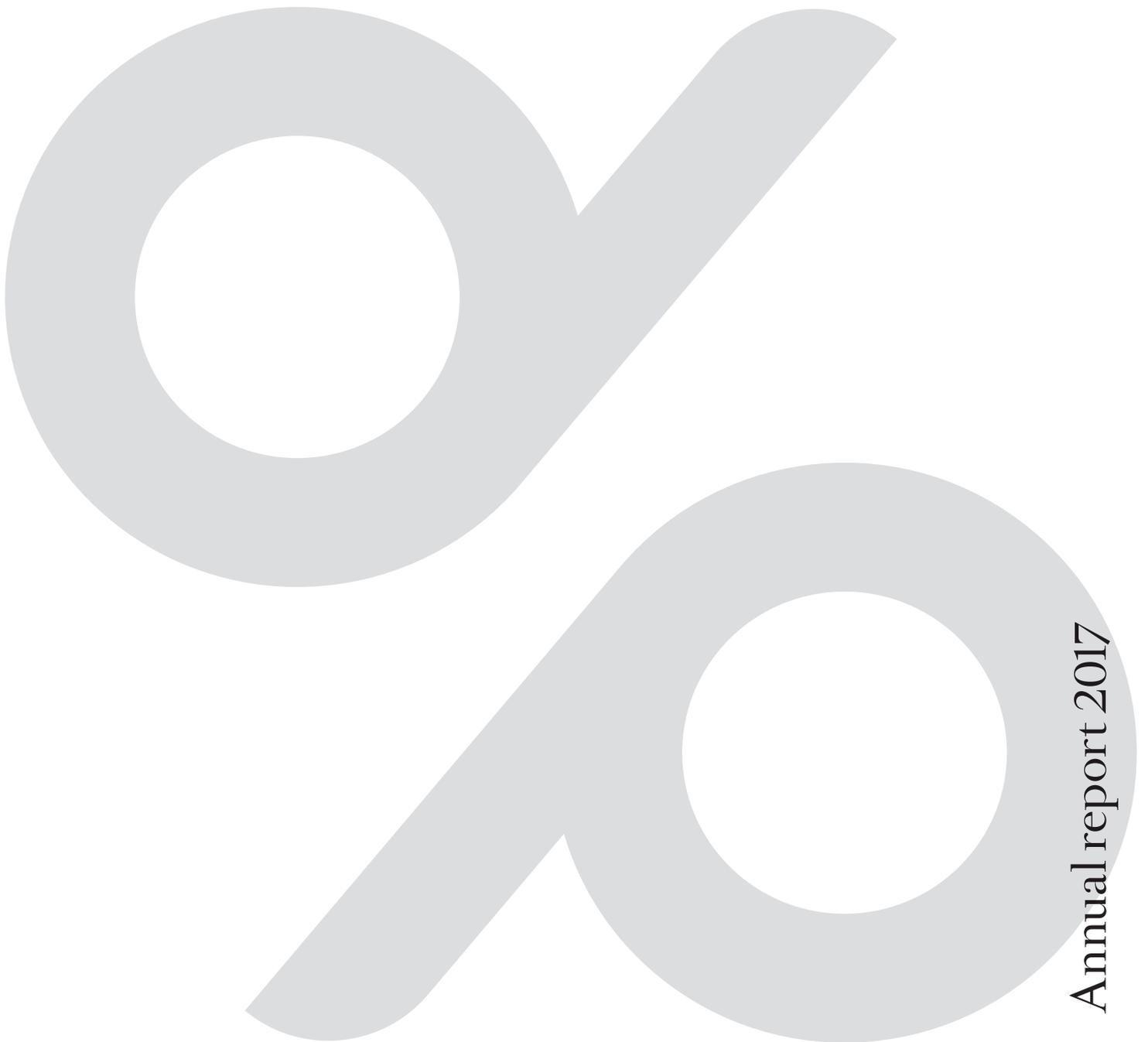

Corporate governance



1 Composition of the board of directors

The Bank Degroof Petercam board of directors is composed of members of the executive committee together with non-executive directors.

The composition of the board of directors is reliant on the following rules:

- the composition of the board as a whole must enable it to function effectively, efficiently, and in the best interests of the company. It must show a diversity of expertise together with a range of complementary experience;
- no individual member nor group of directors must be able to control the decision-making of the board;
- the majority of directors must be non-executive;
- the board must include two independent directors.

