

Bank of China International UK Group Tax Strategy (“Tax Strategy”)

This Tax Strategy applies to the financial year ending 31 December 2020

Scope

This Tax Strategy document applies to the following companies which shall collectively be referred to as the Bank of China International group in the UK (“BOCI UK Group”):

- Bank of China International Holdings Limited
- Bank of China International (UK) Limited
- BOCI Global Commodities (UK) Limited

The above companies together with Bank of China (UK) Limited, China Bridge Group (UK) Limited, BOC Aviation (UK) Limited and Bank of China Limited, London Branch are collectively referred to as the Bank of China group in the UK (“BOC UK Group”).

The Tax Strategy is being published in accordance with paragraph 19(4) of Schedule 19 to the 2016 Finance Act (“the Schedule”).

References to “UK Taxation” are to the taxes and duties set out in paragraph 15(1) of the Schedule which include Income Tax, Corporation Tax, PAYE, NIC, VAT, Insurance Premium Tax, Annual Tax on Enveloped Dwellings, and Stamp Duty Land Tax. References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and to all corresponding worldwide taxes and similar duties in respect of which the BOCI UK Group has legal responsibilities.

Purpose

The purpose of this Tax Strategy is to give an overview of tax management within BOCI UK Group. BOCI UK Group is committed to full compliance with all statutory obligations and full disclosure to the relevant tax authorities. The group’s tax affairs are managed in a way which allows for the identification, understanding and mitigation of tax risks and costs in order to preserve the BOCI UK Group’s reputation. This includes the tax risks associated with the Mandatory Disclosure Rules (“MDR”).

Governance in relation to UK taxation

Ultimate responsibility for BOCI UK Group’s tax strategy and compliance rests with the Board of each UK incorporated company (itemised above). Executive management of BOCI UK Group’s tax strategy and compliance is delegated by the respective Boards to the Regional Chief Operating Officer (“RCOO”) or equivalent position of each company.

BOCI UK Group’s finance teams manage BOCI UK Group’s tax affairs on a day-to-day basis. They are staffed with appropriately qualified individuals who are managed by the Financial Controller (“FC”) or equivalent personnel and overseen by the RCOO. On an individual company level basis, the FC and the RCOO, as required, report tax affairs and risks during the year to the respective Boards.

Risk management

The respective Boards of the BOCI UK Group consider tax risk as one of the factors in all investments and significant business decisions taken.

BOCI UK Group actively seeks to identify, monitor and manage tax risks through a system of tax risk assessment and controls as part of the overall control framework. BOCI UK Group has a prudent risk appetite and seeks to reduce the level of tax risk arising from its operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations. Process owners review activities and processes to identify risks (including tax risks) and mitigating

controls, and monitor them for business and/or law changes that impact the processes. Changes to processes and/or controls are made when required.

As required appropriate training is carried out for non-finance staff who manage, process or have involvement with matters which have tax implications, for example HR and the front office team, who may have client information which needs to be considered in the application of MDR.

Advice is sought from external advisers where appropriate. Examples of circumstances necessitating this would include the following:

- Where new tax legislation has been or is expected to be released;
- Where there is doubt over the interpretation or application of the legislation;
- Where the legislation is highly complex in nature; and
- Where the potential tax impact of a transaction is material or has MDR impacts.

Attitude towards tax planning and level of risk

BOCI UK Group has a prudent risk appetite and low risk tolerance. The ongoing tax risk approach is based on principles of reasonable care and materiality.

BOCI UK Group manages risks to ensure compliance with legal requirements to effect payment of the appropriate amount of tax in a timely manner and follows the spirit as well as the letter of the law.

As all companies within the BOCI UK Group are companies in the wider BOC UK Group, and as the BOC UK Group is subject to the Banking Code of Practice ("the Code"), this ensures and mandates that all companies within the BOCI UK Group are subject to the Code. Each company in the BOCI UK Group has adopted the Code in a common tax policy and each individual company ensures its compliance with the respective obligations thereunder.

If any in the unlikely event that any tax planning was to be implemented by any member of the BOCI UK Group it would be based on commercial drivers and rationale. The reduction of UK tax as the sole objective for either BOCI UK Group or its clients or counterparties is not sufficient for a transaction to be treated as having genuine commercial purposes. BOCI UK Group does not countenance tax evasion, either on its own account or in respect to its employees, customers or counterparties. If BOCI UK Group become aware of structuring of either its own or clients' tax matters, then MDR would have to be considered.

When entering into commercial transactions, BOCI UK Group seeks to take advantage of available tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation. BOCI UK Group does not undertake tax planning unrelated to such commercial transactions.

Relationship with HMRC

BOCI UK Group strives for transparency in internal and external tax reporting and communication. BOCI UK Group maintains an open and constructive dialogue with HMRC.

BOCI UK Group makes HMRC aware of changes in the business and seeks to discuss with HMRC any tax issues on a real-time basis. When submitting tax computations and returns to HMRC, BOCI UK Group discloses all relevant facts and identifies any transactions or issues where it considers there is potential for the tax treatment to be uncertain.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.