

HCL Technologies Limited (HCLTech)

HCLTech Group Tax Strategy (HCLTech India and its Subsidiaries and Branches)

The document sets out HCLTech's approach towards the management of tax function and strategies and defines the principles governing the management of taxes. It is based on the corporate governance practice, value system and the enterprise risk management of the company.

Company overview

HCLTech is a global Information Technology (IT) and IT enabled service provider and software product company headquartered in India. HCLTech has many subsidiaries and branches across the globe.

Tax Strategy sets out the HCLTech's approach to the management of all taxation matters and defines the principles governing the management of such taxes and applies to all group entities. It reflects HCLTech's commitment to highest level of corporate governance and supplement HCLTech's internal Anti Bribery and Anti-Corruption Policy and Code of Business Ethics and Conduct policy. It is aligned to the company's corporate governance practice, value system and its enterprise risk management framework.

HCLTech Tax Strategy is based on the following guiding principles:

- a. Transparency;
- b. Consistency;
- c. Accountability;
- d. Risk Mitigation
- e. Integrity and Mutual Trust.

The above principals are key ensure that we gain and retain the trust of all the stakeholders at all times.

Objective of HCLTech Tax Strategy

HCLTech Tax Strategy aims:

- To ensure that it complies with all applicable laws and tax obligations with the spirit as well as the letter of the tax laws;
- To ensure payment of right amount of taxes in accordance with applicable laws;
- To ensure mutual trust and relationship with the tax authorities through transparent and active co-operation and consultation;
- To ensure due care and diligence in the management of all risks associated with tax matters; and
- To ensure that there are appropriate control procedures in place to mitigate any identified tax risk.

The tax strategy charter comprises the following:

1. Approach of the group to governance and compliance arrangements in relation to taxation matters.

HCLTech Tax Governance framework comprises of the Board of Directors ('Board') and the Audit and Risk Management Committees of the Board at the highest level which performs the overall oversight and supervisory functions. The Audit and Risk Management Committees report regularly to the Board with respect to the committee's activities including significant issues that arise with respect to the company's compliance with legal or regulatory requirements. Board and its committees continuously monitor and seek inputs for identification, evaluation and mitigation of strategic, operational, legal and compliance risks.

With regard to the tax function, a quarterly compliance certificate is presented to the Board and relevant Committees certifying the tax compliance status of HCLTech Group. The Board is also updated on a periodic basis with all significant tax developments including tax audits and litigations. These compliance certificates are periodically audited by HCLTech's internal audit teams and external consultants, before being reviewed by the Board.

At a functional level, HCLTech has put in place a comprehensive global regulatory framework with defined process owners for various compliance related activities related to tax.

The Chief Financial Officer (CFO) is responsible for the tax strategy, the supporting governance framework and management of tax risk. The Tax team under him helps him to formulate the tax strategy, risk mitigation and regular compliances.

The day-to-day management of the global tax matters is carried out by a designated in-house team of the tax department.

The company engages external tax advisors to advise and help on all compliance matters and to comply with local country tax regulations. All global compliances are tracked through compliance tracker systems which have inbuilt early warning mechanism. The summary report from the system (specifically non compliances) and the dashboard is made available to Audit Committee at regular intervals.

Advice of external advisors is sought on all significant tax matters to ensure compliance with local country specific laws.

2. Approach of the Group to Tax Planning and Risk management

HCLTech Tax Strategy strive to achieve the following:

- Conducting tax affairs in the letter and spirit of the law;
- Commercial consideration to be the key driver of any decision;
- No aggressive or contrived tax planning;
- No use of secrecy jurisdictions or so-called "tax havens" for tax avoidance;
- Consistency in tax treatments/ characterization;
- Transparency with Tax authorities;
- Proactive discussion and disclosure.

As a policy, the company does not tolerate tax evasion, nor does it tolerate the facilitation of tax evasion by any person(s) acting on behalf of the company.

The Tax function takes the lead role in identifying, managing and monitoring tax risks within the business with regular review. The team constantly monitors its various tax risks and mitigation measures. The team provides advice to the business on tax-related issues, undertakes tax filings, engages with tax authorities and external consultants and assists with various forms of tax and financial reporting. This is supplemented Internal Audit teams. Internal controls and escalation procedures are put in place with the aim of identifying, quantifying and managing key risks.

Where there is significant uncertainty or complexity in relation to a risk, external advice is sought to get certainty. In order to achieve greater certainty, the company engages with tax authorities to resolve issues, risks and uncertain tax positions by obtaining tax rulings, Advance pricing agreements etc.

3. Transfer Pricing

HCLTech's Transfer Pricing Policy is based on the principle that each jurisdiction should be remunerated for the functions it performs, assets it employed and risk it undertakes. There should be no transfer of value created to low tax jurisdictions without commensurate substance/ functions/ assets/ risk. HCLTech's transfer pricing policies complies with the transfer pricing laws and regulation of each country where it operates.

4. Engagement with tax authorities

HCLTech engages with tax authorities on a regular basis in a transparent and collaborative manner. We intend to resolve our differences (if any) with tax authorities in a transparent, collaborative and timely manner. We are committed to prompt discussion, disclosure and transparency in all tax matters.