The role of the appointments committee is to make periodic recommendations to the board of directors concerning the size and composition of the board, in particular when terms of office are renewed. The members of the board all possess the professional integrity and appropriate experience required by law.

The appointments committee also makes recommendations to shareholders during general shareholders' meetings regarding the appointment of directors, and in so doing seeks to ensure that there is a balance of knowledge, skills, diversity and experience within the board.

During the financial year, the following changes were made to the composition and size of the board of directors and executive committee:

The ordinary general shareholders' meeting of 23 May 2017 appointed Mr. Benoît Daenen as director for a six-year term. At its meeting on 16 March 2017, the board of directors decided to appoint him managing director and member of the executive committee.

Corporate governance

At 31 December 2017, the board of directors was composed of the following members:

	Mandate expires
Chairman of the board of directors	
Baron Philippson	05/2019
Chairman of the executive committee – managing director	
Philippe Masset	05/2020
Directors who are members of the executive committee – managing directors	
Nathalie Basyn	05/2021
Gautier Bataille de Longprey	05/2022
Bruno Colmant	02/2021
Gilles Firmin	05/2019
Pascal Nyckees	05/2021
Benoît Daenen	05/2023
Directors	
Ludwig Criel ¹	05/2021
Miguel del Marmol	05/2021
Jean-Baptiste Douville de Franssu	05/2021
Christian Jacobs ¹	05/2019
Jean-Marie Laurent Josi	05/2022
Véronique Peterbroeck	06/2021
Jacques-Martin Philippson	05/2022
Alain Schockert	05/2022
Frank van Bellinghen	05/2019

The board of directors considers those of its members who meet the criteria outlined in Article 526ter of the Belgian Companies Code to be independent directors. Mr. Christian Jacobs and Mr. Ludwig Criel should be considered as independent directors.

Following the advice of the appointments committee, the board of directors of 8 February 2018 decided to propose to the shareholders at the ordinary general shareholders' meeting on 22 May 2018 the appointment of Mr. Guido Vanherpe, in replacement of Mr. Xavier Van Campenhout, who resigned on 31 December 2017, and of Mr. François Wohrer for a six-year term. The latter will become a member of the group executive committee pending his appointment by the general shareholders' meeting and a decision by the board of directors.

In accordance with the applicable statutory provisions, this proposal has been submitted for approval to the supervisors.

¹ Independent director.

2 Operation of the board of directors

The board of directors is responsible for defining the strategy and general policies of the Bank. It ensures they are implemented by the executive committee and, based on the proposals of the executive committee, decides on the resources required to fulfil them. It determines the composition together with the competence of the executive committee and supervises its activities. It ensures that sufficient resources exist to support the long-term future of the company.

The board of directors deliberates on all issues and matters within its scope of responsibility, such as the preparation of the annual financial statements and annual reports, as well as the convening of general meetings. At each quarterly meeting, it receives the information it needs regarding the business performance of the Bank and key figures, both for the company itself and its main subsidiaries. It also approves the annual budget.

The board of directors meets at least four times a year. During the past financial year, it met on eight occasions.

At the end of each quarter, the board of directors reviewed the results of the group. It conducted a strategic review of the policy lines of certain activities of the group and of possible acquisition dossiers, and followed up on the integration process.

The board's deliberations are only valid if at least half the members are either present or represented. No director may represent more than two of their fellow directors. Resolutions are passed by simple majority. In the event of a tied vote, the proposal is rejected.

The total remuneration allocated to members of the board of directors is stated in the notes to the parent company financial statements (note XXIX, sub-heading A4). The full version of the parent company financial statements is available at the company's registered office.

3 Day-to-day management of the group – executive committee

The board of directors, in accordance with article 17 of its articles of association, has established an executive committee within its ranks.

The executive committee is responsible for managing the activities of the credit institution within the framework of the general policies defined by the board of directors.

Accordingly, the executive committee is empowered by the board of directors to make decisions and represent the company in its dealings with personnel, clients, other credit institutions, the wider economic and social environment and public authorities. It will also make decisions in respect of the representation of the company within its subsidiaries and within those companies in which it holds equity investments.

The composition of the executive committee is determined on the basis of the following principles:

- the complementarity of expertise (in financial matters, risk management, operational know-how, etc.) required to ensure the implementation of strategy as defined by the board of directors;
- changing requirements;
- the moral, ethical and conduct criteria applicable within the group.

In principle, the executive committee meets four times a month. During the past financial year, it met on 54 occasions.

