfius Bank (both executive and non-executive) sit on the Board of Directors of Belfius Insurance;
- > the Nomination Committee and the Remuneration Committee are competent for Belfius Bank, for Belfius Insurance, for Corona and for Belfius Investment Partners;
- > the Chairman of Management Board of Belfius Insurance attends the Board of Directors meetings of Belfius Bank as permanent invitee;
- > Belfius is a financial conglomerate.

Furthermore, the Board of Directors of the Bank shall be informed of the proposal to appoint a candidate to a vacant position in the Board of Directors or the Management Board of Belfius Insurance, Corona and Belfius Investment Partners. This candidacy shall likewise be submitted for advice to the Nomination Committee, which is also competent for these companies.

Moreover, the minutes of the meetings of the Board of Directors of Belfius Insurance shall be submitted systematically to the Board of Directors of Belfius Bank.

3.3.6.2 Joint committees at advisory committees level for Board of Directors in Belfius Bank and Belfius Insurance

The Nomination Committee and the Remuneration Committee are competent for Belfius Bank, for Belfius Insurance, for Corona and for Belfius Investment Partners.

The Chairman of the Management Board of Belfius Insurance as well as a designated independent Director of Belfius Insurance are always invited to the Nomination Committee and to the Remuneration Committee for matters concerning Belfius Insurance and its subsidiaries.

3.3.6.3 Interaction between committees specific to Belfius Bank and to Belfius Insurance

The Audit Committee and the Risk Committee (“Risk Committee” within Belfius Bank and “Risk & Underwriting Committee” within Belfius Insurance) are specific to Belfius Bank and to Belfius Insurance. Nevertheless, Directors representing the shareholder Belfius Bank sit on the two advisory committees (the Audit Committee and the Risk & Underwriting Committee) set up within the Board of Directors

of Belfius Insurance and joint Belfius Bank and Belfius Insurance committee meetings may be held on request.

Accordingly, the Audit Committees of Belfius Bank and Belfius Insurance hold a joint meeting, in principle twice a year, where the following items in particular are broached: (i) the half yearly financial results of Belfius Insurance, (ii) the activities of the Audit Committee of Belfius Insurance, and (iii) the half yearly internal audit report of Belfius Insurance. Joint committees of the Risk Committees of Belfius Bank and of Belfius Insurance may also be organised.

3.3.7 Overview of main policies of the Belfius Governance

Throughout the different chapters of Governance Memorandum, reference is made to sets of guidelines and policies (mainly risk & compliance, but also audit, remuneration, ...) that frame Belfius’ behaviour. However these do not apply in equal measure to all Belfius’ subsidiaries.

With the introduction of a **Policy Grid** in the Governance Memorandum, the applicability (or not) of the salient governance components on the major subsidiaries of Belfius Group should be clear. The subsidiaries featured belong 100% to Belfius, are fully consolidated and were selected because they are regulated and / or have a material contribution to the bottom-line of Belfius Group and / or play a key strategic or operational role.

Applicability can mean that the subsidiary should either integrate the Policy as such or should respect the overall philosophy of the policy when it has to be adapted to the specific environment of the subsidiary (mostly driven by specific regulatory requirements or proportionality towards the subsidiary’s size).

3.4 Capital allocation policy within the group

The ICAAP process (“Internal Capital Adequacy Assessment Process”) enables the Belfius Group to assess the adequacy of its capital in relation to its risk profile and its organisation.

This process is based on a prior definition of the risk appetite framework of the Belfius Group so as to meet its 3 main objectives, i.e. to: reach a target long-term rating, have sufficient capital to meet extreme situations, and achieve its financial objectives (by complying with the new regulatory solvency and liquidity ratios).

The ICAAP is based on (i) a cross risk analysis, and (ii) a financial plan that includes the allocation of capital and analysis of trends in the results of the lines of business and capital supply.

Reports are organized for the Management Board of Belfius Bank via the Risk Appetite Committee (RAC), and are submitted to the Risk Committee of Belfius Bank for advice and then to the Board of Directors of Belfius Bank for approval.

The ICAAP process covers all the entities of the Belfius Group, including the insurance subsidiaries.

The risk appetite ratios are initially controlled at the group level and include parameters from insurance.

In this way, the risk appetite framework of Belfius Insurance adheres to the risk appetite framework of the Belfius Group and is composed mainly of group ratios supplemented by specific insurance ratios.

Belfius Insurance moreover ensures that its own risk appetite framework is in line with the risk tolerance defined by the Belfius Group.

In line with the group principles, the risk tolerance and the quantitative risk appetite indicators of Belfius Insurance are defined so as to:

- > ensure that the economic equity capital and capital requirement are adequate for any potential deterioration in the financial markets;
- > ensure the liquidity of Belfius Insurance;
- > retain control over an increase of losses due to insufficiently diversified portfolios of assets and/or liabilities (e.g. concentration risk);
- > retain control over the volatility of profits and different assets.

As regards the capital allocation process, due account is taken of the banking and insurance activities, in particular as regards:

- > the Return/Capital requirements for the lines of business (insurance is considered as a line of business in its own right);
- > the solvency target (CET1 target based on RAF);
- > the Risk Weighted Asset of each business lines;
- > the dividend policy between the banking and insurance activities (solvency constraints before payment of dividends);
- > Tier 2 subordinated debt capital between the banking and insurance activities;
- > the specific de-risking for each centre of activities (P&L, Risk Weighted Assets and capital).

The full process will result in an optimized allocation of Capital to Business Segments in compliance with the Budget framework guidelines and with the Board defined strategy, risk and return profile of Belfius.

The ICAAP process is reviewed regularly when drawing up and when checking the group and insurance financial plans through the RAC committees and risk committees.

3.5 Dividend policy

3.5.1 As regards the dividend policy between Belfius Bank and its shareholder

The capital policy (and its associated dividend proposal) is a 3 steps process : (i) the capital reserve assessment, (ii) the capital reserve allocation and (iii) the dividend validation process.

Belfius' Capital & Dividend Policy includes all capital metrics (CET1, T1 and CAD) in base & stress cases of its Financial Plan, at both consolidated and statutory levels.

3.5.1.1 Capital reserve assessment

The size of the capital reserve is based on:

- > the minimum regulatory requirements (Pillar 1 & 2);
- > minimum operational levels, which include additional buffer to face stress;
- > internal target levels to cope with potential unexpected items (the "additional buffer elements") beyond the ones foreseeable in the severe stress test.

3.5.1.2 Capital reserve allocation

The capital reserve assessed will be allocated to :

- > dividend that could be decided for next year;
- > dividend of the current year.

If it results from the capital reserve assessment that the capital reserve would be negative or insufficient, the Management Board will assess and if deemed appropriate and required, define measures, including a restriction on dividend distribution, that can be taken to address the shortfall. The Board of Directors will be informed and deliberate thereon until and up to the extent that the shortfall is addressed.

3.5.1.3. Dividend validation process

The dividend pay-out payment proposal will be submitted to:

- > Belfius Board of Directors for proposal / decision. In case of ordinary dividend, formal decision will have to be taken after the validation of the annual financial accounts;
- > Belfius Shareholders' Meeting for decision (not for interim dividend) beforehand.

The European Central Bank (hereinafter referred to as "ECB") will be informed of the dividend payment proposal.

Current capital policy has to be applied for "ordinary dividends", "Interim dividends" and "intermediary dividends" and the process to follow has to be in compliance with Belfius' articles of association, the Banking Law and ECB recommendations.

3.5.2 As regards the dividend policy between Belfius Insurance and its parent company Belfius Bank

- > The dividends receivable from Belfius Insurance are included in the Belfius consolidated financial plan. The payment of a Belfius Insurance dividend to Belfius Bank has a direct (positive) impact on the group's consolidated solvency ratio.
- > A dividend policy is yearly updated to be aligned with the group dividend policy. The guiding principles for Belfius Insurance are to ensure a Solvency II ratio over the entire timeframe above 160% once the dividends are paid/taken into account, while offering a sufficient safety cushion to absorb the shocks of a stress test defined and approved by the Board of Directors of Belfius Insurance.

3.5.3 As regards the dividend policy between Belfius Investment Partners (BIP) and its parent company Belfius Bank

The dividends receivable from BIP are included in the Belfius consolidated financial plan. A dividend policy is yearly updated to be aligned with the group dividend policy as well as the specific regulatory environment of BIP.

4. SHAREHOLDING STRUCTURE

4.1 Shareholding structure and role of the Shareholders

4.1.1 Shareholding structure

Since 20 October 2011, Belfius Bank has been an autonomous Bank all the shares of which are held by the “Société fédérale de Participations et d’Investissement” (SFPI) / “Federale Participatie- en Investeringsmaatschappij” (FPIM), directly and via its subsidiary Certi-Fed, within the framework of a mission granted to the SFPI/FPIM by the Belgian State under the Royal Decree dated 10 October 2011. The regulatory supervision (“contrôle de tutelle” / “toezicht”) is carried out by the Minister for Finance who is responsible for the SFPI.

The Belfius Bank shareholder structure is as follows:

- > 359,407,616 shares are held by the SFPI/FPIM, a public limited company of public interest with registered office at Avenue Louise 32 box 4, B-1050 Brussels, acting in its own name but on behalf of the Belgian State;
- > 5,000 shares are held by Certi-Fed, a public limited company with registered office at Avenue Louise 32 box 4, B-1050 Brussels.

Changes made to the structure of the capital of Belfius Bank are notified to the National Bank of Belgium (hereinafter referred to as the “NBB”) in the cases and under the terms provided in the Banking Law.

4.1.2 Role of Shareholders

The Shareholders manage their investment in the light of a sound and prudent management of the Bank, its good governance and sustainable development.

The Shareholders play their role through the Shareholders’ Meeting and through periodic meetings with the Chairman of the Board of Directors (cf. Point 4.1.4 infra).

The Shareholders may not interfere in the management of the credit institution.

The presence of at least four independent Directors on the Board of Directors of Belfius Bank is of such nature as to guarantee an appropriate treatment of any significant conflict of interests and to ensure that the Board of Directors takes the interests of the company into account in its deliberations.

4.1.3 Significant Shareholder(s)

The significant Shareholder(s) of the Bank must be honourable and financially sound.

In the event of a significant change in shareholding, the changes must not prejudice the stability of the Bank.

Significant shareholders must have the qualities necessary to ensure that they will exercise their influence to promote sound and prudent management of the Bank.

If the Supervisory Authority has reasons to consider that the influence exerted by a significant Shareholder is such as to compromise the sound and prudent management of the institution, it may suspend the exercise of its voting rights and enjoin it to divest its shareholding (Article 54 of the Banking Law).

4.1.4 Relations between the Shareholders and the Board of Directors

It is for the shareholders to let the Chairman of the Board of Directors and the Chairman of the Management Board know their views as to the future of the Bank in the short, medium and long term.

Periodic interviews are planned between the Chairman of the Board of Directors and the Significant Shareholder(s).

The Chairman of the Board of Directors meets regularly with the SFPI to inform it of the evolution of the Bank’s situation, and if necessary to present it with the quarterly results of Belfius. Depending on the subjects dealt with, the Chairman of the Management Board and/or one or more other members of the Management Board of Belfius Bank attend those meetings. The Chairman of the Board of Directors reports verbally on the meeting held with the SFPI at the next meeting of the Board of Directors.

The Chairman of the Board of Directors has regularly a meeting with the Minister of Finance and/or his/her Cabinet in order to explain to him/her the evolution of the Bank’s situation. Depending on the subjects dealt with, the Chairman of the Management Board and/or one or more other members of the Management Board of Belfius Bank attend those meetings.

4.2 Shareholders’ Meeting

4.2.1 General Shareholders’ Meetings

The annual Shareholders’ Meeting is held on the last Wednesday of April each year at 2:30 pm (CET), or, if this day is a public or bank holiday, on the first business day thereafter. It takes place at the registered office of the Bank or at any other place designated by the convening notice.

The other Shareholders’ Meetings shall be held on the day, at the hour and in the place designated by the convening notice. They may be held at locations other than the registered office.

The annual, special and extraordinary Shareholders' Meetings may be convened by the Board of Directors or by the Statutory Auditor and must be convened at the request of Shareholders representing at least one-tenth of the company's share capital.

4.2.2 Notices convening the Shareholders' Meeting

Holders of registered shares, convertible bonds, subscription rights and certificates issued with the collaboration of the company, Directors and Statutory Auditors are convened to the Shareholders' Meeting according to article 7:127 of the Code of Companies and Associations at least 15 days prior to the meeting.

4.2.3 Formalities to attend the Shareholders' Meeting

The holders of registered shares must give notice of their intention to attend the Shareholders Meeting.

Any shareholder may be represented at the Shareholders' Meeting by a proxy holder, whether the latter is himself a shareholder or not.

In order to be admitted to the Shareholders' Meeting on a consultative basis, in accordance with Article 22 of the Articles of Association :

- > the holders of registered convertible bonds, subscription rights and certificates, issued with the collaboration of the company which are registered, must give notification of their intention to attend the meeting by simple letter at the latest five days prior to the date of the meeting;
- > the holders of of dematerialised convertible bonds, subscription rights and certificates, issued in collaboration with the company, must at least five days prior to the date of the Shareholders' Meeting, present a certificate drawn up by the accredited account holder or clearing institution confirming that the securities are unavailable until the date of the Meeting, inclusive. They shall be admitted to the Shareholders' Meeting upon presentation of the certificate proving that their securities or the certificate were deposited in time.

Co-owners, beneficial owners and bare owners, secured creditors and secured debtors must be represented respectively by one and the same person.

Shareholders and holders of convertible bonds, subscription rights and certificates issued in collaboration with the company may, pursuant to the provision of article 7:139 of the code of companies and associations, put questions to the directors and/or auditor(s) about their reports or points on the agenda. These questions will be answered, where appropriate, by the directors or auditors during the Shareholders' Meeting.

Shareholders may, from the time the Shareholders' Meeting is convened, put the questions dealt with above to the address stated in the attendance notice. Provided these shareholders and holders of convertible bonds, subscription rights and certificates issued in collaboration with the company have satisfied the formalities for admission to the meeting and these questions reach the company at the latest on the sixth day prior to the meeting, these questions will be answered.

