

NEDBANK UK TAX STRATEGY

INTRODUCTION

Nedbank Group Limited (Nedbank Group) is one of South Africa's four largest banking groups, with Nedbank Limited (Nedbank) as its principal banking subsidiary.

Nedbank Group is incorporated in the Republic of South Africa and its ordinary shares have been listed on JSE Limited (the JSE) since 1969 under the share code: NED and on the Namibian Stock Exchange since 2007 under the share code: NBK.

Nedbank Group offer the following solutions through its frontline clusters being, Nedbank Corporate and Investment Banking (CIB), Nedbank Retail and Business Banking, Nedbank Wealth and Nedbank Africa Regions:

- A wide range of wholesale and retail banking services.
- A growing insurance, asset management and wealth management offering.

Nedbank Group through its subsidiaries, branches and representative offices (collectively, the “Group”) has a presence in key global financial centres, including United Kingdom (UK) to provide international financial services for South African and international clients.

UK law requires the UK Group companies on an annual basis to publish their tax strategies online in relation to UK taxation. The UK tax strategy has been hereby published in accordance with paragraph 22(2) of Schedule 19 to the Finance Act 2016 (the “Schedule”) and applies for the accounting period in which it is published until it is superseded. (This document applies to Nedbank Limited London Branch and N.B.S.A. Limited, which are the UK entities in Nedbank CIB. References to “Nedbank London Branch” are therefore to all UK companies and UK permanent establishments within Nedbank CIB.)

References in this document to “UK taxation” and “UK taxes” are to the taxes and duties set out in paragraph 15(1) of the Schedule, which include income tax, corporation tax, diverted profits tax, amounts for which Nedbank London Branch is accountable under PAYE regulations, NIC, value added tax, customs duties, excises duties, stamp duty land tax and stamp duty reserve tax.

Accordingly, this document sets out our approach to managing Nedbank London Branch’s tax affairs in respect of UK taxation and it, along with our underlying operational governance in relation to our tax affairs, has been approved by our Nedbank London Branch management committee (“MANCO”).

NEDBANK GROUP’S APPROACH TO TAX

Nedbank London Branch is guided by the same principles as those which apply to Nedbank Group and follows the group’s global approach to tax (which can be found on the Nedbank Group website):

<https://www.nedbank.co.za/content/dam/nedbank/site-assets/AboutUs/Information%20Hub/Integrated%20Report/2019/2019%20Approach%20to%20tax.pdf>.

Nedbank Group is committed to the following key tax principles:

- Being a responsible taxpayer, based on professionally executed tax compliance and legitimate tax planning, which in turn is based on valid business purposes and endeavours to comply with all tax legislation that may affect its tax obligations in all jurisdictions where it carries on business.
- Maintaining an open, honest and positive working relationship with the fiscal authorities in all jurisdictions where it carries on business.
- Adequate disclosure and transparency of all tax matters. There may be areas of differing legal interpretation between the group and fiscal authorities and, where this occurs, the group will engage proactively with internal stakeholders and external counsel to resolve any issues as soon as possible.
- Managing tax risks within the risk appetite guidelines of the group.
- Ensuring that the reputation of the group is not damaged because of unintentional tax law breaches.
- Continually monitoring the potential impact of new tax legislation.
- Managing its tax affairs in an efficient, effective and transparent manner.
- Developing highly qualified tax professionals and taking advice from reputable professional firms, when appropriate.

Aligned to above, Nedbank London Branch has adopted Part 1 of HM Revenue & Customs (HMRC) Code of Practice on Taxation for Banks (the Code) and is committed to maintain high standards of governance and behaviour in its approach to taxation as set out in this document.

In terms of the Code, Nedbank London Branch will comply with the spirit, as well as the letter, of tax law by discerning and following the intentions of Parliament.

This means that Nedbank London Branch will:

- adopt adequate governance to control the types of transactions it will enter into;
- not undertake tax planning that aims to achieve a tax result that is contrary to the intentions of Parliament;
- comply fully with all its tax obligations; and
- maintain a transparent relationship with HMRC.

GOVERNANCE IN RELATION TO UK TAXATION

The ultimate responsibility for overseeing the tax strategy of the Group rests with the Board of Directors of Nedbank Group.

The Nedbank Group Audit Committee is ultimately accountable for determining the Nedbank Group's tax philosophy and approach and, provides oversight of the tax practices and affairs of the group.

The board holds the Group Chief Financial Officer (CFO) accountable for all tax related matters. The Nedbank Group's tax status is reported quarterly to the Group Audit Committee, which is responsible for monitoring all significant tax matters.

The mandatory minimum principles and standards for the management of tax risk across the Group, including tax compliance and transaction planning and implementation, are incorporated in the Nedbank Group Tax Policy, which is reviewed and approved by the Group Audit Committee annually and applies to all legal entities in the Group.

