



TAX POLICY

TABLE OF CONTENTS

Contents

1. INTRODUCTION	3
2. SCOPE	3
3. BANK'S APPROACH TO TAX	3
4. BANK'S APPROACH TO REGULATORY COMPLIANCE IN TAX	4
5. IMPORTANCE OF RESPONSIBLE TAX PRACTICES	5
6. TAX CULTURE.....	5
7. TAX RISK MANAGEMENT FRAMEWORK OF BANK	6
8. TAX GOVERNANCE AND CONTROL FRAMEWORK	6
9. EVALUATION OF TAX GOVERNANCE AND CONTROL FRAMEWORK	6
10. DISPUTE/ LITIGATION WITH TAX AUTHORITIES	7
11. REDRESSAL MECHANISM.....	7
12. APPROVAL FRAMEWORK FOR TAX POLICY	7
13. REVIEW OF THE POLICY	7
14. DISCLOSURE.....	7
15. ASSURANCE	8

1. INTRODUCTION

The Federal Bank is a leading and prominent private sector bank in India that offers a wide range of financial products and services to its customers. The bank has a strong network of branches and ATMs across India and it is regulated by Reserve Bank of India. The bank is known for its customer service and technological innovation and is driven by the vision of becoming India's most admired banking institution and the first choice for all Indians.

The Bank's core belief lies in creating long-term value for all its stakeholders, and work towards community service on a larger level. Over the period, the Bank has holistically adopted policies and processes to understand and assess the financial and non- financial impacts of key environmental, social, and governance (ESG) issues on its business.

The tax policy of the Bank is an essential aspect of the Bank's overall corporate social responsibility and it reflects the Bank's commitment to operate with integrity and accountability in all areas of its business.

2. SCOPE

This policy is applicable to the Bank including all offices in India, its unit located in International Financial Service Centre and its representative offices outside India. The scope of the tax policy applies to the Bank as an assessee and covers all tax matters related to the Bank. It highlights the Bank's commitment to transparency and responsible tax practices, including compliance with tax laws and regulations and managing tax-related risks. Overall, the policy ensures the Bank's compliance with applicable tax laws and regulations and demonstrates its commitment to responsible tax practices.

3. BANK'S APPROACH TO TAX

Bank's approach to Tax includes:

- i. **Commitment to transparency:** We regularly disclose our tax strategy and policies in public documents such as our annual report and website. Additionally, we strive to disclose our tax payments to stakeholders, including tax authorities and investors, to the extent permitted by law and as per contractual obligations. Although we are not currently subject to country-to-country reporting requirements, we maintain transparent communication with tax authorities and provide them with the information they request in a timely and accurate manner. By fostering a culture of transparency and cooperation with tax authorities, we aim to build and maintain trust with all our stakeholders, while ensuring compliance with all applicable tax laws and regulations.
- ii. **Risk management:** Internal Finance Control system has been implemented by the Bank to manage tax risks, which is reviewed and updated on a regular basis. The system includes procedures for identifying, assessing, and mitigating tax risks, as well as processes for monitoring and reporting such risks.
- iii. **Compliance:** The Bank is committed to comply with all applicable tax laws and regulations, maintaining transparency and fairness in all tax-related matters, and minimizing tax risk and liabilities in an ethical, societal, and sustainable manner. The Bank has implemented internal controls and processes to ensure compliance with tax laws and regulations enacted by statutory authorities in the geographies we operate. This includes training for employees on tax compliance as well as regular monitoring and testing of internal controls.

- iv. **Ethical behaviour:** The Bank has a code of conduct that includes ethical behaviour in tax matters, commitment not to engage in aggressive tax planning or tax evasion as well as a commitment to pay the correct amount of tax in the geographies we operate.

We ensure that all related party transactions entered during the financial year are conducted on an arm's length basis and in the ordinary course of the Bank's business. We have not engaged in any materially significant related party transactions with parties that could potentially conflict with the Bank's interests. All Related Party Transactions are subject to review and approval by the Audit Committee of the Board, including prior omnibus approval for transactions of a repetitive nature. The Audit Committee approves these transactions based on our policy, and we provide required disclosures to the Committee on a quarterly basis in accordance with their approval.

- v. **Collaboration with tax authorities:** The Bank works collaboratively with tax authorities in the geographies we operate. This includes regular communication with tax authorities, participation in tax authority consultations and working groups and disclosure of information to tax authorities in a timely and accurate manner.