With the exception of resolutions which have to be passed by notarial act, the shareholders may adopt all resolutions, unanimously and in writing, for which the Shareholders' Meeting is empowered.

4.2.4 Quorum and Majorities

In general, there is no attendance quorum requirement for a Shareholders' Meeting, except as provided for by law or by the articles of association in relation to decisions regarding certain matters. Decisions are taken by a majority of the votes cast, except where the law or the articles of association provide for a special majority.

Matters involving special legal quorum and majority requirements include, among others, amendments to the articles of association, issues of new shares, convertible bonds or warrants and decisions regarding mergers and demergers. If the quorum is not reached, a second meeting may be convened at which no quorum shall apply. The special majority requirements, however, remain applicable.

5. GOVERNANCE STRUCTURE

5.1 Governance structure

The Bank must have transparent governance structures that ensure effective and prudent management in light of the nature, scale and complexity of the risks inherent to its business model and operations. As a basic rule, there should be a division at the highest level between the functions responsible for the senior (day-to-day) management and the functions responsible for the definition of the Bank's strategy and the supervision of the management that carries out that strategy. The supervisory function is entrusted to the non-executive members of the management body (Non-Executive Directors), assisted by several advisory committees in charge of audit, risk management, remuneration, nomination, and mediation.

5.2 Board of Directors

5.2.1 Responsibilities and powers

The Board of Directors is a collegial body the main competences of which are described below.

The Board of Directors holds the general responsibility for the credit institution. To that end, in accordance with the Banking Law:

it determines, and controls, in particular:

- 1° the strategy and objectives of the institution;
- 2° the risk management, including the level of risk appetite.

It approves the Governance Memorandum.

The term "strategy and objectives" means inter alia:

- > determining the Bank's general policy;
- > defining the principal activities which the Bank intends to carry on and the geographic zone in which it intends to carry on those activities (definition of its "market");
- > significant investments and disinvestments;
- > approving the financial plan (the budget);
- > setting up structures enabling objectives to be realised and restructurings of a certain size: merger, demerger, sale, purchase or contribution of a branch of activity;
- > defining the Bank's values, particularly those which it communicates to customers and staff.

5.2.1.1 Supervisory competences

The Board of Directors supervises the implementation by the Management Board of the strategy and objectives it has defined. More globally and in accordance with the Banking Law, the Board of Directors is responsible for supervision of the Management Board and evaluation of the members of the Management Board.

In exercising its supervisory competences, the Board of Directors also performs the following tasks:

- > evaluating the functioning of the Board of Directors;
- > evaluating the management structure and organisation of the company;
- > evaluating the existence and functioning of internal control systems, including the efficient identification and management of the risks and reliability of the financial reporting process;
- > approving and regularly revising the strategies and policies governing the taking, management, monitoring and attenuation of the risks to which the credit institution is or could be exposed, including setting limits to maximum theoretical risk (LMTR) and the risks generated by the macroeconomic environment in which it operates, having regard to the state of the economic cycle;
- > instituting an appropriate policy for the recruitment, suitability assessment and training of Directors, heads of independent control functions and as the case may be other senior management;
- > verifying the existence and adequate functioning of the independent control functions: internal audit, compliance and risk function;
- > verifying the existence of conditions enabling the statutory auditor or, as the case may be, the college of statutory auditors to perform their tasks in an appropriate manner;
- > evaluating the performance of the company in relation to the strategy and budgets provided.

5.2.1.2 Competences reserved to the Board of Directors

In addition, the law and the articles of association reserve various competences to the Board of Directors:

- > establishing the annual financial statements, which must present a true and fair view of the company's assets & liabilities, financial situation and annual results;
- > supervising the management of all significant risks, the asset valuation and the use of external credit ratings and internal risk models. The Board of Directors dedicates a significant proportion of its activities to this and guarantees that adequate resources are provided for such aspects;
- > defining criteria from which credit risk and counterparty risk arising from operations must be considered as major, requiring these operations and important decisions related hereto to be reported within a deadline enabling the Board of Directors, if necessary, to object;
- > deciding to grant discharge to members of the Management Board;
- > deciding to distribute interim dividends;
- > setting the remuneration of members of the Management Board;

- > adopting and regularly, at least once a year, evaluating the general principles of remuneration policy and supervising its implementation;
- > convening the Shareholders' Meeting;
- > setting the agenda for the annual Shareholders' Meeting as well as extraordinary and special Shareholders' Meetings;
- > deciding to increase the capital within the limits of the authorised capital;
- > approving the Governance Memorandum;
- > appointing the Chairman, possibly one or more vice-Chairmen, the secretary of the Board of Directors, members of the Management Board and co-opting Directors;
- > establishing committees within the Board of Directors;
- > approving the liquidity recovery plan referred to in Article 8, § 8 of the Annex I to the Banking Law and adapting the institution's internal policies and procedures accordingly.

In accordance with the Banking Law, strategic decisions (as defined in Article 3, 63° of the Banking Law) which the Board of Directors intends to take must be submitted in advance for the approval of the Supervisory Authority, which must take a decision on the matter within a period of two months from receipt of a complete file.

Article 3, 63° of the Banking Law defines "strategic decision" as: "a decision of a certain importance, that can therefore have a more global impact on an institution, insofar as various functions of the institution would be involved or affected by such a decision, and with a bearing on all investments, divestments, participations or strategic collaborations of the institution, in particular a decision to acquire or establish another institution, to establish a joint venture, to establish in another State, to enter into a cooperation agreement, to contribute or acquire a branch of activity, or to embark on a merger or demerger."

The Supervisory Authority may, by means of a regulation, specify the decisions to be considered as strategic. It publishes these clarifications.

Belfius considers that the following matters must be submitted to the Board of Directors beforehand:

- > A proposal for a decision that aims for or entails a change in or derogation from the general policy charted by the Board of Directors and concerns:
 - the governance of the Bank;
 - the risk appetite level and the risk strategy of the Bank (on a proposal from the Risk Committee);
 - the commercial policy of the Bank.
- > A proposal for a decision that entails a considerable change in the internal organization of the Bank, such as:
 - an internal reorganization that has a significant impact (on the number of FTEs, and/or on the risks of the Bank) in several divisions;

- negotiations with the staff delegation (conclusion of a collective labour agreement) that have a significant impact on the Bank's income statement.

- > A proposal for a decision concerning investments, stakes or strategic cooperation relations, outside the normal management of the Bank's portfolio, insofar as said decision represents an investment or divestment of at least €50 million as decided by the Board of Directors:
 - Sale, acquisition or setting up of another institution;
 - Setting up a joint venture;
 - Establishment in another State;
 - Conclusion of a cooperation agreement;
 - Contribution or acquisition of a business line;
 - Merger or demerger.

The Management Board shall also inform the Board of Directors about other strategic projects for less than €50 million.

Management of the activities of the credit institution is exclusively within the competence of the Management Board. It is performed totally autonomously within the framework of the general policy defined by the Board of Directors.

5.2.2 Composition, appointment, term, age limit, training etc.

5.2.2.1 Composition

The functioning of the Board of Directors is described in the articles of association and in the internal rules of the Board of Directors of Belfius Bank.

The main applicable provisions are set out below.

The Board of Directors is composed exclusively of natural persons.

The members of the Board of Directors - together and individually - present an appropriate profile to lead the Bank. The composition of the Board of Directors guarantees that decisions are taken to ensure effective and prudent management of the Bank.

The Directors, members of the Management Board, are qualified as "Executive Directors" and the other Directors as "Non-Executive Directors". The Board of Directors is composed of a majority of Non-Executive Directors in accordance with the Banking Law.

Furthermore, at least four of the Non-Executive Directors are independent within the meaning of the Banking Law and are appointed from among the Non-Executive Directors.

At least one third of the Directors should be of the other gender⁸. Within this context, the Nomination Committee has established a diversity policy. The objective and the diversity plan as well as the implementing procedures are mentioned in the annual report of the Bank.

⁸ The first director subsequently appointed must therefore be of the gender required to meet the quota, if such quota is not already met. An appointment contrary to that provision or resulting in the quota no longer being met is void. Moreover, if the gender quota is not met, the financial or other benefits of the board members arising from their mandate shall be suspended as of this date

5.2.2.2 Requirements for the Director's office

Each Director must, on his or her appointment and throughout the term of his or her mandate, have the expertise and the professional integrity required to perform his or her tasks. The Bank will periodically assess the Director's suitability.

5.2.2.3 Appointment/renewal/resignation/dismissal procedure

Directors are appointed, re-elected and dismissed by the Shareholders' Meeting (or by the Board of Directors in the case of a Director being co-opted) on the proposal of the Board of Directors, after advice of the Nomination Committee. The appointment or renewal of the mandate of a Director must be approved in advance by the Supervisory Authority and by the significant Shareholder.

The Nomination Committee prepares the proposals for appointing, co-opting, renewing the term of office and dismissing Directors.

When a Director is to be re-appointed, the Nomination Committee shall assess his/her contribution to the functioning of the Board of Directors and ensure that there are no new elements of such nature as to have an unfavourable impact on the suitability of the Director to perform a new term of office.

The Nomination Committee then presents the candidate to the Board of Directors together with its recommendation.

For an initial appointment or renewed term of office, the Chairman of the Board of Directors and the Nomination Committee ensure that the Board of Directors and the Shareholders' Meeting have sufficient information about the candidate Director to be able to assess whether he/she has the expertise and professional integrity required to hold the office (curriculum vitae, certificate of no criminal record, appointment form from the Supervisory Authority duly completed and any other information needed to assess whether the candidate Director has the suitability required for the position).

Belfius Bank shall inform the Supervisory Authority beforehand of the proposed or renewed appointment, as well as of the non-renewal of the appointment or the dismissal of Directors. It will also provide the Supervisory Authority with the necessary information concerning the candidate Director, so that said authority can give its prior approval for the proposal to appoint or re-appoint candidates. The Supervisory Authority shall verify the suitability of the person concerned before he/she is actually appointed.

A change of position, including a new distribution of significant tasks in the Board of Directors is considered as a new appointment and consequently will require the prior authorization of the Supervisory Authority.

As part of its prior suitability assessment, the Supervisory Authority may decide to interview the person concerned. An interview shall nevertheless always be conducted in the case

of the Chairman of the Board of Directors or a Chairman of an advisory committee in the Board of Directors.

If a Director wishes to terminate his/her mandate early, he/she must send a letter of resignation to the Chairman of the Board of Directors, with a copy to the Chairman of the Management Board. This resignation shall be announced at the next meeting of the Board of Directors which shall proceed to replace the Director where appropriate. In such a case, the next Shareholders' Meeting shall proceed to the final appointment of the co-opted Director, where appropriate.

5.2.2.4 Term of the mandate

The Directors' mandates run for a maximum term of four years. Directors may be re-elected. However Non-Executive Directors are re-eligible for a maximum of two additional mandates, unless the Shareholders' Meeting should decide otherwise.

The Director's mandates expire at the end of the ordinary Shareholders' Meeting that decides on the financial accounts for the past financial year, held in the year during which their mandate expires.

A Director must resign if a change in his or her personal situation makes that situation incompatible with his or her mandate as a Director of Belfius Bank.

5.2.2.5 Age limit

Non-Executive Directors retire on the date of the Shareholders' Meeting for the year during which they reach the age of 72.

The Board of Directors has the right to depart from the aforementioned rules if it deems that this would be in the interest of the company, in consultation with the Supervisory Authority.

5.2.2.6 Social status

From an employment law perspective, the Director of a company is considered as self-employed and must join a social insurance fund for self-employed workers.

Directors are not considered as holders of public mandates within the meaning of the Royal Decree n°38 of 27 July 1967 organising the social status of self-employees.

5.2.2.7 Incompatibility of mandates

In order to ensure the availability of the Non-Executive Directors to exercise their function, Belfius Bank has drawn up, pursuant to article 62 of the Banking Law, internal rules relating to the exercise of external functions by Directors of the Bank. These rules were approved by the Board of Directors.

The exercise of external mandates by Directors is in principle authorised, but subject to several limitations.

A Non-Executive Director may only exercise a mandate in a

company in which Belfius Bank has a holding if he or she does not take part in the day-to-day management of that company.

In addition, the Non-Executive Director may exercise at a maximum:

- > four mandates that may not imply involvement in the day-to-day management of a commercial company (including his or her mandate within the Belfius Group within the meaning of Article 62 § 9 of the Banking Law); or
- > one mandate that does imply involvement in the day-to-day management and two mandates that does not imply involvement in the day-to-day management of a commercial company (including his or her mandate within the Belfius Group within the meaning of Article 62 § 9 of the Banking Law).

In individual cases, the Supervisory Authority may grant a derogation from the maximum number of mandates aforementioned by authorising the exercise of an additional non-executive mandate.

A Director may not accept or exercise a mandate in another competing financial institution (credit institution / insurance company) or in a company with a direct or indirect qualifying holding in another financial institution active in Belgium in view of possible conflicts of interest, unless the Belfius Group has a holding in that company. In this exceptional case, the concerned Director will be particularly careful to observe legal and statutory provisions relating to conflicts of interest (cf. in this regard the chapter dealing with integrity policy).

The regime of incompatibility of mandates and obligations to which Directors are subject is included in the internal rules relating to the exercise of external functions by the Directors of Belfius Bank, which are a part of the internal rules of the Board of Directors.

5.2.2.8. Chairmanship

The Board of Directors appoints a Chairman and, as the case may be, one or more Vice-Chairmen from among the Non-Executive Directors. The Board of Directors and the Management Board are chaired by different persons.

In close collaboration with the Chairman of the Management Board, the Chairman of the Board of Directors:

- > ensures the balanced and optimal composition of the Board of Directors;
- > guarantees the efficient operation of the Board of Directors:
 - by drawing-up agendas for meetings;
 - by fostering interaction between Directors, particularly by convening notices and all relevant information sending in due time (in principle at least four working days prior to the meeting), leaving Directors the time necessary to prepare in depth for the meeting;

- > ensures constant and optimal dialogue between the Board of Directors and the Management Board;
- > chairs the Board of Directors and the Shareholders' Meeting.

