



Statement of Tax Principles

Background and Context

The National Australia Bank Limited (**NAB**) group of companies (**NAB Group**) has a formal Tax Policy setting out its approach to managing tax risk and compliance with its tax obligations. This Statement of Tax Principles provides an overview of NAB's Tax Policy.

NAB is a major Australian multinational company which, together with its subsidiary companies and foreign branches, makes a significant contribution to the Australian economy and business landscape, and to the offshore economies in which it conducts financial services activities. The corporate behaviour of the NAB Group impacts many stakeholders including customers, shareholders, employees and governments. As a corporate leader, NAB commits to strong corporate values and behaviours, including in its approach to taxation.

The NAB Board is ultimately responsible and accountable for determining the Tax Policy of the NAB Group and its tax risk governance. NAB's Tax Policy is fully endorsed by the NAB Board. The Tax Policy is reviewed on a regular basis and approved by the NAB Board biennially.

NAB's Tax Policy applies to all employees of NAB and its controlled entities, including contractors. NAB's Tax Policy covers all tax obligations owed to tax authorities in the countries in which NAB carries on business.

For the purpose of the Tax Policy, tax risk is defined as an adverse financial or reputational consequence arising for NAB as a result of adopting a position or taking an action that is inconsistent with the key tax principles.

The NAB Board has delegated responsibility for day-to-day approval and management of the NAB Group's tax affairs to the Chief Tax Officer (**CTO**) within the parameters of the Tax Policy. This delegation rests solely in the CTO (or the CTO nominated delegates), and no other NAB function has the authority to approve or manage NAB's tax risk in any way. The CTO is responsible for reporting all material tax issues and risks to the Executive team and to the NAB Board via the NAB Board Audit Committee (**BAC**).

Tax risk is managed in the context of the Group's framework on risk management accountabilities. NAB Group exercises strong governance over its tax affairs. NAB Group maintains and enforces strict protocols to control the type of transactions that the NAB Group enters into and the tax risks associated with these transactions.

NAB Group subscribed to the United Kingdom Code of Practice for Banks (**the Code**) which was introduced on 9 December 2009 as NAB conducts operations in the United Kingdom. The object of the Code is to ensure that banking groups operating in the United Kingdom comply with the spirit, as well as the letter, of the law when it comes to tax matters. Since 1 October 2016 NAB Group's UK operations have been subject to the provisions of Finance Act 2016 Schedule 19 which requires certain disclosures to be made about various aspects of NAB Group's UK tax governance. NAB Group's UK operations are subject to the Group Tax Policy.

Policy Principles

NAB's approach to tax risk management is founded on the following key principles:

- **Maintenance of a robust tax control framework;**
- **Full Compliance with tax laws;**
- **Acceptable Tax Planning;**
- **Use of Arm's Length tax transfer pricing principles;**
- **Constructive working relationship with Tax Authorities;**
- **Tax Transparency consistent with stakeholder expectations; and**
- **Complete and correct Common Reporting Standard (CRS) and other customer related tax reporting.**

The above key principles are explained in more detail below.

Robust Tax control framework

The Tax Policy provides that the NAB Group will maintain a robust tax control framework which will be subject to regular testing and assurance. NAB Group will monitor the impact of new legislation or practice on NAB Group's business and must ensure that any changes to the tax obligations are appropriately reflected in the tax control framework.

Tax Compliance

NAB Group must comply with the tax laws in all countries in which NAB does business. This includes ensuring all tax obligations are complied with by the relevant due date and paying the right amount of tax at the right time.

NAB Group will not adopt a tax position which is clearly contrary to tax laws or administrative practices of the relevant jurisdictions.

NAB Group recognises that there may be areas of differing legal interpretation between ourselves and tax authorities, and where this occurs, NAB Group endeavours to engage proactively with relevant stakeholders in resolving these matters.

NAB Group continues to monitor the potential impact of new legislations, judicial pronouncements, and administrative practices in assessing the impact on operations and transactions.

Tax Planning

As part of the prudent management and organisation of its affairs, NAB Group will only engage in acceptable tax planning in regard to transactions, products and business structures. In this regard acceptable tax planning must have a commercial and economic relevance to NAB's underlying business activities and have genuine substance.

NAB Group will not enter arrangements that are:

- contrived, artificial or based solely on achieving tax outcomes;
- produce tax consequences that are clearly inconsistent with, or not aligned with, underlying economic consequences;
- exploits loopholes in tax laws, clear legislative deficiencies or oversights;
- is contrary to the clear legislative intent or spirit of the relevant tax law;
- is a structured finance transaction which produces a tax arbitrage outcome; or
- utilises entities established in tax havens that are not used for commercial purposes but with the main objective of obtaining a tax benefit or to avoid disclosure of business activities or established in a country deemed to be uncooperative for tax purposes or where the ownership is opaque or not transparent.

NAB Group has developed policies and procedures to detect and report on financial crimes, including tax evasion. There are strict internal policies in place to prevent the committing or facilitating and abetting of tax evasion or other forms of financial crimes.

Tax Transfer Pricing

NAB Group will adopt the arm's length principle for setting prices for transactions between NAB's related entities and branches. NAB will pay an appropriate amount of tax in the relevant country where economic value is created. NAB Group will not use transfer pricing as an inappropriate tax planning tool.

NAB must not transfer assets or economic value to lowly taxed countries without genuine commercial reasons.

Tax transfer pricing documentation must be prepared pursuant to applicable tax laws and practice.

Relationship with Tax Authorities

NAB Group seeks and maintains a constructive working relationship with tax authorities based on mutual respect, trust and transparency.

All dealings with tax authorities must be undertaken in a professional, courteous and timely manner. Where possible, NAB Group must seek to reach early agreement on disputed issues and achieve certainty before tax returns are filed. NAB recognises that there may be areas of differing legal interpretation with tax authorities, and where this occurs, NAB will engage proactively with the relevant tax authority to resolve these issues as soon as possible.

The NAB Group will:

- be fully transparent in disclosing and discussing significant uncertainties in relation to tax matter;
- discuss and resolve material tax issues before returns are filed, wherever practicable;
- engage in a co-operative, supportive and professional manner; and
- work collaboratively to achieve early resolution of issues.

NAB Group will participate and contribute to the design and development of new legislations, regulations and practices applicable to the NAB Group to ensure the relevant legislations and regulations operate as intended and can be complied with efficiently.

NAB Group reports customer information to the relevant tax authorities in accordance with local reporting regimes, the Common Reporting Standard (**CRS**) and Foreign Account Tax Compliance Act (**FATCA**) in all jurisdictions in which it operates.

Tax Transparency

NAB Group will annually publish a tax transparency report. This report will meet stakeholder expectations around the transparency of NAB's tax affairs including the provision of information about NAB's approach to tax risk and the disclosure of taxes paid by NAB.

To this end, the NAB Group has signed up to the Australian Voluntary Tax Transparency Code and has released an annual report under this Code since the year ended 30 September 2016.

Complete and correct CRS and other customer related tax reports

NAB is subject to various legislative requirements to collect and provide customer related tax information and data to tax authorities. Under these regimes NAB must collect the relevant information from customers and report complete and correct information and data to local tax authorities under the laws of any country in which NAB operates.