

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

Scope

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

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

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(2) of Schedule 19 to the 2016 Finance Act (“the Schedule”). References to ‘tax’, ‘taxes’ or ‘taxation’ are to UK taxation and similar duties in respect of which the BOCI UK Group has legal responsibilities.

Overview of the principal activities of BOCI UK Group

Holdings UK

Holdings UK is an investment holding company for four wholly owned direct subsidiaries, in the UK: BOCI UK and GC UK, and in the US: BOC International (USA) Inc. (“BOCI US”) and BOCI Commodities & Futures (USA) LLC (“GC US”), both of which are dormant.

BOCI UK

The main activities of BOCI UK are; (a) in the capacity of agent for equity securities broking for securities traded over the Hong Kong Stock Exchange for its clients who are UK/European institutional investors, and (b) in the capacity of arranger for fixed income transactions between UK/European institutional investors and Hong Kong sister companies.

GC UK

The principal activities of GC UK are the broking of futures on the London Metal Exchange and the Intercontinental Exchange typically on behalf of Asian clients.

Purpose

The purpose of this Tax Strategy is to give an overview of tax management within the BOCI UK Group. BOCI UK Group is committed to full compliance with all statutory obligations and full disclosure to HM Revenue and Customs (“HMRC”). The group’s tax affairs are managed in a way that 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).

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. On an individual company level basis, the FC, as required, report tax affairs and risks during the year to the respective Boards. As an additional safeguard to reduce tax risk, as and if required, advisory and specialist support is sought from external tax advisors by the finance teams (see Risk management section below for details).

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.

The UK based companies within BOCI UK Group are subject to the Senior Accounting Officer ("SAO") regime and the SAO, in line with the requirements, is responsible to ensure that reasonable steps are taken to maintain appropriate tax accounting arrangements.

The UK companies within BOCI UK Group are also subject to the Corporate Criminal Offence ("CCO") regime. BOCI UK Group actively ensures that the right culture towards all tax related matters is embedded within each business process, and has taken reasonable procedures to prevent tax evasion such as providing training for all relevant staff and has a specific CCO policy.

BOCI UK Group actively seeks to identify, monitor and manage tax risk 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 risk) 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. Therefore the approach to tax risk is aligned to the approach taken for broader risks faced by the business.

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

As mentioned above advice is sought from external tax advisors 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 (see Risk management section above for details).

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 also 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 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 becomes aware of structuring of either its own or clients’ tax matters, then a MDR report 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, and it does not enter into or promote any artificial or contrived tax planning.

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.

Annual review

The contents of this Tax Strategy document, as approved by the respective Board of each UK incorporated company under BOCI UK Group, is refreshed and republished annually to comply with the requirements set forth in the Schedule.