5.2.3 Functioning

The Chairman of the Board of Directors draws up the agenda in cooperation with the Chairman of the Management Board and the secretary.

In order to deliberate, the attendance or representation of at least one half of the members is required unless the deliberation concerns a matter as stipulated in Article 10.1, paragraph 2 of these Articles of Association with regard to the Belfius Art Collection, in which case at least ninety-five percent of the members have to be present or represented.

Decisions of the Board of Directors require a simple majority of the votes of all the members present and represented unless the deliberation concerns a matter as stipulated in Article 10.1, paragraph 2 of these Articles of Association, in which case a ninety-five percent majority of the votes cast by all members present or represented shall be required.

In event of a tied vote, the Chairman or the member replacing him or her has the casting vote.

The decisions of the Board of Directors may be taken through the unanimous written consent of its members. The agreement of the directors may be placed either on one single document (letter, fax, printed e-mail or any other document) or on several copies of the same document. The decisions shall bear the date of the last agreement placed on the said document or documents.

The Board of Directors may always deliberate validly, even in the absence of convening notice, if all the members are present or represented.

The information provided to the Directors in performing their tasks, whether for or in meetings of the Board of Directors/ advisory committees, or in private meetings, both during the exercise of their mandate and after its expiry, is given to them *intuitu personae*. It is for them to ensure that the confidentiality of such information is strictly observed.

The Director's duty of discretion and observance of confidentiality is described in the internal rules of the Board of Directors and in the Fraud Risk Policy. The Auditor General examines the source of each leak. After consultation with the Chairman of the Board of Directors, external contacts will be made, unless likely to cause loss or damage to reputation. The results of this investigation will be reported to the Audit Committee and to the Board of Directors. Depending on the observations of the Auditor General, the Bank will take the necessary steps.

Each year, the Shareholders' Meeting rules on the discharge to be granted to Directors for the exercise of their mandate during the preceding financial year.

5.2.4 Advisory committees

5.2.4.1 Audit Committee

The composition and functioning of the Audit Committee are described in the internal rules of the Audit Committee of Belfius Bank.

The main applicable provisions are set out below.

5.2.4.1.1 Composition

The audit committee is composed exclusively of non-executive members of the board of directors, and of at least three members, no member being authorized to sit on more than three committees (i.e. audit committee, risk committee, remuneration committee and nomination committee). The majority of the members of the audit committee are independent within the meaning of the Banking Law.

In the case of resignation of one of the members or force majeure, the audit committee may on a provisional basis be composed of only two non-executive independent members within the meaning of Article 27 of the Banking Law.

Members of the Audit Committee have collective expertise in the field of operations of Belfius Bank as well as in the area of accounting and audit. At least one independent Director, a member of the Audit Committee, is skilled in accounting and/or audit.

The Chairman of the Audit Committee is appointed by the members of the Audit Committee and must be an independent Director. The Chairman may not simultaneously be Chairman of the Board of Directors.

The Chairman of the Management Board, the Auditor General of Belfius Bank, and the Statutory Auditor(s) may also attend meetings as permanent invitees. Other members of the Management Board and Non-Executive Directors attend meetings of the Audit Committee on invitation in relation to specific items on the agenda. Their attendance is limited to items concerning them. The Audit Committee regularly invites members of the management to give presentations and explanations on specific topics. The heads of Risk Management and the Compliance Officer are regularly convened.

The Audit Committee may ask an expert to attend meetings of the Audit Committee as an adviser, without being a member of the committee.

The Audit Committee may always decide, during a meeting, to meet alone during a specific period or only with people it indicates.

5.2.4.1.2 Competences and tasks

The Audit Committee covers all the consolidated companies of Belfius Bank with the exception of Belfius Insurance (and the consolidated companies of Belfius Insurance), Belfius Investment Partners and Belfius Financing Company. It operates independently of the Audit Committee put in place within Belfius Insurance, Belfius Investment Partners and Belfius Financing Company. However, the Audit Committees of Belfius Bank and Belfius Insurance meet jointly at least twice per annum. On the request of the Chairman of the Bank's Audit Committee, additional joint meetings may be held with the Audit Committees of Belfius Insurance, Belfius Investment Partners and/or Belfius Financing Company.

Under Article 28 of the Banking Law and Article 7:99, §4 of the BCAC, the audit committee has at the least to perform the following tasks:

- > Communication to the Board of Directors of information on the results of the legal audit of the annual financial statements and the consolidated financial statements, and explanations on the manner in which the legal audit of the annual financial statements and the consolidated financial statements have contributed to the integrity of the financial information and on the role played by the audit committee in that process;
 - > Monitoring the process for establishing the financial information and presenting the recommendations or proposals to guarantee integrity;
 - > Monitoring the effectiveness of the Bank's internal control and risk management systems of the Bank and its subsidiaries as well as monitoring the internal audit and its effectiveness;
 - > Monitoring the legal audit of the annual financial statements and the consolidated financial statements, including monitoring the questions and recommendations formulated by the Statutory Auditor;
 - > Examining and monitoring the independence of the Statutory Auditor in particular with regard to the validity of the provision of additional services to the company; and
 - > Making recommendations to the company's Board of Directors for the appointment of the Statutory Auditor.
- Furthermore, the Audit Committee:
- > Is informed on a regular basis via reports emanating from senior management and has access to all the necessary information in that context.
 - > May require any information or document which it deems to be useful and make or organise any investigations, enquiries and inspections concerning any matter within its responsibility. Within that context, the Audit Committee may have a specific enquiry or audit task performed by Internal Audit or by Investigations.

- > Is authorised to seek any information, opinion or assistance relevant to the performance of its mandate from independent professional advisers, executive Directors and other third parties outside the Bank.
- > May be contacted directly by the General Auditor and the Statutory Auditor at any time and without restriction. If necessary, the latter may also directly contact the Chairman of the Board of Directors.
- > May meet with other advisory committees of the Board of Directors on matters of common interest in order to avoid overlapping or other potential shortcomings in the supervision of the Bank's risks.

5.2.4.1.3 Mode of operation

Frequency of meetings

The Audit Committee meets at least four times per annum. The Audit Committee may also meet on the request of one of its members, the Auditor General, the Statutory Auditor or the Chairman of the Board of Directors whenever they deem it useful.

Requirements regarding attendance and voting

In order to validly deliberate and take decisions, at least one half of the members must be present. This quorum is also necessary in the event of resignation of a member, awaiting the appointment of a new member by the board of directors. Decisions by the audit committee require a simple majority of votes of all the members present; if equal numbers of votes are cast then the chairman or the member acting as such in the absence of the chairman shall have the casting vote.

The minutes of meetings of the committee are distributed to all the members of the committee and to all the members of the Board of Directors.

After each meeting, the Chairman of the committee formally reports to the next meeting of the Board of Directors on the minutes of the committee.

Terms in relation to periodic reports

After each meeting, the Chairman of the Audit Committee reports to the Board of Directors on the activities of the committee at the first meeting of the Board of Directors following the meeting of the Audit Committee. If he or she deems it appropriate, the Chairman of the Audit Committee may immediately indicate major problems to the Chairman of the Board of Directors.

In principle, each year the Audit Committee evaluates its operation and provides the Board of Directors with the result of its self-assessment.

In order to enable the audit committee to perform its legal task of "monitoring the effectiveness of the internal control and risk management systems", the risk committee reports

to the audit committee on its examination of the report from Risk Management on the evolution of risks and provisions and at least annually reports on its examination of the report on operational risks. The Audit Committee and the Risk Committee jointly examine the report from the effective management, the report on fraud as well as the Risk Report published with the Annual Report.

5.2.4.2 Risk Committee

The composition and functioning of the Risk Committee are described in the internal rules of the Risk Committee of Belfius Bank.

The main applicable provisions are set out below.

5.2.4.2.1 Composition

Members

The Risk Committee is composed of at least three members appointed by the Board of Directors from among its members.

If one of the members of the Risk Committee resigns or in the case of force majeure, the Risk Committee may temporarily be composed of only two non-executive members

The members of the committee must be Non-Executive Directors of whom the majority must be independent. A member of the Risk Committee may not sit on more than three advisory committees (Audit Committee, Risk Committee, Remuneration Committee and Nomination Committee).

The Chairman of the Risk Committee is an independent Director.

The members of the committee individually have the knowledge, expertise, skills, experience and suitability necessary to enable them to understand and assess the institution's strategy and risk tolerance.

Invitees

The CRO, who is responsible for the Risk department within the Management Board assures, in close cooperation with the Chairman, the content of the agenda and attends the meetings of the Risk Committee as a permanent invitee

The Chairman of the Management Board and the other members of the Management Board may attend the meetings of the Risk Committee as permanent invitees.

The Chairman of the Risk Committee may also, at his or her discretion, ask other persons to be present if he or she deems it appropriate.

5.2.4.2.2 Competences and tasks

The Risk Committee:

- > Provides advice to the Board of Directors on the current and future risk tolerance and risk strategy and in particular on the effectiveness of the risk management function and governance structure to support it;
- > assists the Board of Directors in monitoring the implementation of decided strategy by the Management Board.
- > ensures that the prices of assets and liabilities and categories of off-balance-sheet products offered to customers take account of the risks run by the Bank, having regard to its business model and its risk strategy, particularly reputational risk items, liable to result from the types of products offered to customers. It presents an action plan to the Board of Directors when this is not the case.
- > assists the Board of Directors in assessing activities which expose the Bank to significant risks (of whatever nature). In this regard the accent is expressly and specifically placed on current and future aspects of risk exposure.
- > assists the Board of Directors in supervising capital and liquidity targets and requirements, as well as transactions having an impact on the Bank's liquidity situation or capital base.

The Risk Committee is competent for Belfius Bank and operates independently in relation to the "Risk & Underwriting Committee" of Belfius Insurance. On the request of the Chairman of the Bank's committee, a joint Risk Committee meeting for the bank-insurer may be held.

These various tasks are explained under the heading "roles and responsibilities" in the internal rules of the Risk Committee.

5.2.4.2.3 Mode of operation

The committee meets at least every three months, or more frequently depending on circumstances.

Meetings can be either physical or via conference call.

A meeting of the committee may be convened by the Chairman or by a member of the committee. On the request of the Chairman, work and information sessions may be organised to make more detailed examinations of specific topics concerning risks and capital.

Meetings of the committee are chaired by the Chairman of the committee.

In order to deliberate validly, the presence of at least two Non-Executive Directors, members of the committee, is required.

Decisions require an ordinary majority of the votes of members present.

The minutes of meetings of the committee are distributed to all the members of the committee and to all the members of the Board of Directors.

After each meeting, the Chairman of the committee formally reports to the next meeting of the Board of Directors on the minutes of the committee.

The Chairman of the committee summarises all of the major points discussed with the management, and ensures that particular attention is paid to matters of concern.

If he or she deems it appropriate, the Chairman of the committee may immediately indicate serious problems to the Chairman of the Board of Directors.

5.2.4.3 Remuneration Committee

The composition and functioning of the Remuneration Committee are described in the internal rules of the Remuneration committee of Belfius Bank. The main applicable provisions are set out below.

5.2.4.3.1 Composition

Members

The Remuneration Committee is composed of at least three Non-Executive Directors, including the Chairman of the Board of Directors. The majority of the members of the committee are Independent Directors.

A member cannot sit in more than three of the following committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee. The maximum is only related to the advisory committees foreseen in the Banking Law.

If one of the members of the committee resigns or in the case of force majeure, the Remuneration Committee may temporarily be composed of only two non-executive members of whom at least one member must be an Independent Director.

The Remuneration Committee must have the necessary expertise regarding remuneration policy and remuneration systems and be composed so that it can give sound and independent advice on the remuneration policy as well as the remuneration practices and incentives created for managing risks, capital and liquidity.

The Chairman of the Remuneration Committee is an independent Director.

For matters related to Belfius Insurance and its regulated subsidiaries, the remuneration committee will be expanded with one member: an independent director of Belfius Insurance who will give advice on matters related to Belfius Insurance and its subsidiaries.

Invitees

The following persons attend the Remuneration Committee meetings as permanent invitees :

- > The Chairman of the Management Board and the head of the Human Resources (HR) department of Belfius Bank
- > The Chairman of the Management Board and the head of the HR department of Belfius Insurance for matters relating to Belfius Insurance and its subsidiaries
- > The General Secretary of Belfius Bank

The Remuneration Committee may always invite members of the management or of the staff of the Belfius group to attend (part of) the meetings depending on the items on the agenda.

The invitees comment on proposals, for which the Remuneration Committee's opinion is requested. They answer any questions and make remarks and suggestions as and when necessary. As invitees they do not have decision rights.

The Remuneration Committee may use any types of resources that it considers to be appropriate to the performance of its task, including external advice (e.g. experts), and receives appropriate funding to that end.

5.2.4.3.2 Competences and tasks

The Remuneration Committee has competence for Belfius Bank, Belfius Insurance, Corona, and for Belfius Investment Partners and as the case may be for their subsidiaries within the context of remuneration policy and remuneration systems. It has the following competences:

(a) Preparation for decisions of the Board of Directors concerning remuneration policy and remuneration systems

The Remuneration Committee is responsible for preparing decisions relating to remuneration, particularly decisions which have consequences regarding risks and risk management, on which the Board of Directors must take a decision. In preparing such decisions, the Remuneration Committee takes account of the long-term interests of shareholders, investors and other stakeholders, as well as of the general interest.

This applies to decisions relating to the remuneration of the executive directors and also to the decisions relating to persons who are heads of independent control functions.

Moreover, the Remuneration Committee exercises direct control over the remuneration of the heads of independent control functions. It must also - based on the half-year results - check if the Risk indicators are respected.

Remuneration policy

The Remuneration Committee gives its advice to the Board of Directors concerning the remuneration policy of staff members whose activity has a material impact on the risk profile of the Belfius Group (so-called "Identified Staff"). For the delimitation of this target group, the Belfius

Group applies the criteria established by the Commission Delegated Regulation of 4 March 2014 (which came into force on 26 June 2014). For more details see Remuneration Policy.

