

China Construction Bank London Branch– Tax Strategy

This document sets out the tax strategy which applies to China Construction Bank Corporation London Branch (“CCBC LB” or “the Branch”).

Our approach to risk management and governance arrangements:

Tax risk is any event which may result in an unnecessary expense related to tax or any event which may be challenged by HMRC if they consider that CCB LB is not acting in accordance with the UK Tax legislation and Banking Code.

Tax risk also includes the risk that our tax reporting returns or liabilities are inaccurate or incomplete, potentially leading to under or over collection or payment of tax, exposing us to tax authority sanctions as well as potential damage to our reputation.

CCB LB is subject to the following principal taxes:

- corporation tax on the profits of our business;
- employer social security contributions on employment costs; and
- value added tax (or its equivalent) on relevant services.

CCB LB also facilitates the Pillar 2 BEPS Top-up tax, withholding and payment of income tax and social security contributions from employee remuneration.

CCB LB manages tax risk within our Risk Management framework:

- CCBC LB’s Management Committee (ManCo) are accountable for risk management and ensure that an effective Enterprise-wide Risk Management Framework (RMF) is in place, which encompasses tax risk.
- Tax strategy and managing CCB LB’s tax affairs is an integral part of its Finance function and the Deputy General Manager (“DGM”) and Chief Financial Officer in charge of Finance Department is responsible for CCB’s tax affairs and reports to ManCo on a quarterly basis.
- The DGM in charge of Finance Department has delegated the Branch’s day-to-day and operational management of tax matters to the Head of Finance and Tax Manager.
- The Finance function ensures that personnel with appropriate tax expertise under the supervision of the Head of Finance are in place to manage CCB LB’s tax affairs
- CCB LB operates an industry standard “three lines of defence” risk management model. CCB LB’s first line of defence for the majority of our tax risk is the Finance function, which owns and assesses tax risk via an annual risk and control self-assessment. The HR function is responsible for all Payroll, expatriate personnel’s tax affairs and other employee related taxes within CCB LB.
- The Finance function also uses, where appropriate, specialist tax advisors to ensure CCB LB’s compliance with UK tax laws and the Banking Code and to ensure that all tax returns, reports and payments are accurate and complete to the best of our knowledge and filed on a timely basis.

- Where tax risk resides in other operating functions across the business, similar risk and control self-assessments are conducted and where key risks are identified, controls are implemented and processes put in place to mitigate those risks.
- CCB LB's risk and compliance functions generally act as the second lines of defence, providing oversight and challenge, with any material issues being reported through to CCB LB's governance committee structure.
- CCB LB's tax processes and risk governance arrangements are periodically subject to regular operational risk assessments undertaken, including review of risks associated with tax compliance and operations.
- Internal audit, which is the third line of defence, with audit reports provided directly to the ManCo.

Risk appetite – the level of risk CCB LB is willing to accept:

CCB LB does not have any appetite for breaching tax laws or allowing customers to use its services to evade tax. CCB LB has a prudent risk appetite and low risk tolerance for tax risk, both in respect of one off transactions and in a business as usual context. Our business model and operating structure is straightforward and not subject to significant judgement in the application of tax laws. The ongoing tax risk approach is based on principles of reasonable care and materiality. Any tax planning implemented will be based on commercial drivers and rationale in accordance with UK tax laws and the Banking Code.

We maintain a zero-tolerance approach to tax evasion and the facilitation of tax evasion, and our prevention procedures under the Criminal Finances Act 2017—including risk assessments, mandatory staff training, third-party due diligence, and whistleblowing channels—are reviewed and updated under the compliance oversight. CCB LB complies with both the letter and spirit of UK tax law, avoids aggressive tax arrangements, and engages proactively and transparently with HMRC as part of its commitment to responsible tax conduct.

CCB LB's attitude to tax planning:

CCB LB undertakes tax planning only to the extent it supports its commercial objectives. CCB LB adopts a conservative approach in its tax planning, pursuing only those initiatives that it is prepared to fully disclose to the tax authorities and complying fully with the relevant local tax obligations in each jurisdiction in which it does business.

To the extent the expected tax result of any initiatives are inconsistent with the commercial objectives, or appear disproportional to the economic result, these initiatives are not pursued.

CCB LB follows the spirit as well as the letter of the law. CCB LB does not countenance tax evasion, either on its own account or in respect to its employees, customers or counterparties.

CCB LB firmly believes in safeguarding our reputation and our relationships with clients, shareholders and tax authorities alike.

CCB LB seeks specialist external tax advice in certain situations, for example:

- in respect of large, one off transactions to ensure that CCB LB does not suffer any unforeseen or unreasonable tax outcomes;

- in areas where we may have insufficient internal tax expertise; and
- as a second opinion in cases where we believe there is uncertainty with respect to the application of tax law, although we may also approach HMRC directly, to seek clarity or obtain clearance.

Our approach to dealings with HMRC:

CCB LB's objective is to build a stable, transparent and professional working relationship with HMRC and other tax authorities.

CCB LB believes in fostering trust and co-operation in our relationships with tax authorities by maintaining and maintains an open relationship in its dealing with HMRC and seeks to work in 'partnership' with HMRC in relation to its tax dealings:

- In the event of any inadvertent error(s) arising, full disclosure, where required by law, will be made to HMRC;
- CCB LB will disclose any relevant planning it undertakes to HMRC in line with the legal disclosure requirements and criteria set out by HMRC;
- The e-mail protocol has been agreed with HMRC to define communication routes; and
- CCB LB will continue to meet and cooperate with HMRC to facilitate a mutually beneficial relationship.

This Tax Strategy is published in accordance with Schedule 19 of the Finance Act 2016.