The Executive Head of Tax reports to the CFO and has day-to-day responsibility for the management of the Group's overall tax affairs and monitoring compliance to Nedbank Group Tax Policy.

The Nedbank London Branch MANCO are responsible for ensuring adequate resources, internal procedures, practices, processes and controls are in place to meet the objectives of the Nedbank Group Tax Policy. Accordingly, Nedbank London Branch MANCO will report tax risks and issues to the Executive Head of Tax in South Africa and to the Nedbank CIB Enterprise-wide Risk and Compliance Committee.

Responsibility for day-to-day tax in Nedbank London Branch sits with the Nedbank London Branch finance team. Certain tax matters will be delegated to other departments where taxes fall within the area of specialism of such departments, such as payroll taxes within HR. Persons responsible for tax matters are equipped with the appropriate knowledge, skills and capabilities to manage Nedbank London Branch's tax affairs, where required are assisted by external advisors.

TAX RISK MANAGEMENT

Nedbank London Branch is committed to meeting its applicable legal and regulatory requirements in respect of UK taxes and maintains robust tax administration which includes timely filing of tax returns and making required payments of tax when legally due.

Risk is managed in the context of the Nedbank Group Enterprise-wide Risk Management Framework and the Three-lines-of-defence Model, which is the backbone of the framework.

In line with this, the Nedbank Group has developed a Tax Policy that incorporates the group's approach to tax and aims to ensure that tax risks are appropriately identified, assessed, managed and reported in accordance with the group's risk frameworks and principles.

Regular and transparent tax reporting is embedded within the governance structures of the group, including the Group Audit Committee, various board committees and group and cluster executive committees.

The internal control frameworks, policies and processes mentioned above are designed to enable Nedbank London Branch to meet its applicable legal and regulatory requirements and to assess tax risk. Reasonable care is applied in relation to processes which could materially affect compliance with tax obligations.

Processes relating to different taxes are regularly reviewed by the Group's tax department, Group Internal Audit and/or business compliance functions in the context of applicable business or legislative developments.

The tax implications of all significant business decisions must be evaluated, documented and approved by the Group's tax department.

Process owners review activities and processes to identify risks (including tax risks) and to implement and maintain mitigating controls and monitor them for business and/or law changes which could impact them. Appropriate training is carried out, as and when necessary, for non-finance staff who manage processes or have involvement with matters which have tax implications, for example HR teams.

Advice is sought from external advisers where appropriate. Examples of circumstances necessitating this would include the following:

- Where new tax legislation has been or is expected to be introduced;
- Where there is doubt over the interpretation or application of tax law;
- Where the legislation is highly complex in nature; and
- Where the potential tax impact of a transaction is material.

ACCEPTABLE LEVEL OF TAX RISK AND ATTITUDE TO TAX PLANNING

Nedbank London Branch will not undertake or knowingly facilitate for third parties tax planning that aims to achieve a tax result that is contrary to the intentions of Parliament. More specifically, in line with the group, the following principles will apply to tax planning:

- The group has zero tolerance for evading any tax liability or facilitating the evasion of any tax liability on behalf of a third party.
- The group has no appetite for transactions that have no valid commercial purpose other than obtaining a tax benefit.

Due to the complex nature of tax, there may be transactions and calculations for which the ultimate tax treatment is uncertain, and in these instances external advice may be obtained. Taking external advice into account, the 'more likely than not' principle will be applied in determining whether the tax position is uncertain. If the position is uncertain, relevant tax provisions will be raised and will affect the current or deferred tax computations. Uncertain tax positions are governed by the tax risk management principles.

Nedbank Group constantly reviews its level of tax provisioning across the group. As it can take several years to obtain finalisation in respect of some items contained in the tax returns, it is necessary to reflect the risk that final tax liabilities could differ from the submitted tax computations. The level of provisioning involves management judgement and estimation. All major tax positions taken are subject to review by executive management and reported to the Group Audit Committee for approval.

The Group conducts transactions between Nedbank Group companies on an arm's-length basis and in accordance with the current Organisation for Economic Co-Operation and Development (OECD) principles. Where tax incentives or exemptions exist, the group seeks to apply them responsibly in the manner intended by governments and tax authorities.

DEALING WITH HMRC

Nedbank London Branch has an open, honest and constructive relationship with HMRC and is committed to the principle of openness and transparency in an effort to build trust with the UK tax authorities. Specifically this includes seeking to disclose any significant uncertainties regarding tax matters to HMRC in full, engaging with HMRC to clarify complex or new areas of tax law, where approaching HMRC prior to filing tax returns.

Nedbank London Branch aims to make full, accurate and timely disclosures in its tax returns for all UK taxes. If unintended errors arise, these will be corrected as soon as practical after identification.