4. BANK'S APPROACH TO REGULATORY COMPLIANCE IN TAX

- a) **Understanding the regulatory environment:** Our Bank is committed to comply with all applicable tax laws and regulations. To achieve this, we work closely with tax professionals to keep up to date with changes to tax laws and regulations. We also conduct regular risk assessments to identify potential areas of non-compliance and take appropriate steps to address any tax-related issues that may arise. Our aim is to ensure that we meet or exceed all tax regulatory compliance while creating long-term value for our stakeholders.
- b) **Developing tax-related policies and procedures:** We develop tax-related policies and procedures that cover a range of areas, including tax compliance, tax reporting, tax payments, tax planning, and tax risk management. These policies and procedures are regularly reviewed and updated to ensure they remain consistent with changes in the tax regulatory environment. Our aim is to maintain the highest standards of ethical conduct and tax compliance.
- c) **Training and awareness:** The Bank provides training and awareness programs to employees on relevant tax laws and regulations and their obligations to comply with the same. This includes providing regular training sessions and resources to help employees understand the tax-related policies and procedures that have been put in place to ensure compliance.
- d) **Monitoring and auditing:** The Bank conducts regular monitoring of its compliance with relevant tax laws and regulation to ensure compliance with applicable laws and regulations, with a focus on internal controls, financial reporting and other areas where non-compliance may arise. Furthermore, the Bank conducts annual audits of these areas to identify potential non-compliance.
- e) **Collaboration with tax regulators:** The Bank works collaboratively with tax regulators. This includes maintaining open communication with tax regulators, participating in tax regulatory consultations and working groups and responding to tax inquiries and requests from tax regulators in a timely and transparent manner. Our aim is to build a strong relationship with tax regulators, promote tax compliance and minimise tax risks for the Bank and its stakeholders.

5. IMPORTANCE OF RESPONSIBLE TAX PRACTICES

- I. **Reputation and trust:** Responsible tax practices can help to build the Bank's reputation and trust with stakeholders, including customers, investors and civil society groups. This, in turn, can help to attract and retain customers, attract investment and build a positive brand image.
- II. **Risk management:** By adopting a responsible approach to tax, the Bank can manage its tax-related risks and minimize the possibility for negative impacts on its business operations and reputation.
- III. **Compliance and transparency:** A responsible approach to tax can help to ensure that the Bank is complying with relevant laws and regulations and promoting transparency in its operations. This, in turn, can help to build trust with regulators and other stakeholders which can be critical to the Bank's long-term sustainability.
- IV. **Sustainability reporting:** Many sustainability reporting frameworks require organizations to disclose their tax practices and payments and our responsible approach to tax is linked to the sustainable development strategy of the Bank.
- V. **Social responsibility:** Adopting a responsible approach to tax can help to promote the organization's social responsibility by ensuring that it is paying its fair share of taxes and contributing to the public good. This can be an important part of the Bank's sustainability strategy as it can help to build trust with stakeholders and contribute to a more equitable and sustainable society.

6. TAX CULTURE

Bank's approach to tax should be embedded within its overall business strategy and operations. This may involve the following:

- A. **Tax Transparency:** Bank prioritises tax transparency as an essential component of our corporate social responsibility. We disclose all relevant facts and information to tax authorities, including the tax results we anticipate and potential points of discussion. We strive to maintain open and honest communication with tax authorities to ensure compliance with all applicable tax laws and regulations. Our commitment to tax transparency reflects our dedication to ethical business practices and our role as a responsible corporate citizen.
- B. **Tax Risk Management:** Tax risks are the risks associated with the Bank's tax practices that might lead to a negative effect on the goals of the Bank or to financial or reputational damage. These include compliance risks or risks such as those related to changes in legislation.

We believe that we have an obligation to pay taxes legally due in the country in accordance with the rules set out by the relevant Government/ revenue authorities. However, there may be instances where there are differences in interpretation between the Bank and tax authorities, which can result in disputes and tax risks. We strive to achieve certainty in our tax positions and in situations where the tax law is unclear or multiple interpretations are possible, we may seek expert opinions to guide our decision-making process. The tax team evaluates these opinions thoroughly and makes the final decision accordingly.

- C. **Tax Compliance:** We always act in compliance with prevailing tax rules and regulations in letter and spirit and inform our clients about the tax aspects of Banking products. The Bank shall ensure that all taxes are correctly accounted for and that all the tax returns are completed accurately and within regulatory timelines.

7. TAX RISK MANAGEMENT FRAMEWORK OF BANK

Bank has built its Tax Risk Management System which defines the framework in which the Bank operates while managing its tax matters. This may involve the following:

- a) **Risk identification:** The Bank conducts an annual review of all tax-related activities, including tax planning, compliance and reporting in order to identify potential tax risks. This assessment also takes into consideration external factors such as changes in tax laws and regulations that may impact the Bank's tax position.
- b) **Risk management:** The Bank implements a tax control framework to manage identified tax risks. The framework includes controls such as segregation of duties, regular reviews of tax returns and financial statements and continuous monitoring of tax compliance.
- c) **Risk monitoring:** The Bank monitors its tax risks on an ongoing basis to ensure that the risk management plan is effective. The Bank tracks its tax compliance performance, reviews tax reports and filings, periodically review its tax control framework and maintains regular communication with external tax advisors to identify emerging tax issues.

