

## ICBC LONDON Tax Strategy

This document details the strategic tax objectives of the Industrial and Commercial Bank of China Limited London Branch and ICBC (London) plc, known collectively as “ICBC London” in the rest of this document.

### 1. Group Overview

ICBC London provides banking services to UK and Chinese clients, which involve the following activities:

- 1.1. Commercial wholesale banking services which include accepting deposits; trade finance and international settlement; syndicated lending and loan underwriting; bilateral and structured lending.
- 1.2. Treasury and global market services which include foreign exchange; money market operation; derivatives; investment and agency services.
- 1.3. Retail banking services (through ICBC (London) plc only)

### Ownership of Tax Strategy

ICBC London tax strategy is jointly owned by The Executive Committee of ICBC Ltd London Branch and The Board of ICBC (London) plc.

The tax strategy is reviewed annually by the Senior Accounting Officer for major changes in UK tax law, changes in ICBC London's operations and its tax policy. Any updates are approved in accordance with its joint ownership.

The strategy is publically available on our website to enable external stakeholders to understand our approach to tax.

### 2. Scope

ICBC London takes a responsible approach to tax and this principle underlines our tax strategy, tax policies and approach towards tax planning.

The tax strategy is in line with our general business strategy and we apply the same approach across all business areas within ICBC London and across all forms of taxation (including corporate income tax, bank surcharge, bank levy, indirect taxes, employment taxes, and operational taxes such as stamp duty / transfer tax and withholding tax).

### **3. Risk management and governance**

Consistent with all the principles outlined within this document, ICBC London will adopt and comply with the codes of practice / conduct advocated by the UK tax authorities.

ICBC London tax risk management is independently supported by its Audit and Risk committees. The Chief Executive Officer (CEO) and General Manager (GM) are responsible for ensuring there is an appropriate framework for the implementation of the Tax Strategy and Tax Risk Policy, and oversight of the identification and management of tax risk. The Chief Financial Officer (CFO) and Senior Accounting Officer is responsible for reviewing tax risk governance and ensuring that the tax strategy and policies are applied throughout the business. The SAO reports directly to the CEO and GM on tax risk issues, and will report any issues to the Executive Committee and Audit Committee on a quarterly basis or more frequently when required.

ICBC London has a zero risk appetite for any tax risk arising from intentional non-compliance with applicable UK tax legislation.

We accept that there will always be some level of inherent tax risk arising from matters other than intentional non-compliance. The Bank's risk appetite towards all tax matters is one of significant prudence and therefore the tolerance for any risk arising in connection with tax is very low.

Tax risk forms part of our greater enterprise-wide risk management framework which sets out the governance and risk appetite policy and is approved at the Board level. ICBC employs a wide range of internal controls and review as effective risk mitigation for all tax related risks. Where appropriate we will engage with specialist external tax consultants for tax compliance and advisory assistance, as an additional safeguard to reduce tax risk.

### **4. Attitude towards tax planning**

- 4.1 ICBC London considers tax risk as being an integral part of our wider enterprise risk management and actively ensures that the right culture towards all tax related matters is embedded within every part of the organisation through various processes, including providing training on tax developments and key tax issues to relevant staff.

- 4.2 ICBC London undertakes tax planning only to the extent that it supports its commercial objectives. The Bank adopts a conservative and responsible approach in its tax planning, undertaking only those initiatives that are best practice in running a prudent but tax efficient Bank for its customers and other stakeholders.
- 4.3 Where we do engage in legitimate and responsible tax planning, ICBC London adopts the following principles:
- 4.3.1 ICBC London will only engage in or promote tax planning which supports genuine commercial activity meaning that it will not engage in or promote tax planning transactions, structures or arrangements that lack commercial substance or that serve no commercial purpose other than the avoidance of tax;
- 4.3.2 ICBC London will not engage in or promote tax planning transactions, structures or arrangements that might be perceived as aggressive or that might be said to push the boundaries of that which is generally considered to be acceptable tax planning;
- 4.3.3 ICBC London avoids taking extreme positions in transactions, structures or arrangements that are tax-sensitive and adopts a cautious approach to any tax risks that cannot be sensibly and accurately evaluated and priced;
- 4.3.4 ICBC London will only engage in transactions, structures or arrangements that in the opinion of the Senior Management (such opinion to be sought for clarity as to how the law should be interpreted and applied, where appropriate, in consultation with reputable external consultant and on the basis of a full, transparent disclosure of all relevant facts) do not carry a material degree of reputational risk;
- 4.3.5 ICBC London has adopted HMRC's Code of Practice on Taxation for Banks (the 'Code'). ICBC London will not engage in or promote any tax planning transactions, structures or arrangements where the tax as intended relies on assumptions which are inconsistent with the Code.
- 4.3.6 ICBC London adopts an overarching risk philosophy in relation to tax matters which aims to mitigate any adverse and / or unexpected financial consequences and protect its reputation; and

ICBC London is not only committed to accurate, transparent and timely compliance with all its tax obligations under the UK tax laws but also to a wider application of international tax laws being recognised by UK tax authorities (for example by ensuring that all UK Corporation Tax returns and VAT returns are completed accurately and filed on time).

## **5. Relationship with tax authorities**

- 5.1 In all its dealings with the UK tax authorities, ICBC London is committed to fostering transparent and constructive relationships – based on open and honest disclosure, building mutual trust wherever possible – and will routinely and proactively seek feedback from UK tax authorities through information sharing.
- 5.2 ICBC London is committed to the early resolution of any tax authority disputes and, consistent with our wider corporate values, these will be handled in a constructive, professional and respectful manner and, where appropriate, in consultation with a reputable external consultant when certain aspects of tax legislation are subject to interpretation. ICBC London will ensure its tax efficiency is operated within the spirit of the law.

## **6. Relationship with clients and business partners**

- 6.1 ICBC London will never knowingly facilitate attempts by its clients, counterparties, customers or employees to deceive or otherwise mislead tax authorities. ICBC London will diligently ascertain to the extent possible that customers are ethically compliant with governing tax laws before entering into a business engagement, including through the use of relevant tax questions as part of its KYC process and AML checks.
- 6.2 ICBC London is committed to taking all reasonable steps to prevent the facilitation of tax evasion by its employees or other associated persons.
- 6.3 ICBC London will adhere strictly in accordance with its new products policy of obtaining appropriate advice on tax risk assessment when proposing to undertake a new business.
- 6.4 ICBC London is open and transparent in its business relationship and does not provide tax advice of any kind to clients, counterparties or customers.

In compliance with a yearly certification to tax authorities, ICBC London SAO will certify the appropriateness of its tax accounting arrangements which are to be in place during each financial year.

We consider that the above statement complies with ICBC London's obligation under para 19(2), Sch 19 Finance Act 2016

Approved by ICBC London Governance Committee <sup>1</sup>

7 July 2022

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<sup>1</sup> Represented by Audit Committee of ICBC (London) plc and Executive Committee of Industrial and Commercial Bank of China Limited London Branch.