



Tax Transparency Note

Document Details

Version: 01

Date: 06/03/2025

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1.1 Background

As our country pursues its goal of becoming a \$5-trillion economy and reaching its net zero emissions targets, the dimensions of Environment, Social & Governance (ESG) have assumed a pivotal role in steering sustainable development. These considerations have gained a central position in business strengthening long-term business continuity.

The paradigm shift towards ESG & sustainable transformation underscores the evolving demands of investors, and stakeholders, all of whom now demand heightened levels of transparency on all frontiers of ESG including company's tax affairs. Tax Affairs is a critical element of "G" in ESG from compliance standpoint and a critical element of a company's social contribution—part of the "S" in ESG.

In the context of the environmental, social, and governance (ESG) imperative, Tax contributions are one of the most significant sources of government funds for social upliftment and climate action initiatives. It is also becoming a powerful indicator of how a business views its role in society and its commitment to its purpose.

Tax Compliances, encompassing fair tax practices and transparent disclosures about economic contribution, is a key part of the ESG agenda.

Our Intent on Tax Transparency

We believe that looking at tax transparency through an ESG lens has the potential to tell a more holistic and relevant story about a business's purpose, thereby building trust. Building trust in tax aspects, therefore, has the potential to translate to building trust in other ESG areas as well.

At PNB Housing Finance (PNB HFL), we designed our strategic priorities to drive sustainable growth and enhance stakeholder value. As a forward-looking company, we are continuously exploring and seeking opportunities to invest our surplus in business propositions around prime, emerging & affordable segments that have the potential to shape new avenues for our stakeholders.

We are conscious in our efforts to ensure the Company is appropriately transparent about how the tax affairs are conducted. This document demonstrates that we diligently discharge our statutory responsibilities. In these times, we believe it is essential to disclose to all our stakeholders, insights into our tax-related structures. We relentlessly focus on maintaining transparency and this document is a milestone that further endorses the same.

1.2 Tax Transparency Ethos

We are committed to being a responsible taxpayer, acting ethically and sustainably in all tax matters, and being transparent in our dealings with the tax authorities.

To these ends, our approach in handling taxes, underpinned by the “values” and is aligned with following ethos:

1. Tax and financial reporting are a core part of corporate responsibility and is overseen by the board of directors.
2. Strengthening cooperative relationships with tax authorities, based on mutual respect, transparency, and trust.
3. Instituting effective controls and governance to prevent non-compliance on taxation aspects.
4. Analysing industry approaches and any sector-specific updates on taxation.
5. Advocating for reform that supports economic growth, streamlining tax structures and financial processes.
6. Adherence to compliance and tax laws with the spirit as well as in action in the country in which we operate.
7. Undertaking transactions between affiliates using the arm’s length principle.
8. Acting with integrity and not indulging in using artificial tax jurisdictions, secrecy jurisdictions or so-called “tax havens” for tax avoidance and not to transfer value created to low tax jurisdictions.
9. Fostering transparent, professional, and constructive relationships with the tax authorities, governments, and business groups based on integrity, collaboration, and mutual trust.
10. Developing our people through training, experience, and opportunity as a part of a world-class taxation team.

1.3 Tax Governance & Approach

As the part of governance structure, the tax decisions/related work is initiated by the tax professionals of the Company, in collaboration with the respective department, wherever required. Need based dialogues/discussions are conducted to facilitate tax information exchange and further coordination.

The Chief Financial Officer holds the overall responsibility for reporting at the Board level and communicates with the Board on the tax affairs and associated risks of the Company, with support from the Company's highly qualified and professional corporate tax team, including consultants.

Material tax issues or risks are communicated to the Audit Committee of the Board for consideration at regular intervals.

Approach –

The day-to-day taxation activities is delegated to the tax team which identifies, evaluates, monitors, implements tax laws, and manages tax risks. They work towards ensuring uniformity in tax processes and compliance with our legal obligations.

Additionally, the Company's internal audit team monitors and evaluates the efficacy of internal systems, and controls around taxation compliances. Significant audit observations (if any) and corrective action(s) thereon are presented to the Audit Committee of the Board.

The Tax team also continuously monitor changes to tax legislation and government policy. Relevant & Need-based advice are sought from third-party experts wherever there is uncertainty regarding the interpretation of tax law.

In dealings with tax authorities, open and transparent dialogue to resolve matters is a regular practice.

1.4 Review of the note

The document shall be periodically reviewed at an interval of every 3 years or when significant changes are required as per the regulations and any amendments made therein shall be reviewed by the CFO.