4 Committees created by the board of directors

The Bank has, in accordance with legal provisions, established specialized committees within the board of directors, composed exclusively of non-executive directors.

4.1 Audit committee

The audit committee assists the board of directors in the performance of its supervisory role, particularly with respect to:

- financial information intended for shareholders and third parties;
- the audit process;
- functioning of the internal control system;
- monitoring the relationship with the auditor.

Mr. Christian Jacobs is the chairman of the audit committee.

Mr. Ludwig Criel is a member of the audit committee in his capacity as an independent director.

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not members of the audit committee, are invited to attend meetings. The Chief Financial Officer is invited to meetings concerning the analysis of the half-yearly and annual financial statements and changes to the performance.

The company's auditor takes part in meetings that deal with the examination of the half-yearly and annual financial statements.

The chairman of the audit committee is an independent director and is a member of the audit committee of the subsidiary in Luxembourg.

The audit committee met nine times during the past financial year. It reported systematically on its activities to the board of directors.

The meetings mainly focused on examining the half-yearly state of affairs, the annual financial statements and activity reports, on the follow-up and implementation of the recommendations by the group's internal auditors, and on approving the planning for internal audit work. The committee also examined the conclusions of the audit and risk committees of the subsidiaries. Representatives from the group's most important subsidiaries reported on their activities and any challenges encountered. The committee examined the summary of disputes.

4.2 Risk committee

The risk committee assists the board of directors with regard to the assessment of the risk tolerance level, and proposes action plans accordingly.

Mr. Frank van Bellingen is the chairman of the risk committee.

Mr. Christian Jacobs is a member of the risk committee in his capacity as an independent director.

The Chief Executive Officer, the Chief Risk Officer and the Chief Audit Officer, whilst not members of the risk committee, are invited to attend meetings.

The risk committee met nine times during the past financial year. It reported systematically on its activities to the board of directors.

The risk committee outlines the policies of the group with regard to risk management. It seeks the advice of competent members of management on specific matters and examines the control procedures relating to certain market risks and structural interest rate risks.

The risk committee paid particular attention to the follow-up by the risk management, and more specifically the impact of decisions regarding the risk profile of the Bank. Moreover, the committee supervised the correct application of the remuneration. The committee approved the ICAAP¹ and ILAAP² reports, the recovery plan, the interim risk management and operating risk reports and the annual report of the Compliance Officer.

4.3 Appointments committee

The appointments committee is consulted on issues concerning:

- the composition and size of the board of directors and executive committee;
- the definition of the profile of board of directors' and executive committee members and identified staff, and the selection process;
- proposals for appointing and re-electing directors and members of the executive committee.

Mr. Alain Philippon is the chairman of the committee. Mr. Ludwig Criel is a member of the appointments committee in his capacity as an independent director. The Chief Executive Officer and the Chief HR Officer are invited to attend meetings of the appointments committee.

The appointments committee met eight times during the past financial year. It reported systematically on its activities to the board of directors.

4.4 Remuneration committee

The remuneration committee is consulted on issues concerning:

- the general remuneration policy;
- the total amount of variable remuneration;
- the remuneration of directors who are members of the executive committee;
- the remuneration of identified staff and the independent control functions;
- the profit-sharing plans for Bank staff members.

Mr. Ludwig Criel (chairman) and Mr. Christian Jacobs are members of the remuneration committee in their capacity as independent directors.

The Chief Executive Officer and the Chief HR Officer are invited to attend meetings of the remuneration committee.

The appointments committee met seven times during the past financial year. It reported systematically on its activities to the board of directors. It focused mainly on examining the harmonization of the remuneration policy following the merger.

¹ Internal Capital Adequacy Assessment Process.

² Internal Liquidity Adequacy Assessment Processes.

5 Earnings appropriation policy

The dividend is determined with reference to consolidated net profit and retained earnings, as well as the strategy of the group.

6 Governance memorandum

The Bank has drawn up a governance memorandum assessing the basic features of its management structure with respect to:

- the personal integrity and financial soundness of major shareholders;
- a transparent management structure with a focus on sound and prudent management;
- the definition of the expertise and responsibilities of each segment of the organization;
- the collegial nature of effective executive management;
- the independent control functions;
- the suitable profiles and qualities of its senior managers;
- the remuneration policy for senior managers;
- the determination of the strategic objectives and values of the Bank;
- the familiarity of senior management with the operating structure and activities of the Bank;
- adequate communication regarding management and control with the various parties concerned.

This information is submitted to the National Bank of Belgium and is periodically updated.