

Tax strategy (published December 2019)

Introduction

This document explains how NS handles taxes and tax risks. This tax strategy is approved by the NS Board of Directors and applies to all taxes in all countries where NS is active. Publication of the tax strategy is considered to meet the obligations set out within Part 2 of schedule 19 of the Finance Act 2016. For the avoidance of doubt, this strategy applies to and includes all group entities (companies including dormant, partnerships, branches etc).

Social responsibility

Taxes are the primary source of revenue for governments. These revenues are used to fund general facilities which, in the case of NS, are of major importance. For example, they may include rail infrastructure. NS believes that it has an obligation to deal with taxes in a socially-responsible way.

Tax principles

NS acts in accordance with (fiscal) laws and regulations and, in accordance with its duty to deal with taxes in a socially responsible manner, has the basic principle that account must be taken of the purpose and intent of the law. This means that the literal text of tax legislation alone is not the decisive factor. Taking a responsible attitude to tax also means refraining from establishing structures in which saving tax is the primary objective. Transactions are entered into when they serve a real commercial purpose. This is the case if the tax consequences of such transactions are proportionate to the commercial effects, both qualitatively (in terms of complexity) and quantitatively (in terms of financial impact).

NS is an organization with a prominent role in Dutch society, and all of its shares are held by the Dutch State, in effect the Ministry of Finance. Being a state-owned company also brings along a special responsibility.

For business operations where NS is in competition with other market participants, it is important that a level playing field is guaranteed. For example, when in competition to bid for a public transport franchise, NS must consider the other market players and place a bid that is as attractive as possible to win the franchise. Because taxes are part of the operating costs of

licenses, these costs will be carefully examined. On the one hand this is to ensure compliance with the applicable tax legislation, and on the other to take advantage of tax facilities, for example for research and development or sustainable investments.

Relationship with tax authorities

NS attaches great importance to good relations with the tax authorities in all countries where it operates. For example, NS entered into an agreement with the Dutch tax authorities in 2010, which makes so-called horizontal monitoring between NS and the Dutch tax authorities possible. The key terms here are: mutual trust, mutual understanding and transparency. Under the agreement, NS enters into consultation with the Dutch tax authorities prior to a transaction or the submission of the tax return about any issue that could result in disagreement. The objective is to work as much as possible on an ongoing and current basis, so that NS can continually clarify its tax position. NS makes submissions to the Dutch tax authorities on a quarterly basis.

NS also takes a proactive approach to its tax affairs abroad. In the event of uncertainties, the tax authorities are approached so that agreement can be reached on important topics. In the United Kingdom for example, Abellio has a Customer Relationship Manager (“CRM”) at HM Revenue and Customs so that Abellio can discuss issues on an ongoing and current basis.

Governance

The NS Board of Directors has total oversight of the tax affairs of NS. The organization within NS is focused on ensuring that all important decisions concerning tax matters are reviewed by the tax department, and that NS meets its tax obligations in all countries in which it is active.

The NS tax department is the consultant and coordinator to the NS Board of Directors, its subsidiaries and the Dutch tax authorities in the Netherlands for all tax affairs.

Furthermore, the tax department acts as the contact point for the tax affairs towards other internal and external stakeholders. Outside the Netherlands, the contacts of the tax department with the tax authorities are through the local subsidiaries. The tax department reports to the Chief Financial Officer of NS. The tax department regularly uses external tax consultants in order to get a second opinion on important tax questions, make use of specialized knowledge, get a better understanding of new tax legislation and receive assistance in setting up and amending tax management processes.

Abellio and NS Financial Services manage their local tax obligations through their finance departments and engage external consultants for tax compliance and country-specific tax issues. In particular, external consultants are called in to assist in the event of a complicated issue or an uncertain tax position. The Board of Abellio and NS Financial Services have total oversight of all taxation matters in their countries and ensure regular communication with the NS Board of Directors and the tax department of NS.

Tax risk management and risk appetite

NS strives to submit accurate and complete declarations in a timely manner and to pay its tax obligations on time. Given the scope of activities and the resulting tax obligations, process related tax risks are inevitable.

The NS Board of Directors has defined its risk appetite in eight themes. Tax risks are grouped under the themes of “Integrity & Compliance” and “Reputation”. For both themes, the risk appetite has been set at “averse”. This is also considered appropriate in relation to the obligation of NS to deal with taxes responsibly.

Part of the governance is that measures are taken to control the tax risks. These are identified, assessed and managed. The risks are discussed with the Board of Directors and measures are taken to bring them into line with NS' risk appetite.

Transparency

NS is transparent about its tax position. The annual report details for each country how much corporate income tax, payroll tax and VAT is paid by NS and its subsidiaries. The annual report also contains the effective tax rate, as well as a detailed breakdown of the deferred tax assets and liabilities. The auditor's report describes how the tax position is audited and the tax risks are assessed.