

UK TAX STRATEGY STATEMENT

Financial Year ended 30 June 2019

The UK Tax Strategy Statement applies to all UK First State Investments (“FSI”) companies, listed at Appendix I (“the Companies”).

FSI is committed to being a responsible corporate taxpayer and to acting with integrity in complying with all prevailing tax laws. FSI maintains transparent and collaborative relationships with all revenue authorities.

FSI is part of Colonial First State Global Asset Management (“CFSGAM”), which in turn is part of the Commonwealth Bank of Australia (“CBA”) (together, the “Group”) and operates within the Group’s approach to the management of tax risk which can be summarised as follows:

- **Tax Risk Appetite** - The Group takes a conservative approach to managing its tax affairs which includes complying with all tax laws in the jurisdictions in which the Group operates, and includes ensuring that all tax lodgements, payments, reporting, disclosures and other obligations are adhered to.
- **Relationship with tax authorities** - The Group aims to maintain transparent and collaborative relationships with all tax regulators.
- **Arm’s Length Pricing** - The Group ensures that international related party and intra-group transactions are in compliance with the Organisation for Economic Co-operation and Development (“OECD”) guidelines and arm’s length principles. The Group does not artificially divert profits to low tax jurisdictions or tax havens.

APPROACH TO RISK MANAGEMENT IN RELATION TO TAXATION

The Group has an embedded Risk Management Framework that enables the appropriate development and implementation of strategies, policies and procedures to manage its risks. The Risk Management Framework requires tax risks to be proactively managed as part of the day-to-day business decision making processes and for appropriate tax risk controls to be developed and maintained. Details of the Risk Management Framework are disclosed in CBA’s Annual Report.

CFSGAM has a Risk Appetite Statement which sets out the risk management principles, desired risk culture and business outcomes. This is a key element of the overall Risk Management framework. It has a critical role in the development of the business and together these inform the Risk Management Strategy. The Risk Appetite Statement is reviewed and approved annually by the CFSGAM Risk Committee and endorsed by the various operational Boards within CFSGAM. Reporting is provided by the various business functions and is escalated through various Boards and Committees. This includes reporting on investment risk and operational risk (including breaches, issues, control failures and key risk indicators).

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal, tax, regulatory, compliance, fraud, business continuity and technology risks. The Operational Risk Management Framework (“ORMF”) enables identification, assessment, management and reporting of operational risks on a consistent and reliable basis. FSI operates a Three Lines of Accountability model:

- The first line of accountability is the management of risk within the business functions
- The second line of accountability is CBA’s Group Risk Management team
- The third line of accountability is internal and external audit.

This ensures that appropriate independence is maintained over the implementation of the ORMF.

APPROACH TO GOVERNANCE IN RELATION TO TAXATION IN THE UK

FSI’s UK Board operates as the highest level of risk governance. The CFSGAM Risk Committee oversees the Risk Management Framework and helps formulate the Group’s risk appetite for consideration by the Board. In the UK, FSI operates:

- EMEA Management Committee which is responsible for the overall strategy and risk profile of the Business.
- Operational Risk Committee (“ORC”) which oversees management of business, operational, regulatory and taxation risks.
- COBRA is a delegated decision-making forum for the ORC and its terms of reference include tax risk.

FSI also operates a Tax Risk Management Policy which applies to taxation both at the Corporate and Fund level. The adherence to the Tax Risk Management Policy is the responsibility of the Senior Manager – Financial Accounting and Corporate Tax and the Senior Manager – Investment Tax and Finance, within the UK and Ireland

Finance Departments. Both roles report to the Chief Financial Officer (“CFO”), Europe Middle East and Africa (“EMEA”), who is a member of the EMEA Management Committee, the ORC and COBRA. The EMEA CFO reports to the CFO of CFSGAM.

This structure ensures that material tax risks are actively monitored and reported and considered at ORC, Management Committee, Risk Committee, and Board levels.

ATTITUDE TOWARDS TAX PLANNING AND LEVEL OF RISK

FSI is committed to observing all applicable laws, rules, regulations and reporting and disclosure requirements in all jurisdictions in which it operates thereby ensuring the right amount of tax is paid. We conduct our tax affairs in line with our desire to comply with all applicable tax laws and maintain our reputation for good Corporate Social Responsibility.

Tax laws can be complex and open to interpretation. The Companies may be required to exercise judgement in the process of applying the relevant tax legislation to transactions. In applying this judgement, the Companies ascribe to the following principles:

- Act with integrity in complying with all prevailing tax laws to ensure the right amount of tax is paid in the right place at the right time.
- Only enter into transactions with clear business rationale, before taking into account any tax consequences.

When undertaking commercial transactions, FSI will consider the availability of tax incentives, reliefs and exemptions in line with, and in the spirit of, tax legislation and the commercial reality of the underlying transaction. FSI has a zero tolerance approach towards tax evasion or the facilitation of tax evasion by any person(s) acting on behalf of the group.

FSI’s tax team is staffed by professionals equipped with the appropriate knowledge, experience and capability to manage FSI’s tax affairs and maintain oversight of the tax risks emanating across the group. Appropriate training and support is provided to staff who are involved in tax processes or other transactions which have a tax impact.

APPROACH TOWARDS DEALINGS WITH TAX AUTHORITIES

FSI adopts an open and collaborative approach to dealing with HMRC. This is achieved through regular communications with FSI’s Customer Relationship Manager (“CRM”) to ensure HMRC are informed of any changes in the business and significant transactions.

The tax function represents the group in its interaction with HMRC and its priority is always to ensure the integrity of our tax affairs. Our tax submissions are prepared on a full disclosure basis and every effort is made to ensure all tax filings are accurate. Should any issues be identified, we notify HMRC of these promptly and work with HMRC to rectify the position and put in place processes and procedures to continually improve the tax control environment.

Where there is significant uncertainty or complexity in relation to tax risk, appropriate advice will be sought from third party advisors and/or HMRC. FSI considers itself to have a low appetite for tax risk and looks to achieve certainty its tax affairs.

FSI is committed to adopting a similar approach with tax authorities in the overseas jurisdictions in which it operates.

UK CRIMINAL FINANCES ACT 2017

FSI is committed to the prevention, deterrence and detection of criminal tax evasion. We take all reasonable steps in all circumstances to uphold all laws relevant to countering tax evasion, including the UK Criminal Finances Act 2017 (“the Act”), in all jurisdictions in which we operate. For further information, please refer to the ‘Non-Facilitation of Tax Evasion Policy’, published separately on FSI’s website.

CHANGE OF CONTROL

In October 2018 Mitsubishi UFJ Trust and Banking Corporation (“MUTB”) announced, subject to regulatory approvals, it would acquire CFSGAM from CBA. Ownership of CFSGAM is expected to transfer from CBA to MUTB in mid calendar year 2019. The Tax Strategy Statement will be updated to reflect MUTB governance, processes and attitude to tax following change of control.

Appendix I

The companies covered by the UK Tax Strategy Statement (“the Companies”) are:

- Colonial (UK) Trustees Limited – liquidator appointed on 13 May 2019
- Colonial First State Investment Managers (UK) Limited
- First State Investments (UK Holdings) Limited
- First State Investments (UK) Limited
- First State Investments International Limited
- First State Investment Management (UK) Limited
- First State Investment Services (UK) Limited
- SI Holdings Limited