



## **Tax Strategy**

### **Goal**

The aim of our tax strategy is to establish guidelines for the efficient management of taxation in order to value and protect the rights and interests of our shareholders. The tax strategy includes the definition of general tax governance, covering capabilities, duties, functions and responsibilities in relation to taxes (taxes, contributions, charges and other tax obligations).

The tax strategy is applied in business plans, investments in other countries, corporate structuring projects, takeovers of companies, hiring of services, creation of partnerships and launches of banking and financial products and services.

### **Compliance**

The tax strategy also aims to ensure that taxes are paid properly, in correct amounts and in a timely manner. This good standing means avoiding fines and the accumulation of tax liabilities. Ensuring that the correct amounts are paid on time involves study and in-depth knowledge of the applicable tax legislation, as well as the use of systematized tax control mechanisms. Legal solutions are adopted to minimize impacts and mitigate tax risks in order to obtain greater effectiveness and tax efficiency. As a result, we maintain the tax burden at the levels required by law, which reflects positively in our results.

Conducted consistently and securely, our tax strategy regularly complies with tax laws, obligations and tax returns. This way of acting also aims to give credibility to our businesses and to our wholly-owned subsidiaries, with the maintenance of a transparent and cooperative relationship with the tax authorities in the localities in which we operate.

### **Warranties**

Our CEO is responsible for approving the Tax Accounting Bookkeeping (ECF), according to internal regulations. The Management Committee of the Accounting Directorship is responsible for approving the bases for calculation of taxes due as taxpayers by us and by our wholly-owned subsidiaries in the country.

Compliance with tax standards and guidelines is guaranteed by specific technical actions carried out continuously under the management of the Accounting Directorship, through its Tax Management and Planning Area. This Management area coordinates the formulation and implementation of tax planning, manages the risks, controls and compliance of processes within its remit and administers obligations related to taxes.

### **Tax governance**

Correct management of tax matters is a fundamental part of our culture and our business practices. Knowledge of tax regulations is disseminated by the Accounting Directorship to the strategic and operational areas, with the



commitment of its employees, through technical opinions, tax studies, technical notes and normative instructions, all of which are submitted for approval by the Strategic Executive Committees and the Board of Officers.

In the management process, we use the mechanisms expressed in a normative system that details the operational procedures necessary for organizational decisions related to the business and activities performed and to compliance with legal requirements, and regulatory and supervisory bodies.

Tax governance therefore aims to ensure compliance with legislation in all the countries in which we operate.

### **Foreign operations**

In compliance with the actions set forth in the Base Erosion and Profit Shifting Plan (BEPS), we provide information to the Tax Authorities that are signatories to the agreement, demonstrating our ongoing effort to comply with local and international tax laws.

The exchange of information between tax authorities in different countries is an important tool to demonstrate that we comply with transfer pricing rules in our operations. In addition, it permits verification of whether these rules are being applied correctly.

This exchange of information provides indicators related to the location of activities; the total amount of revenue obtained from related parties (transfer pricing) and unrelated parties; taxes paid and due, as well as those of all members of the group located in those jurisdictions; and the economic activities they perform.

In this context, the transactions carried out between the companies of our economic group comply with the transfer pricing rules of following open market price conditions (arm's-length principle). In addition, we undertake not to transfer generated value to low tax jurisdictions, nor to use tax structures for the purpose of tax evasion.

We also comply with the rules on Taxation in Universal Bases (RTBU) in operations carried out in countries with favorable tax systems (tax havens). Accordingly, the respective revenues are duly taxed in Brazil, where Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL) are levied.

We recognize that international cooperation and the provision of tax information contributes to compliance with the international agreements, treaties and conventions to which we are signatories, and we always consider the need to protect secrecy of information.