Individual remuneration

> of the Chairman of the Board of Directors and the Non-Executive Directors as well as members of the advisory committees:

On the proposal of the Remuneration Committee, the Shareholders' Meeting fixes the remuneration of the Chairman of the Board of Directors, the Non-Executive Directors and the members of the advisory committees for the execution of their mandates and functions.

> of the Chairman of the Management Board:

On the proposal of the Remuneration Committee, the Board of Directors fixes the remuneration of the Chairman of the Management Board.

> of members of the Management Board:

On the proposal of the Chairman of the Management Board, the Remuneration Committee prepares the remuneration of the members of the Management Board, including the performance-related remuneration and deferral bonuses, whether or not linked shares, options on shares or on other financial instruments.

On the proposal of the Remuneration Committee and on the advice of the Chairman of the Management Board, the Board of Directors fixes the remuneration of the members of the Management Board.

Severance payments

The Remuneration Committee gives its advice on the proposal from the Chairman of the Management Board on the severance payments for members of the Management Board. On the proposal of the Remuneration Committee, the Board of Directors fixes the severance payments of the Chairman and of the members of the Management Board.

Any severance payments must correspond to the effective performances over time and is conceived so as not to reward failure or improper behaviour.

Moreover, if an agreement provides for a severance payment exceeding 12 months of remuneration or, on the reasoned advice of the Remuneration Committee, exceeds 18 months of remuneration, that derogation clause must have the prior approval of the first ordinary Shareholders' Meeting thereafter. Any provision to the contrary is automatically null and void.

(b) Preparation of the remuneration report

The Remuneration Committee prepares the remuneration report which will be published in the annual report.

(c) Supervisory role

The Remuneration Committee periodically checks with the management if the remuneration policy and remuneration systems have achieved their objective and comply with the provisions in force. The management is invited to make a presentation on the subject to the Remuneration Committee which, in its turn, reports to the Board of Directors.

5.2.4.3.3 Mode of operation

The Remuneration Committee meets at least once per quarter.

The following topics, inter alia, will be dealt with at meetings:

- > analysing the results and the budgets used to determine the performance-related remuneration and the merit evolution;
- > assessing the overall remuneration policy;
- > establishing performance criteria and remuneration strategy for the members of the Management Board and of the independent control functions;
- > preparing decisions for the Board of Directors regarding remuneration, which will be submitted to the Shareholders' Meeting;
- > discussing HR subjects relating to remuneration.

The Remuneration Committee may also meet more frequently during the year on the reasoned request of one of its members.

The meeting is chaired by the Chairman of the Remuneration Committee.

To deliberate, the presence of at least one half of the members is required.

Decisions require a simple majority of the votes of the members present at the meeting. Only members are entitled to vote.

The minutes of meetings of the committee are distributed to all the members of the committee and to all the members of the Board of Directors, except if topics related to personal/private matters related to Executive Directors (assessment, remuneration,...). In this later case, the minutes of the meeting of the committee will only be distributed to the Non-Executive Directors.

After each meeting, the Chairman of the Remuneration Committee reports on its activities to the following meeting of the Board of Directors.

5.2.4.4 Nomination Committee

The composition and functioning of the Nomination Committee are described in the internal rules of the Nomination Committee of Belfius Bank.

The main applicable provisions are set out below.

5.2.4.4.1 Composition

Members

The Nomination Committee is composed of at least three Non-Executive Directors, including the Chairman of the Board of Directors. A majority of the members of the committee are independent Directors.

A member may not sit on more than three of the following committees: the Audit Committee, the Risk Committee, the Remuneration Committee, the Nomination Committee.

If one of the members of the committee resigns or in the case of force majeure, the Nomination Committee may temporarily be composed of only two non-executive members of whom at least one member must be an Independent Director .

The Nomination Committee must have the required skills and is composed so as to enable it to give a competent and independent judgment on the composition and operation of the management bodies of the institution, in particular on the individual and collective skills of their members and their integrity, reputation, independence of mind and availability.

The Chairman of the Nomination Committee is an Independent Director.

For matters related to Belfius Insurance and its regulated subsidiaries, the nomination committee will be expanded with one member: an independent director of Belfius Insurance who will give advice on matters related to Belfius Insurance and its subsidiaries.

Invitees

The following persons attend the Nomination Committee meetings as invitees :

- > The Chairman of the Management Board of Belfius Bank for all matters
- > The Chairman of the Management Board of Belfius Insurance for matters relating to Belfius Insurance and its subsidiaries
- > The General Secretary of Belfius Bank and the Head of Human Resources.

The Nomination Committee may always invite members of the management or of the staff of the Belfius group to attend (part of) the meetings depending on the items on the agenda.

The Nomination Committee may use any types of resources that it considers to be appropriate to the performance of its task, including external advice (e.g. experts), and receives appropriate funding to that end.

5.2.4.4.2 Competences and tasks

The Nomination Committee has competence for Belfius Bank, Belfius Insurance, Corona, Belfius Investment Partners and as the case may be for their subsidiaries within the context of nomination policy and observance of the rules of corporate governance. It has the following competences:

(a) General competences

The Nomination Committee:

- > identifies and recommends, for the approval of the Shareholders' Meeting or as the case may be of the Board of Directors, candidates suited to filling vacancies on the Board of Directors. It evaluates the balance of knowledge, skills, diversity and experience within the Board of Directors, prepares a description of the roles and qualifications associated with a particular appointment and assesses the time commitment expected.

The Nomination Committee also decides on a target for the representation of the underrepresented gender within the Board of Directors and prepares a policy on how to increase the number of underrepresented gender in order to meet that target. In its annual report, the Bank publishes the objective and policy concerning diversity within the context of selecting members of the Board of Directors and the terms of their implementation. This information is updated regularly, at least once a year.

- > periodically, and at least annually, assesses the structure, size, composition and performance of the Board of Directors and makes recommendations to it with regard to any changes;
- > periodically, and at least annually, assesses the knowledge, skills, experience, degree of involvement and in particular the attendance of members of the Board of Directors, both individually and collectively, and reports to the Board of Directors accordingly;
- > periodically reviews the policies of the Board of Directors for selection and appointment of members of the Management Board, and makes recommendations for the Boards of Directors;

as the case may be gives an opinion or recommendation on reputational issues related to (non) executive director(s). In performing its tasks, the Nomination Committee ensures that decision-taking within the Board of Directors is not dominated by one person or a small group of persons, in a way which might be prejudicial to the interests of the company.

The following topics will be among those dealt with at meetings:

- > the internal rules for evaluating the suitability of the members of the Management Board, Non-Executive Directors, and heads of independent control functions;
- > the elaboration of a policy for recruitment, assessment and training of the members of the Management Board, Non-Executive Directors, and heads of independent control functions suited to the needs of the Belfius Group;
- > discussion on general human resources topics;
- > observance of corporate governance.

(b) Competences concerning the appointment of members of the Board of Directors

The Nomination Committee prepares proposals for the appointment or mandate renewal:

- > of Directors, as well as proposals for co-opting Directors on the Board of Directors. The Nomination Committee furthermore assesses the independence of a current member or a new member of the Board of Directors;
- > of the Chairman of the Board of Directors;
- > of the Chairman and members of the Management Board.
- > To that end, the Nomination Committee:
- > examines questions relating to the matter of succession, including the urgent necessity to provide for succession. If the Nomination Committee deems it necessary, it may call on an external adviser;
- > establishes a general and specific profile for directors, listing the skills, knowledge and experience necessary within the Board of Directors;
- > periodically assesses the size and composition of the Board of Directors and makes recommendations to the Board of Directors with a view to any changes, in particular to guarantee the complementarity of such profiles.

(c) On top of these competencies, Belfius foresees the following topics :

The Nomination Committee:

- > ensures the application of provisions with regard to corporate governance in force for a non-listed institution soliciting public savings and ensures observance of the procedures and transparency, in particular in the work of the Board of Directors;
- > prepares proposals for amendments to the internal rules of the Board of Directors and the Management Board;
- > assesses the Governance Memorandum and if necessary proposes amendments;
- > discusses and analyses the quantitative statement and qualitative analysis of communications regarding stress, burn-out and inappropriate behaviour at work within Belfius Bank and actions to be taken to remedy this.

5.2.4.4.3 Mode of operation

The Nomination Committee meets at least once per quarter.

The Nomination Committee may also meet more frequently during the year on reasoned request of one its members.

The meeting is chaired by the Chairman of the Nomination Committee.

In order to deliberate, the presence of at least one half of the members is required.

Decisions require a simple majority of votes of the members of the Nomination Committee who are present. Only members are entitled to vote.

The minutes of meetings of the committee are distributed to all the members of the committee and to all the members of the Board of Directors.

After each meeting, the Chairman of the committee formally reports to the next meeting of the Board of Directors on the minutes of the committee.

In order to inform the Board of Directors of Belfius Insurance, the secretary of the Nomination Committee provides the Chairman of the Board of Directors of Belfius Insurance with an extract from the minutes approved by the Nomination Committee, concerning Belfius Insurance and its subsidiaries. The Chairman of the Board of Directors of Belfius Insurance sends his board these extracts as well as the documents on the basis of which advice is formulated, as the case may be. This enables the Board of Directors to gain awareness of and to refer to them in the decision-taking process

5.3 DAY-TO-DAY MANAGEMENT: MANAGEMENT BOARD

5.3.1 Responsibilities and powers

In accordance with the article 24 of the Banking Law a management board has been put in place composed exclusively by members of the Board of Directors. The Management Board constitutes a collegiate body endowed with the same powers as a management committee as stipulated in article 24 of the Banking law.

The Management Board is responsible for the effective management of the Bank, of which it leads and coordinates the activities of the various business lines and support departments, within the framework of the objectives of the general policy and the risk policy defined and supervised by the Board of Directors.

The Management Board ensures that the Bank's activity is in line with the strategy, risks and policies approved by the Board of Directors, and submits to the Board of Directors any relevant information enabling it to take informed decisions.

Under the supervision of the Board of Directors, the Management Board takes measures necessary to ensure the observance and implementation of sound and appropriate structures for the organisation of the business including supervisory measures, to ensure effective and prudent management of the institution, and in particular, founded on:

- > an appropriate management structure based, at the highest level, on a clear distinction between the senior management of the institution on the one hand and the supervision of that management on the other hand, ensuring within the institution an adequate separation of functions and a mechanism for the allocation of responsibilities which is well defined, transparent and clear;
- > an appropriate administrative and accounting organisation and internal control, especially including a control system that provides a reasonable level of assurance of the reliability of the financial reporting process;
- > effective procedures for identification, measurement, management, monitoring and internal reporting of the risks that the institution could incur, including prevention of conflicts of interest;
- > independent and appropriate internal audit, risk management and compliance functions;
- > an appropriate integrity policy;
- > a remuneration policy guaranteeing sound and effective risk management, preventing risk-taking that exceeds the risk appetite level set by the institution;
- > control and security mechanisms in the field of IT which are appropriate to the institution's activities;
- > an adequate whistleblowing procedure, in particular providing a specific, independent and autonomous alert to breaches to the institution's rules and codes of conduct;
- > the introduction of adequate measures for business continuity so as to guarantee the maintenance of critical functions or their re-establishment as rapidly as possible and a return within a reasonable time of the provision of normal services.

The Management Board ensures that the remuneration policy adopted by the Board of Directors is correctly implemented and more specifically with regard to the process for the allocation of the performance-related remuneration.

The Management Board implements the measures necessary to guarantee risk control.

The Management Board supervises line management and respect for the competences and responsibilities attributed.

The Management Board provides the Board of Directors with the appropriate information relating to all significant risks, management policies and including also the control of significant risks of the institution and amendments made to these.

The Management Board reports at least once a year to the Board of Directors, the Statutory Auditor and the Supervisory Authority in relation to assessment of the effectiveness of the organisational mechanisms referred to in Article 21 §1 of the Banking Law, and the measures taken as the case may be to remedy any shortcomings observed. The report justifies that such measures meet legal and regulatory provisions.

The Management Board establishes a draft Governance Memorandum, which for Belfius Bank and the Belfius Group includes all of the internal organisational mechanisms referred to in Article 21 §1 of the Banking Law. This Governance Memorandum and its updates must be submitted for the approval of the Board of Directors. The Board of Directors forwards it to the Supervisory Authority, if necessary via the intervention of the Management Board.

The Management Board formulates proposals and advice for the Board of Directors, particularly with a view to definition of the strategy and objectives of the institution and its risk policy.

The Management Board may delegate special powers to its chairman, its vice-chairman (as the case may be), to one or more of its members, to one or more members of staff and to any other person. It may authorise sub-delegation.

5.3.2 Composition, appointment, term, age limit, training etc.

The composition and functioning of the Management Board are described in the Articles of Association (and in the internal rules of the Management Board of Belfius Bank.

The main applicable provisions are set out below.

5.3.2.1 Number of members

The Board of Directors sets the number of members of the Management Board. The Management Board has a minimum of two members and it is composed exclusively of natural persons. The members of the Management Board form a college.

The Directors, members of the Management Board, are also qualified as “Executive Directors.”

The Management Board can appoint associated members. The Nomination Committee will be previously informed about their appointments. They will attend the weekly meetings of the Management Board as well as the meetings of the Group Management Committee. They play an advisory role and have no voting right.

As of January 1st, 2019, 3 associated members to the Management Board (the “Associated Members”) are appointed, being :

- > the responsible for HR & Building Management
- > the responsible for Data & Digital
- > the responsible for IT.

5.3.2.2 Appointment requirements

Executive Directors must, on their appointment and during the entire term of their mandate, have the expertise and professional integrity required to perform their tasks. The Board of Directors will periodically assess the suitability of the Executive Directors.

5.3.2.3 Incompatibility of mandates

In order to guarantee the availability of the members of the Management Board for the performance of their function as an Executive Director, Belfius Bank, applying Article 62 of the Banking Law, has established internal rules relating to the performance of external functions by Directors of the Bank.