8. TAX GOVERNANCE AND CONTROL FRAMEWORK

To ensure effective tax governance and control, our Bank has established a comprehensive tax policy that covers tax risk management and compliance with tax laws and regulations. This policy includes tax planning, internal controls, and procedures for managing tax risks, as well as our approach to resolving tax disputes and handling audits. It is essential for our Bank to promote responsible tax behavior, transparency and accountability by disclosing our tax-related practices and policies.

9. EVALUATION OF TAX GOVERNANCE AND CONTROL FRAMEWORK

Compliance with the tax governance and control framework is evaluated through a combination of internal and external assessments.

A) Internal assessments involve regular reviews and monitoring of the Bank's tax governance and control framework by the Bank's Taxation Department or Internal Audit. These assessments may include:

1. Tax Risk Assessments: Regular risk assessments are performed to identify any potential tax risks and ensure that the Bank has effective controls in place to mitigate those risks.

2. Internal Financial Control (IFC) Testing: -Regular IFC testing are conducted to ensure that the Bank's tax activities and reporting are in line with relevant tax laws and regulations.

3. Internal Controls Assessments: The effectiveness of the Bank's internal controls for tax is assessed to ensure that the controls are appropriate, effective and efficient in managing tax risks.

B) External assessments are conducted by external auditors and tax authorities. These assessments may include:

a) Tax audits are performed by our Statutory auditors as a part of statutory requirement under Income Tax Act.

b) Tax authorities are conducting assessment of the Bank as per the provisions of various applicable Acts.

10. Dispute/ Litigation with Tax authorities

Bank typically resolve tax disputes with tax authorities through a combination of arbitration, settlement and litigation. The specific approach taken will depend on the nature of the dispute, the amount of tax involved and the bank's overall tax strategy.

The Bank has challenged several disallowances made during tax assessments and has appealed before the appellate authority. If the first appellate authority rules against the Bank, the Bank has the option to appeal further before the second appellate authority (Tribunal). However, if the first appellate authority decides in favor of the Bank, the Tax Department may appeal to the Tribunal. When the Tribunal disposes of appeals, both the Bank and the Tax Department have the option to file further appeals before the Hon'ble High Court. In addition, both the Bank and the Tax Department can appeal to the Apex Court against orders of the High Court.

11. REDRESSAL MECHANISM

The Bank is committed to comply with all applicable tax laws and regulations and expects employees to act with integrity in accordance with these laws. The Bank has established a whistle-blower reporting system that allows employees to report concerns related to tax compliance anonymously without fear of retaliation. Details of the whistle-blower policy can be accessed from the website of the Bank.

Our Bank is committed to address any generic concerns relating to tax in a transparent manner. We will ensure that such concerns are appropriately handled and if necessary, will take them up with bodies such as Indian Bank Association to seek guidance and support.

To ensure the effective implementation of our tax policy, stakeholders are encouraged to direct any inquiries related to its implementation to their respective tax team line managers. If queries are not resolved within a reasonable timeframe, stakeholders may escalate the matter to the Head of Taxation Department or the Chief Financial Officer of the Bank for further assistance.

Our commitment to address all queries and concerns related to our tax policy in a timely and efficient manner remains unwavering.

12. APPROVAL FRAMEWORK FOR TAX POLICY

The Tax Policy of the Bank shall be approved by the Board of Directors. Implementation of the Tax Policy may be monitored by Board of Directors or Audit Committee. In some cases, this responsibility may be delegated to an executive-level position, such as the Managing Director (MD), Chief Financial Officer (CFO) or the Head of Taxation Department.

13. REVIEW OF THE POLICY

The Tax policy is developed and put into practice by Taxation Department of the Bank. Taxation department is accountable for implementation of the same. The review of the tax policy should be conducted at least annually. If there are significant changes in the Bank's operations or tax laws, the same may also be reviewed. The review should consider the Bank's tax risks, how they are being managed and should ensure that the tax policy remains aligned with the Bank's overall business objectives.

14. DISCLOSURE

The extracts of this Policy shall be uploaded on the website of the Bank www.federalbank.co.in.

15. ASSURANCE

As a matter of policy, the Bank does not provide any comments or clarifications on personal tax matters of any stakeholders. Any information provided is of a general nature and should not be construed as a tax advice. It is the responsibility of the stakeholder to consult their own tax advisor before making any decisions based on such information.

Bank shall suitably disclose if any specific tax related matters are externally assured as part of its sustainability reporting.
