Tax Strategy Framework for Border to Coast and its Controlled Entities

1. Introduction

As part of the 2015 Autumn Statement, Central Government released criteria and guidance for the reform of Local Government Pension Scheme ("LGPS") investment. Key to this was the requirement for LGPS to consider appropriate investment pooling options to drive savings. This was followed in December 2016 by the LGPS (Management and Investment of Funds) Regulations 2016 which mandated that all Local Government Pension Fund Administering Authorities pool their assets to achieve the required objectives laid out by the Ministry for Housing, Communities and Local Government (formerly the Department for Communities and Local Government, DCLG).

The Border to Coast Pensions Partnership Ltd ("Border to Coast") was set up to lead the pooling of investment assets of 11 Local Government Pension Funds across England with its core purpose being to meet the requirements to pool assets to achieve efficiencies as laid down by central government.

It is established as a wholly owned private limited company registered in England and Wales, with 11 equal shareholders who are the administering bodies of the 11 local government pension funds that are its customers. Border to Coast will operate and offer investment funds for its clients to invest into based on their own asset allocation strategy.

Schedule 19 of the 2016 Finance Act sets out the requirements for qualifying companies to publish their tax strategy. Border to Coast does not satisfy the criteria to be classified as a qualifying company, and as such are not under an obligation to publish a public tax strategy. However, in the interest of transparency, Border to Coast has taken the decision to publish the business tax strategy.

2. The Taxes We Manage

- As a UK company, Border to Coast is subject to UK Corporation Tax ("CT") self-assessment and has a statutory obligation to file annual tax returns to HM Revenue & Customs (HMRC) in respect of its worldwide income and gains.

- As Border to Coast meets the threshold requirements, we have registered with HMRC for Value Added Tax ("VAT") purposes. As such we are required to file self-assessment VAT returns quarterly with HMRC.

- As a UK employer, Border to Coast is also required to comply with statutory filing obligations in respect of employee Income Tax ("PAYE") and National Insurance Contributions ("NICs").

Investment Funds operated by Border to Coast may also pay:

- Withholding Tax ("WHT");
- Stamp Duty ("SD");
- Stamp Duty Reserve Tax ("SDRT"); and
- Stamp Duty Land Tax ("SDLT").

3. Our Approach to the Management of those Taxes

3.1. Commitment to compliance

We comply with tax law and practice in all of the territories in which we operate, including the UK, which is our main place of business. Compliance for us means paying the right amount of tax in the right place at the right time and involves disclosing all relevant facts and circumstances to the tax authorities. It is the intention of Border to Coast to conduct ourselves not only in accordance with the letter of the law, but also the spirit of the law (where readily understood), not aggressively pursuing tax loopholes or adopting unreasonable tax filing positions. Due to the breadth of international tax regulation to which we are subject we will take professional advice where appropriate to do so.

3.2. Attitude toward tax planning

Border to Coast is relatively unique as a business in that it has been established solely for the benefit of its customers, who are also its shareholders. In addition, the business' customers/shareholders are all Administering Authorities of Local Government Pension Funds which are exempt from UK direct tax.

Given the tax status of the shareholders/customers (i.e. tax exempt) and that a core objective as required by central government for LGPS Funds was to deliver savings, Border to Coast will endeavour to obtain all tax reliefs available to them. Further, Border to Coast takes all reasonable steps to ensure that it arranges its affairs so that local public resources are not expended in meeting unnecessary tax liabilities.

Border to Coast will aim to do this through appropriate tax planning, working with other LGPS pools to engage with tax authorities, including HMRC to discuss the application of specialist tax treatments that are particular to these unique entities. Any tax planning undertaken will have commercial and economic substance and will have regard to the potential impact on our reputation and broader goals. We will not undertake planning that is contrived or artificial.

3.3. Governance and risk management

The Board takes the lead in establishing a strong risk management culture and is responsible for the formulation, approval and regular review of the Tax Strategy. The governance of tax risk follows formal procedures which are fully in line with the other Board approved governance procedures which are in place across the business in respect of a range of other risks that the business is exposed to and needs to manage. These arrangements ensure that all significant tax related decisions are subject to review and approval by appropriate qualified and experienced staff, and that all UK tax obligations are met.

In overview, tax risks are managed by:

- Applying an appropriate tax policy framework;
- Employing appropriately skilled people or advisors;
- Providing appropriate training of staff whose roles and responsibilities have an impact on tax compliance;
- Obtaining professional advice for complex issues and/or areas of uncertainty;
- Working or liaising with the tax authorities where appropriate; and

- Having proportional process and controls in place to ensure compliance with tax laws.

Responsibility for maintaining and executing the overall Tax Strategy is delegated by the Board to Chief Operations Officer and the operations/finance teams.

It is intended that tax risk management will be overseen by Border to Coast's Audit and Risk Committee, and forms part of Border to Coast's risk governance framework.

Any individual may report perceived or actual tax risks to the Chief Operations Officer and operations/finance team or may raise the issue with the Chief Risk Officer.

3.4. Level of tax risk accepted

Given the scale of our business and volume of tax obligations, risks will inevitably arise from time to time in relation to the interpretation of tax law and nature of our compliance arrangements. Border to Coast proactively seeks to identify, evaluate, manage and monitor these risks to ensure we remain in line with our tax risk appetite.

3.5. Engaging with Tax Authorities

We engage with tax authorities, including HMRC, with honesty, integrity, respect and fairness and in a spirt of co-operative compliance. We are prepared to litigate where we disagree with a ruling or decision of a tax authority but will first seek to resolve any disputed matters through pro-active and transparent discussion and negotiation.