- > Executive Directors may exercise 2 non-executive mandates maximum in commercial companies that do not belong to the Belfius Group (as defined in article 62 of the banking law). In individual cases, the supervisory authority may nonetheless grant an exemption to the maximum number of mandates mentioned above by authorising an additional non-executive mandate.
- > This provision shall not apply in the event that an Executive Director exercises his/her mandate in Belfius Bank in representation of a Member State.
- > When an Executive Director intends to exercise a non-executive mandate in a commercial company outside the Belfius Group the following rules apply :
- > The prior advice of the Nomination Committee and the prior approval of the Board of Directors of Belfius Bank are required.
- > When giving its advice, the Nomination Committee will take into consideration any conflicts of interests that this new mandate could generate as well as the potential impact on the availability of the Director for exercising his/her executive mandate.
- > The exercise of a non-executive mandate as chairman of the Board of Directors in a commercial company is not allowed.
- > The exercise of a non-executive mandate in a listed company is not allowed

These last three rules only apply for new mandates to be exercised by Executive Directors from 23 May 2019. Exemptions to these rules must be approved by the Board of Directors on the basis of a reasoned proposal and after opinion of the Nomination Committee according to the principle of full time availability for positions inside the bank.

5.3.3 Functioning

5.3.3.1 Mode of operation

The Management Board is a college. It may however distribute its tasks between its members: such distribution of tasks does not affect their collegial responsibility. A distribution of tasks is agreed by the Board of Directors and communicated to the Supervisory Authority.

The Management Board meets in principle once a week. If necessary, it may be convened at any time by the Chairman or if at least two other members so request.

Meetings of the Management Board may be held by video conference or by telephone conference. In that case, the meeting of the Management Board is deemed to take place at the registered office.

Any member of the Management Board prevented from attending may, by letter or any other means of communication by which the proxy is evidenced in writing (fax, printed email, etc.), give another member a proxy to represent him/her. Nevertheless, no member of the Management Board may represent more than one other member.

Each member of the Management Board and Associated Member may propose an item for the agenda.

5.3.3.1.1 Conditions of quorum and of majority

In order to deliberate validly, at least one half of the members of the Management Board must be present or represented.

The Management Board operates collegially and its decisions result from a consensus of its members. If necessary, the Chairman may, on his or her initiative or on the request of two other members, submit the question being discussed to a vote. The decision is then taken by a simple majority of the votes of all the members present and represented. If equal numbers of votes are cast, the Chairman of the Management Board will have the casting vote.

5.3.3.1.2 Confidentiality

The Management Board ensures the confidentiality of its deliberations.

5.3.3.1.3 Exceptional use of a written procedure

In exceptional cases, decisions may be taken by the Management Board by the unanimous consent of its members expressed in writing, including electronically.

5.3.3.2 Discharge

Each year, the Board of Directors (only the Non-Executive Directors) will decide on the discharge to be given to members of the Management Board for the exercise of their mandate during the previous financial year.

6. OPERATIONAL INDEPENDENT CONTROL FUNCTIONS

6.1 Internal audit

6.1.1 Tasks

Internal audit is an independent and objective activity which provides management with a reasonable assurance on the degree of control of its operations, gives it advice on improving them and contributes to the creation of added value.

To that end, internal audit assesses the risks associated with the objectives of the organization and the controls in place to manage those risks. Internal audit then provides management with an evaluation of the residual risks so that it can validate their appropriateness to the overall risk profile desired for Belfius Bank and Belfius Insurance and, if necessary, suggest actions to management for the design and effectiveness of such controls to be strengthened. The implementation of these action plans is monitored by internal audit ; half-yearly reports on this subject are sent to the respective Management Boards and Audit Committees of Belfius Bank and Belfius Insurance.

In line with international standards, an Audit Charter states the fundamental principles of the audit function. The current Charter was ratified by the Management Boards and by the Audit Committees of Belfius Bank and Belfius Insurance. It was revised to take account of structural developments and also the new governance principles within the Belfius Group. It contains the core principles (access to all information, objectivity, independence, impartiality, competence, confidentiality and respect for a common methodology) governing the internal audit function, describing its objectives, roles, responsibilities and functioning across the Belfius Group.

All the activities and entities of the Belfius Group are within the scope of the internal audit, without condition or exception.

6.1.2 Organisation of the audit function within the Belfius Group

The internal audit function of the Belfius Group is performed by the internal audit departments of Belfius Bank and Belfius Insurance. For other entities of the Belfius Group, their parent company performs the audit function.

In accordance with the legislation applicable to credit institutions and insurance companies, circulars from the Supervisory Authority on the exercise of the internal audit function and the principles of good governance of financial institutions, Belfius Bank and Belfius Insurance ensure that they constantly have an appropriate independent internal audit function. Therefore, the audit function reports to the respective Audit Committees.

As part of their control tasks, the Boards of Directors of

Belfius Bank and Belfius Insurance regularly check that their respective entities have a suitable internal control. To that end, the Boards of Directors rely on periodical reporting from the Audit Committees. The Audit Committees of Belfius Bank and Belfius Insurance ensure that an independent assessment of the internal audit function is made periodically within the Belfius entities.

The audit departments of Belfius Bank and Belfius Insurance report administratively on their mission to the Chairman of the Management Board as well as to the Chairman of the Audit Committee of their entity. Their independence is guaranteed by their functional attachment to the highest hierarchic level of their respective entity, i.e. the Board of Directors (via the Audit Committee), as well as by the responsibilities for monitoring and evaluation of the internal audit function assigned to the Audit Committee of that entity.

In order to guarantee the good operation of Belfius Bank and Belfius Insurance, the Auditors General of Belfius Bank and Belfius Insurance are in charge of putting in place and maintaining an appropriate internal audit. Therefore, they receive from their respective Management Boards and Boards of Directors, on the advice of their Audit Committees, the means necessary to perform their tasks with a view to dealing constantly with structural and environmental developments. The audit department of Belfius Bank is, moreover, responsible for ensuring the appropriateness of the organisation of the internal audit put in place throughout the Belfius Group and the quality of its operation. To that end, the head of internal audit at Belfius Insurance has a functional link to the Auditor General of Belfius Bank and the Auditor General of Belfius Insurance attends meetings of the Audit Committee of Belfius Insurance and periodically meets the Auditor General of Belfius Insurance. The adequacy of the resources of internal audit at Belfius Group level is assessed globally taking account of all the audit means available in the group as well as the necessary competences.

The Auditors General of Belfius Bank and Belfius Insurance manage the audit approach as well as the human and financial resources. They are responsible for all audit assignments, risk analysis as well as the audit plan over the scope of their respective entities, including all their subsidiaries and branches which do not have their own audit department. They manage the internal audit team within their respective entities, define training plans and evaluate the work of the auditors.

Internal audit relies on robust methods based on good international audit practices which are applied in a uniform manner for all the Belfius group. These are regularly adapted to reflect both the developments of standards, the returns

of experience on the field and the evolution of organisational structures.

After the risk assessment, audit missions are targeted on the most risky activities taken into account the need for an appropriate coverage of the audit Universe (audit cycle ratified by the Audit Committees). The methodologies structure the audit activity in its objective of supporting the corporate governance in terms of risks.

The audit departments within the Belfius Group rely on a central “support” unit (the “Audit Office”) within Belfius Bank. On proposal of that central unit, the Auditors General of Belfius Bank and Belfius Insurance consult and ratify the unique internal audit methodologies and processes to be implemented in each entity, as well as their developments, and ensure the application of the decisions taken. The “Audit Office” is also responsible for the provision and maintenance of audit tools, the management of central projects, the quality reviews regarding observance of the audit methodologies and processes, training on audit techniques and processes, and administrative support of the audit department of Belfius Bank.

An internal quality assurance program is defined and implemented by the central “Audit Office” and by internal audit functions. The results of the plan are communicated annually to the Management Board and Audit Committee of Belfius Bank.

Within Belfius Bank specifically, the Auditor General relies on domain managers responsible for ensuring and maintaining the knowledge of the risks in assigned audit domains, managing audit assessments and monitoring recommendations, as well as performing the annual risks assessment. In addition, Audit Office also deals with the practical organisation of the Audit Committee, coordination and/or production of various reports produced by the Audit & Control department, planning all the tasks included in and out the annual audit plan.

The Auditor General of Belfius Bank also performs the following roles over the scope of the entities for which Belfius Bank provides the internal audit function:

- > acting as a point of contact for local management and auditors, organising and with the possibility of participating in the Audit Committee and internal control committees of the subsidiaries and branches;
- > following-up on all the missions led by the local supervisory authorities;
- > guaranteeing that the risks of the operational activities (Audit Universe) of the bank are covered adequately as defined in the charter approved by the Audit Committee of Belfius Bank and that all requests from the Chairman of the Management Board or the Audit Committee are dealt with;
- > and taking responsibility for the Investigations & Branch Audit division

6.2 Compliance

6.2.1 Organisation

Compliance is organised according to the principles of the Compliance Policy which combines the Compliance Charter and the Integrity Policy.

- > The Compliance Charter states the fundamental principles of the Compliance function, its organisation and its tasks.
- > The Integrity Policy aims at application of the most important principles in matters of ethics and good conduct. It describes the fields incumbent upon the Compliance function.

The Compliance function reports to the Chief Risk Officer.

The Compliance division is broadly developed and calls on a network of Compliance Correspondents (hereinafter called “CORM”s) within the Bank.

In line with the Belfius Group Governance (point 3.3.), the Compliance Officer is also responsible for (the supervision of) the introduction of an appropriate Compliance function in all the Bank’s branches and subsidiaries.

Within the context of its supervisory tasks, the Board of Directors (as the case may be via the Audit Committee of Belfius Bank) regularly checks whether the Bank has an adequate, independent and sufficiently equipped Compliance function. The Board of Directors is informed at least once a year, as the case may be by its Audit Committee, on the activities of Compliance.

6.2.2 Tasks

The main task of the Compliance function is to assess compliance of the application of the codes of conduct, instructions, procedures and organisations in relation to the integrity rules applicable to the banking sector and the insurance sector. These rules are those which arise from the Integrity Policy specific to the Bank and other legal and regulatory provisions applicable to the banking sector and the insurance sector. The end game is to protect the reputation of Belfius with regard to compliance risks.

The Compliance function makes proposals in relation to the Integrity Policy and submits them for the approval of the Management Board. It advises the Management Board on the measures to be taken within the context of the Integrity Policy and ensures the establishment of codes and procedures within the entity.

The Compliance function is responsible in particular for the following tasks:

6.2.2.1. Regulatory watch

- > monitoring the national and international legislation, regulations, codes of conduct, standards, good practices etc. regarding Compliance matters and risks (creation and update of an inventory, collaboration with the legal function,...);
- > monitoring the interpretations of the rules described above (e.g. through contacts with supervisory bodies).

6.2.2.2 Risk identification and mitigation

- > taking initiative to identify, document and assess the Compliance risks, including :
 - detecting incidents which must be communicated and the fulfilment of obligations of communication to third parties (e.g. CTIF, market authority);
 - examining and monitoring breaches of law, regulations or internal professional ethics (e.g. conflicts of interests, personal own account transactions by staff, accepting and offering gifts);
- > assessing the adequacy of internal directives, procedures, guidelines and controls and formulating proposals for their amendment if necessary (e.g. in case of identified shortcomings);
- > taking note of significant internal and external documents concerning management and operation (e.g. internal and external audit documents, information and remarks from supervisory bodies).

6.2.2.3 Develop action plans

- > set-up of a yearly Compliance action plan on a risk based approach;
- > identifying the required resources (human, material, etc.);
- > getting approval of Management Board and confirmation by Board of Directors.

6.2.2.4 Advice

- > providing advice to the Management Board and the operating departments regarding the application of legislation and regulations, standards and codes (and any changes to them);
- > taking part in deliberations about new products, services and/or markets and changes in the company organisation;
- > formulating recommendations based on the development and ongoing adjustment of the integrity policy (procedures, instructions, guidelines, codes, etc.);
- > providing advice in relation with the elaboration of decision-taking procedures and codes of professional ethics for implementation of the institution's policy observing legal and regulatory provisions and implementing appropriate internal control measures;
- > offering support in the alignment of the operational treatment of certain transactions and the creation of certain relations with the institution's policies (e.g.

suspension or refusal of a transaction, assessing customer relations at the start and end of that relationship).

6.2.2.5 Awareness, training and point of contact for third parties

- > constant awareness and training of staff members, including staff members of the branches and agents, in Compliance matters, in order to enable them to recognize and manage Compliance risks;
- > elaborating directives for staff members to specify the lines of Belfius Bank's policy;
- > establishing one or more points of contact for third parties responsible for supervising compliance with certain integrity rules (e.g. Supervisory Authorities, the "Financial Information Processing Unit" (hereinafter called the "FIPC"), the judicial authorities, the tax administration).

6.2.2.6 Monitoring

- > supervision of compliance with integrity & conduct rules based on audit of results of the operating departments (1st line), own sampling and observations, conversations with employees, monitoring of complaints and exception reports and mystery shopping;
- > follow up on points requiring attention and remedial actions for 1st line

6.3 Risk control function

6.3.1 CRO

Within Belfius Bank, the CRO (Chief Risk Officer) is responsible for risk management. He or she is a member of the Management Board and reports directly to the Chairman of the Management Board (CEO - Chief Executive Officer) of Belfius Bank.

The CRO may, at any time and without any restriction, directly contact the Chairman of the Risk Committee and/or the Chairman of the Audit Committee.

6.3.2 Risk Management - Governance

The Risk Management Governance of Belfius Bank is essentially built along two main lines:

- > Risk Committees;
- > Risk appetite.

6.3.2.1 Risk Committees

The presence of a performant Risk Governance structure is considered as the central cornerstone to sound risk management. It consists of a coherent number of Risk Committees, the roles and competences of which are defined in accordance with the Bank's commercial and financial objectives and Risk Appetite of the Group, while respecting external requirements related to regulations and supervision.