Results and Tax Paid Abroad (in thousand R\$) <sup>(1)</sup>				
Country	2019		2018	
	Net Income	Tax	Net Income	Tax
Cayman Islands <sup>(2)</sup>	1.290.329	-	438.971	-
Argentina <sup>(3)</sup>	782.473	375.101	314.921	230.193
USA	412.137	923	263.425	3.100
England	(123.407)	3.982	145.585	27.067
Japan	56.017	23.776	49.685	18.693
Other Countries	21.276	10.550	55.053	11.362
<b>Total</b>	<b>2.438.825</b>	<b>414.332</b>	<b>1.267.640</b>	<b>290.415</b>

(1) The amount of income tax paid abroad (subsidiaries) is complemented by the Bank (controlling), until it reaches the current rates in Brazil, in accordance with the rules of the Taxation in Universal Bases (RTBU).

(2) Dependencies resident in the Cayman Islands are not subject to local taxation over the profit and are taxed exclusively in Brazil (RTBU).

(3) Amounts proportional to the interest in the subsidiary abroad.

## Statements

In compliance with the applicable legislation we systematically disclose consolidated information on tax expenses, tax assets and liabilities, major judicial discussions provisioned for taxes and the main tax rates levied on our business and results in our financial statements and analysis.

This information has been made available in the Country-by-Country declaration since 2017, helping to raise the standard of best practices to be implemented in the tax plan.

## Legality and transparency

In addition to observing and following the terms of the law in our management of tax obligations, we also consider the jurisprudential and doctrinal understanding of the intent of the law. Transactions involving tax aspects are carried out in such a way as to clearly demonstrate commercial results and tax impacts, without the viability of the business depending primarily on these impacts.

## Control of tax risks

The execution and dissemination of our tax strategy are guaranteed by specific technical (Accounting Directorship) and legal (Legal Directorship) structures, mainly focused on:

- Preventive identification of tax risks, mitigation of these risks and maintenance of adequate levels of compliance and fiscal good standing with the purpose of minimizing losses. This is achieved through standardized routines and adequate and timely procedures for the calculation, payment,



retention and collection of taxes and contributions. These actions are an important part of our operational risk management strategies;

- Monitoring the effectiveness of tax risk management measures in order to continuously improve processes and systems and minimize losses;
- Assisting in decision-making and definition of the risk mitigation strategy;
- Detection of changes in legal and regulatory environments that may have impacts on us;
- Monitoring, identification and reporting of inspections and fines by the National, State and Municipal Treasuries through the analysis and monitoring of tax procedures and processes. These include Inspection Procedure Orders (MPF), Tax Verification Terms (TVF), Tax Reports and Infraction Notices drafted by these bodies;
- The relationship with the Brazilian Federal Revenue Service (RFB) and other administrative tax authorities, with the objective of preventing and resolving tax issues in defense of our direct and indirect interests;
- Consultancy for our strategic areas and projects for corporate structuring and investments, with the presentation of information related to tax regulations. This helps to inform and guide the use of exemptions in the payment of taxes, adequate rates, special taxation regimes, tax credits, and tax incentives and benefits, as well as allowing corrective measures to be taken that aim for good standing and compliance when necessary;
- Adoption of administrative and judicial litigation measures in order to defend our rights and interests; and
- Studies to ensure that taxes and contributions are calculated and paid (Bank as taxpayer) and retained and collected (Bank as tax officer) appropriately, in precise amounts and in a timely manner, seeking tax efficiency and strict compliance with legal and regulatory norms relating to compliance and fiscal good standing.

### **Actions to mitigate tax risks**

Our tax strategy involves financial, business and image risks. The main tax risks mitigated through the technical (Accounting Directorship) and legal (Legal Directorship) structures are related to:

- Incorrect or insufficient interpretation of legal norms and tax regulations, including exemptions in the payment of taxes, adequate rates, special tax regimes, tax credits, and tax incentives and benefits;
- Non-compliance with the rules for payment, retention and collection of taxes and contributions, as well as with other tax obligations;
- Non-acceptance by the tax authorities of tax planning related to new business or corporate and investment structuring;
- Failure to adopt corrective measures aimed at good standing and compliance when identified and necessary; and
- Non-acceptance of information and documents provided to the tax authority in response to inspection procedures and infraction notices.