6.3.2.1.1 Strategic level

Three Risk Committees have been set up within the Management Board of Belfius Bank, prepared by the Risk department:

- > **The Risk Policy Committee (RPC)** surveys the definition and the implementation of the Bank's principal risk management and measurement policies, processes and methodologies, and supervises their validation status. Its prime responsibility is to provide a risk governance that is commensurate with the risk appetite and strategy ("Risk Appetite Framework or RAF") of the Bank compliant with regulatory requirements and is in line with best practices.
- > **The Risk Appetite Committee (RAC)** surveys Belfius' risk appetite, capital adequacy and capital allocation. It manages the economic capital and stress test framework, ensures the adequacy of this framework against the nature and complexity of the risk and business composition and supervises its practical implementation;
- > **The Non Financial Risks Committee (NFRC)** ensures a well-governed and coordinated non financial risk framework for an effective non financial risk management. NFR covers a.o. operational risks (including fraud, HR, IT, IT security, business continuity, outsourcing, data related risks, privacy ...) but also reputational, compliance, legal risks.

In addition to these three committees, four functional areas also report to the Management Board without a specific committee being set up for them. These four areas deal with credit- and financial markets - related topics, ALM and Capital Management.

6.3.2.1.1 Tactical / operational level

The Management Board delegates certain decisions to a tactical/operational level. The details of this delegation are set out in the applicable committee charters. For matters that fall outside this delegation, the tactical/operational level provides information or puts forward opinions to the Management Board, which then decides.

The committees that are part of the tactical/operational level are committees on which the Risk department generally participates alongside business divisions. Risk committees which are steered by the Risk department focus mainly on risk appetite and methodology. Risk/Business committees which are steered jointly by the Risk department/Business focus mainly on guidelines, transactions and risks on counterparty risks. The Risk department has a veto right in many of these committees, as well as the right to bring files for decision to a higher governance level.

6.3.2.2 Risk Management Framework

The Risk Management Framework aims to implement sound, prudent and effective risk management and corporate governance. It is composed of essential building blocks and aims to cover in a coherent way all elements needed for sound risk management. It mainly defines the interactions between the Risk department and Business.

The **Risk Appetite Framework (RAF)** aims to align the strategy, financial targets and the overall risk appetite. The Risk Appetite framework is embedded in the corporate strategy and the risk culture of the Group. The construction of the RAF is an iterative process where High level key Risk Indicators (KRI's) are defined and operationalised, with risk appetite and tolerances established for each of the KRIs and for all major risk categories.

In concrete, the RAF:

- > Risk appetite is the level of risk that an institution is prepared to take given the expectations of the main stakeholders (including shareholders, creditors, Supervisory Authorities, rating agencies, customers and employees) in order to achieve its strategic and financial objectives;
- > applies group-wide and all (sub-)limits and risk guidelines have to be consistent with it;
- > The Bank's risk appetite consists of a series of quantitative elements (target Key Risk Indicators) and qualitative elements (statements) that are designed to express the risk levels and types that are not acceptable, that are tolerated and targeted in order to achieve business strategy. The quantitative framework is based on a mix of accounting ratios (gearing), regulatory ratios (Tier 1, weighted risks) and economic ratios (economic capital, earnings at risk) and also includes liquidity and funding structure ratios, as well as credit concentration limits.

This risk appetite is defined by the Board of Directors, based on proposals from the Management Board. The Risk Department prepares the Management Board's proposals and the Board's decisions, and also sets the rules and the framework for implementation of those rules.

The Risk and Finance departments are responsible for monitoring these ratios, and if there are discrepancies, for proposing measures to the Management Board to ensure the limits are met.

One of the key process is to ensure that the Financial Plan, which translate bank strategies into financial figures, respects the RAF limits, both in base case and in case of stress scenarios. Each year, different stress scenarios are defined taken into account emerging risks and Belfius' vulnerabilities.

The RAF is reported on a quarterly basis to the Management Board and the Board of Directors.

6.3.3 Stress tests

Stress tests are designed to measure the Bank's sensitivity, in terms of losses, additional weighted risks, liquidity needs or equity capital requirements that could impact Belfius in scenarios featuring significant unexpected shocks in the financial markets and/or with regard to the financial situation of Belfius specifically.

Every 2 years, the bank participates to EBA led stress tests (in co-operation with the NBB, the ECB, the European Commission and the European Systemic Risk Board). The stress test is applied to large European banks and its aim was to assess the resilience of selected institutions when confronted by severe financial and economic stress over a three-year time horizon.

Belfius also performs regular internal stress testing programme in connection with its Financial Plan. Belfius Bank developed a set of alternative and very severe macroeconomic scenarios designed to anticipate its main weaknesses and to simulate how Belfius might be affected under these circumstances. These different stress tests measure the potential deviations from the "base case" Financial Plan and from Risk Appetite targets set by the management in terms of solvency, liquidity and profitability. These stress tests are submitted to the Management Board as well as to the Board of Directors at the same time as Financial Plan.

7. OPERATIONAL MANAGEMENT

7.1 Operational structure

7.1.1 Organisation of the divisions

The Management Board is responsible for the effective management of the Bank, directing and coordinating the activities of the various business lines and support departments within the framework of the objectives and general policy set by the Board of Directors.

7.1.2 Products and services

Belfius strongly invests in all segments of Belgian society :

- The public and social sector (business line Public & Corporate). The public sector includes local authorities (municipalities, provinces, police & fire zones, CPAS, inter-municipal companies, government corporations), but also regions, communities and federal authorities. The social sector includes hospitals, care homes, social housing, schools (from primary education to universities), professional associations and labor unions, institutions for health insurance and in general non-profit organisations active in the field of labor, health, education and the social and cultural sector.
- The Belgian economy, ranging from the self-employed, liberal professions and small enterprises (business line Retail & Commercial banking) to the medium-sized and large corporates (business line Public & Corporate banking). Belfius seeks to support them throughout the entire lifecycle of their company with a comprehensive package of products and services. Next to a wide range of classic products meeting all basic financial needs as effectively as possible (such as credits and transaction banking), Belfius leverages its in-depth client and market understanding and data & digital capabilities to meet the business and private needs of corporate and public and social clients.
- The individuals, up to Private and Wealth management clients (business line Retail & Commercial banking). As a Bank-insurer, Belfius helps customers protect and develop their assets, through cross-selling along the whole product range : payments, savings, mortgages and consumer finance, non-life and life insurances, investments and insurance-investments in line with Belfius Convictions. Leveraging digital & data capabilities, Belfius also branches out to a beyond banking & insurance offering, simplifying its customers' lives and reinforcing its core business. Private and Wealth Management customers can rely on more tailor-made and exclusive solutions (mainly investments)

7.1.3 Geographic scope of activities

Belfius Bank carries on its principal activities in Belgium. The Bank also operates abroad through the principle of freedom to provide services, a branch and subsidiaries.

7.1.3.1 Principle of freedom to provide services

In accordance with the Directive 2013/36/EU of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Belfius Bank holds several European passports.

7.1.3.2 Subsidiaries

For an overview of the enterprises in which Belfius Bank holds an interest within the meaning of the Royal Decree dated 23 September 1992, as well as the other enterprises in which it holds rights up to at least 10% of the subscribed capital, please refer to the Annual Report of Belfius Bank.

The subsidiaries of Belfius Bank include a company that issues financing securities in Luxembourg: Belfius Financing Company. This entity enables Belfius Bank to diversify and balance its sources of financing. This company has been the subject of rulings in Belgium with full transparency to the tax authorities concerned.

7.1.4 Policy regarding the use of off-shore centres and complex structures

Belfius Bank respects the principles adopted by the OECD and the G20 on the implementation of international standards aimed at improving fiscal transparency and the exchange of information for fiscal purposes. Belfius Bank does not set up offshore centre structures for its customers in tax havens.

Belfius Bank does not carry out any business activities in territories that are deemed to be "non-cooperative" by the OECD.

Belfius is involved in a certain number of securitisation operations where credits are transferred to a special purpose vehicle. This vehicle is incorporated under the form of a limited liability company under Belgian law, in accordance with the Belgian Companies Law and the laws applicable to the Debt Investment Companies (« sociétés d'investissement en créances »/ « vennootschap voor belegging in schuldvorderingen »). The performance of such a securitisation operation falls within the Bank's funding and liquidity policy.

Belfius also advises other institutions performing securitisation operations (rendering of services in the form of advices in exchange for a fee).

7.2 Outsourcing

On February 25th 2019, the European Banking Authority (“EBA”) published its “Final Report on EBA Draft Guidelines on Outsourcing Arrangements” (hereafter “EBA Guidelines”), which replaces the existing CEBS Guidelines on Outsourcing, integrates the more recent Recommendations on Cloud Outsourcing, seeks to facilitate a more harmonized governance framework for all outsourcing arrangements.

Outsourcing risk is defined as the risks linked to contracting any “function” meaning any process, service or activity (or part thereof) that would normally fall within the scope of functions realistically performed by Belfius, to a service provider (third party or Belfius group entity) on a recurrent or an ongoing basis.

The Belfius Outsourcing risk & material arrangements policy applies to both outsourcing arrangements (as imposed by EBA guidelines) and material third-party contracts (as internal standard at Belfius’ own initiative).

The Outsourcing risk and material arrangements Policy applies to Belfius group. Belfius Bank subsidiaries as well and Belfius Insurance and its subsidiaries are asked to implement a policy that is consistent with it, while respecting their internal governance and applicable regulations.

Belfius will ensure that supervisory conditions for outsourcing are met and that risks are adequately identified, assessed, monitored and managed/mitigated such as risks related to ICT, Cloud, Data location, Data protection & GDPR compliance, Business Continuity Planning, Recovery and Resolution, Sub-contracting, Operational risk, Reputational risk, Concentration risk, Confidentiality.

To this end, the Policy covers all phases of the Contracting Life Cycle :

- Pre-contracting: The decision to allow outsourcing or contracting with third parties will be based on a thorough analysis of the appropriateness and feasibility. This includes among other an assessment of IT security, governance practices, GDRP, .. In addition, the possible internal alternatives – within Belfius Bank or within the Belfius group – will have to be examined.
- Contracting: The rights and obligations of Belfius and the service provider should be clearly allocated and set out in a written agreement. Contracting within the Belfius group will be formalized through a Service Level Agreement (SLA) between the concerned group entities which will take account of this policy.
- Monitoring and Management: The performance and compliance of service providers must be monitored on an ongoing basis. Monitoring should be risk-based and focus on critical or important functions. Belfius will centrally (at group level) maintain a register of outsourcing and

third-party arrangements. An outsourcing manager has been appointed to ensure the frequent review of the performance of the outsourcers and assess the need for mitigating actions with Risk Management when needed.

- Termination and exit strategy: The contract will contain a specific provision to clarify the reversibility and transferability of the services and, where applicable, the skills in the event of the termination of the contract.

Contracting in no way limits the responsibilities of the Management Boards and Boards of Directors within Belfius Group towards customers or shareholders and also not towards prudential governing bodies. Whatever the case, these Management bodies must retain full control over its activities.

A committee fully dedicated on contracting has been set up within Belfius Group, the Outsourcing Management Committee. Its mission is to ensure a well governed and coordinated contracting in line with Belfius strategy, risk appetite and regulatory requirements.

The governance framework for outsourcing risk and third-party risk is compliant with the “Three Lines of Defense” model such as implemented by Belfius. The procurement division belongs to the first line of defense, together with the business and legal. The non financial risk department and a dedicated specialist outsourcing function are part of the second line of defense. As third line of defense, internal Audit performs audits compliant to the EBA Guidelines. Auditing and (where necessary) prudential supervision shall remain in force : the Supervisory Authority and the Statutory Auditor must have unhindered access to the outsourced activities at all times and be able to carry out audits on said activities, in order to exercise their respective auditing missions.

7.3 Business continuity

Belfius Bank has put a Business Continuity Policy, Guidelines and Plan in place to guarantee the maintenance of system critical functions or their re-establishment as rapidly as possible and within the regulatory obliged RTO (Recovery Time Objective) and the return within a reasonable time of the provision of all other activities of the Bank.

7.4 IT control and security mechanisms

7.4.1 Information Security

Belfius’ Risk Appetite, approved by the Board of Directors, includes an Information Security section. An Information Security Policy further provides the framework to ensure a consistent and streamlined approach towards information security.

7.4.1.1 Governance and Strategy

In order to guarantee the information security within Belfius, the Information Security Steering (ISS) ensures a well governed and coordinated information security strategy whereby an adequate system of “prevention”, “detection”, “protection” and “reaction” is put in place, in line with regulatory requirements towards information security.

The ISS is chaired by the CRO Belfius Bank, or Head of NFR in case of absence of the CRO.

The quorum necessitates the presence CRO or Head of NFR, and the CIO of Belfius group or CIO of Belfius Transversal or Head of Digital Security Office and the CISO. At least one amongst CRO or CIO must be present. The CISO must always be present.

The information security strategy has 4 major ambitions:

- > **BE Aware:** Work “risk based” and ensure that identified internal & external risks are in line with the defined risk appetite; managing risks in line with the risk appetite allows Belfius to tailor the Information Security risk posture to fully support the overall business strategy. By applying the risk-based principle Belfius ensures that investments are only done in those areas where they are needed and defensible;
- > **BE Mature:** Become more mature by making Information Security measurable and by benchmarking performance against industry standards. A solid basic security level acts as an enabler for secure innovations within the bank;
- > **BE Compliant:** Comply with regulatory requirements. By being compliant with internal as well as regulatory requirements, processes and procedures are executed in a predictable way. Furthermore, it will avoid potential regulatory penalties resulting from non-compliances;
- > **BE Resilient:** Ensure Business Continuity & Disaster Recovery. By focusing on availability, business disruptions can be avoided and assurance can be given that key business processes can be adequately restored in case of calamities.

These ambitions are monitored on a monthly basis by the ISS through:

- > A regularly updated information security road map which is compliant with regulations and in line with Belfius’ risk appetite;
- > A periodic dashboarding with KRI framing Belfius Risk Appetite of information security ;
- > An incident and threat analysis;
- > An approval and follow-up of information security projects.
- > A monitoring of regulations applicable for Belfius in the area of information security
- > The maintenance of Business Continuity Management and Disaster Recovery Plans (DRP).

The policy relating to securing information and its associated guidelines, norms and practices are aimed at safeguarding the information assets[1] of Belfius.

In order to strengthen the governance and its effectivity in the field of information security, the application of the three lines of defence model implied the existence of a Digital Security Office (DSO), for the first Line of Defence, and a Group CISO (Chief Information Security Officer) in the Risk Division for the Second Line of Defence.

7.4.1.2 Main evolutions of Information Security projects

For Information Security, Belfius follows a risk-based approach. This means that based upon risk assessments decisions are made on where improvements are most needed to effectively realize the stated ambitions and to align the actual risk posture with the risk appetite. This approach is used by the individual teams to define priorities and areas that need improvement whilst adhering to a defence in depth principle.

The high-level priorities and goals are translated in concrete projects. To effectively face cyber attacks that become ever so complex or to prevent any breach in the confidentiality, the availability and the integrity of data for any reason besides cyberattacks, Belfius focusses on projects that increase the capabilities of 3 types of controls: technology, process and people.

Large security projects are grouped together in a security roadmap which typically spans the course of two years. The security roadmap 2022 which has been approved by the Board of Directors, focusses on key projects grouped together in 6 different streams: 3rd parties, awareness, cloud, cyber, data and governance.

Belfius frequently performs internal and independent tests to provide assurance about all aspects of the security organization. Such tests help in determining the effectiveness of existing controls, identifying new risks, checking compliance with regulatory requirements or measuring the maturity of security related processes.

A cyber security insurance was underwritten in 2015 and is renewed ever since on a yearly basis.

In the area of the information security, a central Identity and Access Management (IAM) tool has been implemented since 2013 and progressively rolled out. An Identity View and a Role Based Access Model have been built on top of the existing IAM processes. The number of covered IT platforms and applications is continuously increasing. Mainframe, Active Directory, Unix, MS Azure, TFM internal and external applications are now centrally managed.

Since 2015 a certification process of the existing accesses by information owners and functional responsible, based on

'the need to know need to have' principle and ensuring that employees at all times have proper access to their required information, is realized.

The ambitions for 2020-2021 are to onboard additional applications with internally managed access management, continue to improve the role based access model and automate it in DevOps, advance the data modeling and business role modelling, and boost the Privileged Access Management and Multi-Factor authentication infrastructure.

In order to enhance the skills and the awareness with regard to information security of the staff members of Belfius, awareness- and formation initiatives are set up regularly. The security governance ensures the coordination of the different processes and initiatives through a security awareness working group.

Belfius outsources its ICT infrastructure to PI-Square, a subsidiary of IBM. The formalization of what Belfius expects from PI-Square with regards to information security is defined within the contract and the Customer Security Document. The execution of the contract and CSD is followed with a defined governance.

7.4.2 Data protection

With respect to the protection of personal data, Belfius worked out a GDPR implementation aligned with the existing Data Governance and data protection projects into a holistic program for Belfius Group in order to obtain an integrated and sustainable data management. The GDPR or General Data Protection Regulation entered into force in May 2016 and became applicable as of 25 May 2018. It has had a significant impact on the entire organization and customer relationship management of Belfius.

7.4.3 Business continuity

The policy on business continuity & disaster recovery requires the various departments to analyse the business impact on critical activities, to develop recovery plans and to provide the necessary documentation. The business continuity plan and IT disaster recovery plan are yearly tested for the highly critical activities and IT applications. The results of the tests are disclosed and discussed at the ISS.

7.4.4 Release Management

Since more than 15 years Belfius works with four major IT releases a year. There is a "move to operations" (MTO) during the second or third week-end of March, June, September and November. This calendar is discussed with business and PI-Square (the Belfius infrastructure partner) and published well in advance.

The approach towards the MTO is "industrialized". In order to guarantee good quality of its delivery, Belfius organizes:

- > very close follow up of the progress of the projects with specific emphasis on the test-results and on the open issues. This is discussed in a weekly meeting and reported to all stakeholders.
- > a formal GO/NO GO decision meeting
- > a general rehearsal week-end (three week-ends before the MTO-weekend)
- > close follow up during the MTO-week-end itself with several recurrent meetings discussing progress of the activities, final testing and acknowledgment to open the different channels towards clients

Some projects cannot follow this fixed calendar (e.g. mandatory projects with external compulsory dates). However using "exceptional releases", it is possible to apply to a large extent the same approach for these projects..

8. REMUNERATION POLICY

8.1 Staff concerned

The remuneration policy applies to staff members whose activity has a material effect on the risk profile of Belfius Group (individuals known as “Identified Staff”).

In delineating this target group, Belfius Group applies the criteria issued by Europe through the Commission of the European Union’s Delegated Regulation dated 4 March 2014.

It covers the following categories:

- > **Category 1:** the executive members of the Board of Directors of Belfius Bank and Belfius Insurance (Executive Directors);
- > **Category 2:** members of staff whose business activities have a significant effect on the risk profile of Belfius Group, including senior management and individuals who occupy risk-taking positions or independent control functions. This also includes staff whose total remuneration places them on the same level of remuneration as senior management or individuals who occupy risk-taking positions

8.2 Entities concerned

The remuneration policy applies to the Belfius Group on the understanding that specific provisions apply for certain regulated companies, based on the regulatory obligations.

8.3 General principles

The remuneration of Executive Directors is set by the Board of Directors after advice of the Chairman of the Management Board and of the Remuneration Committee.

There are specific provisions regarding the remuneration of managers for the independent control functions.

The remuneration of Non-Executive Directors and members of the advisory committees is set by the Shareholders’ Meeting after advice of the Remuneration Committee.

In principle, Non-Executive Directors receive a fixed remuneration, which is paid to them every quarter.

In addition, Non-Executive Directors receive attendance fees for every meeting they attend.

For Non-Executive Directors who may not have exercised their mandate for a full year, this fixed remuneration is reduced pro rata to the number of quarters during which they effectively exercised their mandate.

The emoluments of the Chairman of the Board of Directors are higher than those of the other Directors, both in terms of fixed remuneration and attendance fees. The attendance fees allocated to the Chairman of the Board of Directors and the Chairman of the advisory committees are double those allocated to the other Directors and members of the advisory committees.

9. INTEGRITY POLICY

9.1 Internal codes and regulation - General

The Compliance Officer is competent to elaborate, implement, update and supervise compliance with the rules of professional ethics.

The core principles of the integrity policy are contained in the Belfius Integrity Policy approved by the Management Board, the Board of Directors and the Works Council of Belfius Bank. The Belfius Integrity Policy constitutes the basis of professional ethics in the Bank and outlines the general framework for the adoption of honest conduct and professional ethics.

The Belfius Integrity Policy is based on the following 4 principles:

- > compliance with laws, regulations and professional standards;
- > professionalism and discretion;
- > integrity vis-à-vis customers in all of Belfius activities;
- > loyalty and mutual respect.

The Belfius Integrity Policy lists the areas within the compliance function. Most of these areas are also covered in the internal Code of Ethics, e.g. Anti Money Laundering and combatting the financing of terrorism, Market Abuse, data protection, whistleblowing, ...).

9.2 INTERNAL CODES AND REGULATION – SPECIFIC POLICIES

Still, based on those general principles, some themes have been developed into more detailed policies, such as the Anti Bribery Policy, the Sponsoring Policy, the Complaints Policy, the Product Governance Policy, the Suppliers Ethics Charter, the Gifts, Favours and Invitations Policy, the Privacy Policy (, the Anti-discrimination policy.

In the sections below, further details are provided on the Anti Money Laundering, Market Abuse Policy and Whistleblowing Policy.

9.2.1 Antimoney laundering and counter terrorism financing policy

Belfius has set-up an Anti Money Laundering Policy, which was updated in 2018 in order to establish a general framework for the fight against money laundering (AML) and financing of terrorism (CFT).

Money Laundering means :

- > the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing

or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person's action;

- > the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is derived from criminal activity or from an act of participation in such an activity;
- > the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such an activity;
- > participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions referred to in the previous points.

Money laundering shall be regarded as such even where the activities which generated the property to be laundered were carried out in the territory of another Member State or in that of a third country.

Terrorism financing means : the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used or in the knowledge that they are to be used, in full or in part, in order to carry out any terrorist act.

The AML framework is designed to be compliant with all applicable laws and regulatory requirements regarding AML/ CFT.

9.2.2 Market Abuse Policy

The Belfius general Market Abuse Policy is complemented, with a policy regarding Chinese Walls, a policy regarding Restricted Lists (and a Permanent Insider List Policy when relevant.

Market abuse is understood to mean insider trading, the illicit disclosure of privileged information and market manipulation.

As part of their activities, some members of staff have access to privileged information relating to financial instruments traded on a regulated market (or to their issuer), for which an application for admission to trade on such a market has been or will be lodged, or the value of which depends on the aforementioned financial instruments. In addition, the execution of certain transactions or the dissemination of certain information may have an impact on the perception of financial instruments or their issuer.

9.2.2.1. Market Abuse prevention

The prevention of market abuse is based along three main lines, as follows:

- > Management of the circulation of information relating to financial instruments and their issuers in order to restrict the dissemination of that information both inside and outside the bank;
- > The supervision of certain activities, in particular certain types of transactions on the financial markets and market surveys (this latter point is dealt with in a separate procedure);
- > The training and awareness of staff.

9.2.2.2 Market Abuse detection

The detection of market abuse is focused on 2 areas, as follows:

- > The implementation of a detection system based on the surveillance of instructions and transactions via ;
 - a system of alerts geared to the nature of the activity in question;
 - the use of the data available by staff members when they have a relationship with the party issuing the instructions, whether that party is a customer or a person trading on his or her account (identity, instructions given, trading habits, way in which orders are transmitted, etc.).

For this purpose, the Compliance function has access to all relevant information and documentation.

- > The awareness and training of the staff members affected by this issue so that they are able to detect market abuse.

9.2.3. Whistleblowing Policy

Within Belfius Bank, the Belfius Integrity Policy provides that staff members have the opportunity to reveal any shortcoming, abuse or malfunction liable to seriously affect Belfius Bank. To that end, Belfius Bank has introduced an internal whistleblowing procedure aimed at reducing the risks of suffering a financial loss, a penalty or a loss of image or reputation as a consequence of the non-fulfilment of legal or regulatory obligations or its Compliance policy.

The internal whistleblowing procedure is not a substitute for other systems already in place for the prevention of certain types of risks but constitutes an additional procedure. It is only used in the absence of any other more appropriate procedure.

The internal whistleblowing procedure respects the principle of the transmission of information in the first place to those senior to the staff member who wishes to give such a warning. If that senior person deems it appropriate, he or she will forward the information to the Compliance division. The system offers staff members an additional direct recourse to the Compliance division when notifying senior people may not be appropriate or adequate.

The Compliance division is the central point of contact within the warning system. It gathers and deals with pertinent information received through the system. The members of the Compliance division are governed by a particular confidentiality obligation.

The Compliance division is responsible for dealing with communications and observance of the rights of the parties within the context of implementing and monitoring this procedure. It is bound to maintain strict discretion and undertakes rapidly and carefully to deal with information communicated via the internal system. As for the identity of the different parties, it must keep to a strict minimum the number of persons who have such information.

9.3 Fraud risk policy

Together with the Internal Audit and Compliance, the Non Financial Risk (NFR) Department has formulated a global anti-fraud policy for Belfius. In line with the overall commitment to deliver value-adding products and services, the qualitative statements of the Belfius Risk Appetite Framework stresses

- > That a zero-tolerance line of policy is applicable for all forms of fraud (internal, external as well as mixed frauds) and
- > That Belfius implements an extremely severe line of policy to achieve its anti-fraud objectives, taking into account practical capacities.

Business & support lines are the first risk managers and the CRO/Risk NFR team with the Anti-Fraud Officers as expert has a clear 2nd Line of Defense role. The Chief Risk Officer (CRO) is in general, as for all risks, responsible for the sound risk management.

9.4 Conflicts of interest

9.4.1 Conflicts of interest between the Directors and the institution

9.4.1.1 Transactions/contracts carried out with the Bank

Belfius Bank may enter into transactions/contracts, directly or indirectly (e.g. via its subsidiaries) with:

- > its Directors/Members of the Management Board;
- > Its significant shareholders (including members of their different bodies and persons who take part in their senior management); and
- > Companies or institutions on which Belfius Bank exercises a control,

only under the conditions, for the amounts and with the guarantees applicable to its customers (Article 72 of the Banking Law).

Companies or institutions in which Directors/Members of the Management Board have a qualified stake, hold a directorship, or are in charge of the senior management, as well as spouses, partners who, according to their national law, are considered

the equivalent of a spouse, and relatives to the first degree, are considered in the same way by the Banking Law.

The loans, credits or guarantees to be granted to the persons/ companies/entities referred to above must be notified to the Board of Directors within such a period that the Board of Directors may oppose them.

Irrespective of the body called upon to decide, the members with a direct or indirect personal or functional interest may not take part to the deliberations and to the votes of the Board of Directors.

The loans, credits or guarantees to be granted to companies or institutions on which Belfius Bank exercises a control must not be notified to the Board of Directors if there are covered by a framework contract which has been notified to the Board of Directors.

The granted loans, credits or guarantees – excepted the loans, credits or guarantees granted to companies or institutions on which Belfius Bank exercises a control – are then notified to the Supervisory Authority at such intervals and according to such procedures as defined by the latter.

The Board of Directors and the Supervisory Authority do not need to be notified if all the loans, credits or guarantees granted to a given person, or a company do not exceed €100,000.

No loan, credit or guarantee may be granted, directly or indirectly to a person so that he can acquire or subscribe to shares or units or any other securities that confer a right to dividends from the credit institution or company with which there are close ties, or that confer a right to acquire such securities.

Non-compliance with this legal provision shall be subject to criminal prosecution.⁹

The Board of Directors has adopted a policy concerning contracts entered into and decisions carried out with these people.

9.4.1.2. Services provided to the Bank by Directors

The Non-Executive Directors of Belfius Bank have undertaken, via the internal rules of the Board of Directors, not to provide Belfius Group, directly or indirectly, with services against payment (for example, consultancy services, tax advice, ...).

9.4.2 Legal, statutory and internal procedures for preventing and resolving conflicts of interest

As regards the resolution of conflicts of interest of Executive Directors or Non-Executive Directors vis-à-vis the institution, reference is made to Articles 7:96 of the Code of Companies and Associations, to article 24 bis of the Banking Law, to the articles of association and to the internal rules of the Board of Directors.

9.4.2.1 Legal provisions

9.4.2.1.1 Directors (Article 7:96 of Code of Companies and Associations)

If a Director, directly or indirectly, has an interest of a financial nature conflicting with a decision or transaction of the Board of Directors, the other Directors must be informed prior to the deliberation of the Board of Directors.

His or her declaration, as well as the facts justifying the conflicting interest which exists with regard to the Director concerned, must appear in the minutes of the meeting of the Board of Directors which has to take the decision. The Board of Directors may not delegate this decision.

The Director concerned may not take part in the deliberations of the Board of Directors in relation to such transactions or decisions, or vote on them. When all directors have an interest of a financial nature conflicting with a decision or transaction of the Board of Directors, the decision/ transaction must be submitted to the Shareholders' Meeting. If Shareholders' Meeting approves this decision/transaction the Board of Directors may carry out this decision/transaction.

The Board of Directors describes in the minutes the nature of the decision or transaction referred to above and a justification of the decision it has taken as well as the financial consequences for the company. The management report contains this part of the minutes in full.

In addition, when the company has appointed one or more Statutory Auditors, the minutes of the Board of Directors must be provided to him/her. The Auditors' report must contain a separate description of the financial consequences arising for the company of the decisions of the Board of Directors, which might involve a conflicting interest referred to above.

9.4.2.1.2 Members of the Management Board (Article 24bis of the Banking Law)

If a member of the Management Board, directly or indirectly, has an interest of a financial nature conflicting with a decision or transaction of the Management Board, the other members must be informed prior to the deliberation of the Management Board.

His or her declaration, as well as the facts justifying the aforementioned conflicting interest must appear in the minutes of the meeting of the Management Board which has to take the decision. The Management Board may not delegate this decision.

The member of the Management Board concerned may not take part in the deliberations of the Management Board in relation to such transactions or decisions, or vote on them. When all members of the Management Board have an interest of a financial nature conflicting with a decision or transaction of the Management Board, the decision/transaction must be

⁹ Article 348 § 1, 5° of the Banking Law: The Director, Manager, members of the legal statutory governing body or persons in charge of the senior management who infringe Article 72 of the Banking Law, shall be punishable by imprisonment of 1 month to 1 year and a fine of €50 to €10 000

submitted to the Board of Directors. If the Board of Directors approves this decision/transaction the Management Board may carry out this decision/transaction.

The Management Board describes in the minutes the nature of the decision or transaction referred to above and justifies the decision it has taken. Similarly, the financial consequences of that decision for the company must be indicated in the minutes.

A copy of the Management Board minutes is provided to the next meeting of the Board of Directors. The annual report contains this part of the minutes in full.

In addition, the minutes of the Board of Directors must be provided to the Statutory Auditor. The Auditors' report must contain a separate description of the financial consequences arising for the company of the decisions of the Management Board, which might involve a conflicting interest referred to above.

9.4.2.1.3 Common provisions (Article 7:96 of Code of Companies and Associations and Article 24 bis of the Banking Law)

The company may demand that the decisions taken or the transactions carried out in breach of Articles 7:96 of the Code of Companies and Associations and article 24 bis of the Banking Law should be declared void if counterparty had or might have had knowledge of that breach.

Articles 7:96 of the Code of Companies and Associations and article 24 bis of the Banking Law are not applicable when the transactions or decisions concern transactions or decisions concluded between companies where a company directly or indirectly holds at least 95% of the votes attached to all the securities issued by the other or between companies where at least 95% of the votes attached to all the securities issued by each of them are held by another company.

Similarly, these Articles are not applicable to transactions taking place in the ordinary course of business under arms' length conditions.

9.4.2.2 Statutory provisions (Article 18 of the Articles of Associations)

Without prejudice to article 7:96 of the Code of Companies and Associations and article 24bis of the the Banking Law, if a Board member or a member of the Management Board has a direct or indirect interest of any nature whatsoever that is in conflict with a proposed act or decision which, as applicable, is or may become within the sphere of competence of the Board of Directors or the Management Board, including as a result of a dual function, shall inform the Chairman at once and may not take part in the deliberations or the vote on that proposal; however, when a dual function concerns a company linked to the company in the sense of article 1:20 of the code of companies and associations, it may, notwithstanding the above, attend deliberations and take part in the vote.

9.4.2.3 Internal provisions

9.4.2.3.1 Conflict of interests - Incompatibility of mandates

The exercise of external mandates by Directors is in principle authorised, but subject to several limitations.

9.4.2.3.2 Conflicts of interest - Directors personal account transactions and transactions on behalf of persons closely connected to Directors

The 'Rules relating to personal transactions of the members of the Board of Directors of Belfius Bank' form a part of the internal rules of the Board of Directors.

The members of the Board of Directors are considered to be "relevant person" within the meaning of the MiFID II organisational regulation. This means that the following reporting duty must be respected:

> For transactions carried out via Belfius Bank

Transactions performed on securities accounts opened in the name of a Director at Belfius Bank need not be declared. Belfius Bank has a control system which enables all personal transactions for and via the Director's account to be identified.

> For transactions carried out via another financial institution

In all other cases, Directors must as quickly as possible declare all their personal transactions to the Compliance Officer of Belfius Bank.

A personal transaction shall be a trade in a financial instrument effected by or on behalf of a relevant person, where at least one of the following criteria are met:

- the relevant person is acting outside the scope of the activities he/she carries out in as part of his/her activities within Belfius Bank;
- the trade is carried out for the account of any of the following persons:

- (i) the relevant person;
- (ii) any person with whom he has a family relationship, or with whom he has close links (natural persons who are relatives, i.e. with whom there is a family tie or a close connection and/or legal entities with which relevant persons have links) ;
- (iii) a person in respect of whom the relevant person has a direct or indirect material interest in the outcome of the trade.

This definition is in relation to two main categories of transactions. On the one hand, these are transactions executed by the actual Director. On the other hand, these are transactions executed by a third party acting on behalf of the Director or on behalf of the Director and another person.

Furthermore, to avoid conflicts concerning Executive Directors, any Belfius investment product subscribed by an Executive Director will be so under the conditions applicable to customers (i.e. conditions in force for customers who are in a similar position vis-à-vis the Bank). Moreover, any securities portfolio held directly by an Executive Director will be under management with Candriam (without the Bank's involvement).

9.4.2.3.3 Conflicts of interest - rules applicable to Directors in relation to companies with which Belfius Bank has close ties

Executive Directors and Non-Executive Directors may in no way participate, both within the company concerned in which they exercise a mandate and within Belfius Bank, in the decision-taking process regarding services provided by the Bank to that company, or exercise any influence whatsoever on that process.

The Management Board of Belfius Bank must moreover ensure that the conditions under which services are provided to those companies correspond to normal market conditions and the usual practices of Belfius Bank.

9.4.3 Conflicts of interest between the institution and its shareholders

Reference is made to Section 4.1.4. of the present Memorandum and the Policy on transactions/contracts entered into with directors of Belfius Bank and related parties.

9.4.4. Conflicts of interest between staff members and the institution, and by extension customers of the Bank

The general principles regarding policy on conflicts of interest appear in the Belfius Integrity Policy and in the specific policy on conflict of interests. In following those principles, an entire range of specific rules and procedures has been established, e.g. the policy on gifts and invitations, the policy on personal account transactions of staff members, the rules on powers of attorney, the rules on donations and legacies to certain staff members of the Bank and the internal rules on the regime of incompatibility of mandates (article 62 of the Banking Law).

9.4.5. Conflicts of interest between the institution and its customers and reciprocally between customers

As it implemented the European MiFID regulations, Belfius Bank established a specific policy in relation to conflicts of interest in order, for the MiFID activities in question, to avoid possible conflicts of interest having adverse repercussions for the customer.

The MiFID policy on conflicts of interest describes the scope of application and the core principles of the policy to be followed. Moreover, it provides the methodology for identifying and managing possible conflicts of interest, and sets tasks and responsibilities. Five categories of measures to achieve

effective management of any conflicts have been provided: customer information on the subject of possible conflicts of interest, command and control of the exchange of information, prevention of inappropriate influences, taking organisational measures and, finally, renunciation of transactions. Training and communication form the cornerstones of any later implementation.

Within the Bank, this policy and the various elementary measures have been reflected in specific rules, instructions and procedures regarding the identification and management of possible conflicts of interest. The introduction of such measures always relies on strict observance of legal provisions and the most severe internal norms and standards. A summary of this policy is available to customers via the Bank's web site.

9.4.6 Conflicts of interest between entities of the Belfius Group

Reference is made to Section 3.2.3. of the present Memorandum and the Conflicts of Interest Policy for intragroup relations

9.5. Handling of customer complaints

The current Complaints Policy of Belfius Bank was written in 2018 and is implemented in a transparent procedure for dealing with customer complaints.

As complaints are registered in a central system with operations to process cases at every stage, complaints are professionally monitored which allows Belfius Bank to conduct an effective prevention policy. All complaints are monitored via the same system.

The Complaints department regularly reports to all the internal services, departments and subsidiaries concerned and to the Bank's Management Board

9.5.1 Management of complaints from RCB customers

Any complaint concerning the Retail and Commercial Banking products (except lease, autolease, commercial finance) for all segments (Wealth, Private and Business customers included) is handled by the Complaints department in the Connect - to-Net division.

The Bank distinguishes between four handling levels of complaints:

- > The branch represents the initial link in the complaints management chain, given that it is the closest to the customer.
- > The Complaints department in the Connect - to - Net division (the second level) handles:
 - complaints the customer makes directly by complaints form on the Belfius website, letter, telephone, email, and so on to the Complaints department;

- complaints for which agents are not able to offer a solution themselves and ask for help from head office;
- complaints received by internal services, other departments (for instance Distribution, Marketing, etc.) or certain subsidiaries (Belfius Insurance for products sold through Belfius Bank Networks, Crefius, BIP).

The Complaints department handles complaints within the deadlines set, observing established quality standards and in principle providing the customer with a written response.

- > The subsidiaries such as Belfius Lease, Belfius Autolease and Belfius Commercial Finance register and handle complaints concerning them either directly (when the complaint is addressed to them) or indirectly (when complaints arrive first at the Complaints department).
- > Internal negotiation: if the customer rejects the solution suggested by the Complaints department, he may address the Bank Negotiator (the third level). As a neutral contact, the Bank Negotiator makes a new analysis of the case, independently of the Complaints department and responds directly to the customer.
- > External mediation: customers who still object to the position taken by the Bank must approach the Federal Bank/Insurance Ombudsman or the Court. If the Federal Ombudsman (banking/insurance products) considers the complaint admissible, it will be managed with the cooperation of the Bank Negotiator (the fourth level).

9.5.2 Management of complaints from PCB customers

Any complaint concerning PCB customers is centralised by the Complaints department in the Connect-to-Net division, excluding complaints for Belfius Lease, Belfius Autolease and Belfius Commercial Finance.

The Bank again distinguishes between four handling levels of complaints:

- > The relationship manager (“Banker” - the first level) represents the initial link in the complaints management chain, given that it is the closest to the customer.
- > The Complaints Management service within the Connect-to-Net division (the second level) handles:
 - complaints the customer makes directly by complaints form on the Belfius website, letter, telephone, email, and so on to the Complaints department;
 - complaints for which the relationship manager is not able to offer a solution or asks for help from head office;
 - complaints received by internal services, other departments (for instance Distribution, Marketing, etc) or certain subsidiaries (Belfius Insurance for products sold through Belfius Bank, BIP, ...)

- > The subsidiaries such as Belfius Lease, Belfius Autolease and Belfius Commercial Finance register and handle complaints concerning them either directly (when complaint is addressed to them) or indirectly (when complaints arrive first at the the Complaints department).
- > Internal negotiation: if the customer rejects the solution suggested by the Complaints department or the Banker (the relationship manager), he may address the Bank Negotiator (the third level) in writing. As a neutral contact, the bank negotiator makes a new analysis of the case, independently of the Complaints department and responds directly to the customer.
- > Customers who still object to the position taken by the Bank must approach the Federal Bank / Insurance Ombudsman (for professional loans granted to legal entities and Insurance products). If the Federal Ombudsman (banking / Insurance products) considers the complaint admissible, it will be managed with the cooperation of the Bank Negotiator (the fourth level).

9.6 Prevention Policy

Within the framework of the Circulars CBFA 97/10 (prevention policy) and CBFA 97/11 (specific mechanisms) and application of the Level Playing Fields concluded within Febelfin (particularly for inheritance - moment of death, “association de fait” and joint ownerships), a prevention policy has been developed in the Bank. It has been laid down in a series of elements reflected in three pillars. Firstly, the emphasis is placed on the provision of correct and neutral advice. In this regard, it is forbidden to give advice aimed at avoiding fiscal obligations. The second pillar provides a guarantee of the transparency and traceability of transactions. It is important to be able to verify at any time who has made what transaction and when. The facts must therefore be exposed in respecting the truth. The third pillar involves the observance of legal and regulatory provisions. The confidence of third parties on the one hand (particularly customers, the public, the shareholders, the authorities), and the reputation of the Bank on the other hand, depend on practices which respect the legislation.

10. POLICY OF PUBLICATION OF THE PRINCIPLES IMPLEMENTED

The Governance Memorandum is subject to nihil obstat of the National Bank of Belgium and an extract of which is published on the Belfius Bank website in accordance with Article 75 §1 of the Banking Law.

11. STATUS OF THE GOVERNANCE MEMORANDUM

The Governance Memorandum was submitted for approval to Management Board of Belfius Bank on 12 November and for advice to the Nomination Committee on 19 November 2020. It was approved by the Board of Directors on 26 November 2020.

The Board of Directors will annually ensure that the content of the present Memorandum always reflects the Bank's situation and will if necessary make the appropriate modifications