

Prevention Of The Criminal Facilitation Of Tax Evasion Policy

Smithson Investment Trust plc (the "**Company**") is committed to the prevention, deterrence and detection of criminal tax evasion and the criminal facilitation of tax evasion. This document sets out the Company's policy for preventing the criminal facilitation of tax evasion (the "**Policy**") and the standards and procedures required to ensure compliance with the Policy.

1. INTRODUCTION

In April 2017, the UK government enacted the Criminal Finances Act 2017 (the "**Act**"), which came into force on 30 September 2017, to demonstrate its commitment to preventing tax evasion in all its forms. The UK government believes that companies and partnerships should be criminally liable where they fail to prevent those who act for them, or on their behalf, from criminally facilitating tax evasion. As a result, it has created a new corporate criminal offence of failing to prevent the facilitation of tax evasion.

A Company could face prosecution under the Act if it fails to have in place reasonable procedures to prevent the facilitation of tax evasion. There are serious criminal penalties for committing an offence under the Act. Additionally, conviction could have serious consequences for the Company's reputation and business relationships. As a regulated entity, prosecution could also impact the ability of the Company to carry on its business.

The Company does not tolerate tax evasion or the criminal facilitation of tax evasion within its business and we expect our officers and those providing services for or on behalf of the Company (our "**Associates**") to conduct themselves in accordance with this Policy. The Company will actively investigate all breaches or suspected breaches of this Policy and, if appropriate, invoke disciplinary measures up to and including immediate termination of the appointment of any officer found to be involved in the criminal facilitation of tax evasion and take prompt action to remedy and/or report the matters giving rise to the breach and prevent any repetition. In such circumstances the Company may be obliged to report the actions of such officer to the appropriate authorities and/or regulator. In appropriate circumstances, the Company will also invoke contractual sanctions against any Associate who is found to have criminally facilitated tax evasion up to and including the termination of the Company's arrangement with that Associate.

2. THE OFFENCE

In general terms, the criminal offence of tax evasion is committed where a person (A) knowingly takes steps to fraudulently reduce the amount of tax that they would otherwise have paid.

A person (B) commits the criminal offence of facilitation of fraudulent tax evasion if they are deliberately and dishonestly concerned in, or take steps with a view to, assisting (A) to fraudulently evade tax.

Both A and B will have committed a criminal offence under existing UK law. The new criminal offence means that Company will also have committed an offence if B criminally facilitated the tax evasion while acting in their capacity as an associate of Company.

Remember:

- the person who knowingly facilitates tax evasion is as guilty as the person who evades the tax;
- The Company may still be guilty of an offence under UK law even if the facilitation activity is committed overseas and, if UK tax is evaded, irrespective of whether it would be illegal

- under local law;
- if the facilitation activity takes place in the UK or concerns a UK company, branch, person or other entity, the offence will in certain circumstances extend to cover the evasion of tax in jurisdictions other than the UK; and
- fraudulent tax evasion and the deliberate and dishonest facilitation of fraudulent tax evasion are criminal offences and the Company will, in appropriate circumstances, bring any such activity that it identifies to the attention of the relevant authorities.

Further information on the scope of the offence and the main areas of risk will be made available to all officers.

3. KEY PRINCIPLE

The Company is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Company will not tolerate any form of criminal facilitation of tax evasion by any officer or third party dealing with the Company, including contractors, consultants, agency workers, agents and service providers (as applicable).

No officer or Associate of the Company should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Company and no officer or Associate will suffer adverse consequences in their dealings with the Company for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All officers and Associates must ensure that they are familiar with the aims and objectives of this Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Company and may result in disciplinary action or the Company seeking appropriate contractual or other remedies.

The directors of the Company ("**the Board**") are fully committed to implementing the Policy and ensuring that the Company's business relationships are conducted in accordance with its terms. The Company's chairman will review and oversee the operation of the Policy and to report to the Board in relation to this to ensure that the Policy is effective in addressing the risk of criminal facilitation by officers and Associates of the Company. The Company's chairman will also seek to ensure day to day compliance with the Policy and to encourage effective reporting of any concerns. Further details as to how you can report any concerns that you may have are set out in section 5 below.

The Board will regularly review the operation of the Policy to ensure that it is suitable, adequate and effective to address the risk of facilitation of tax evasion and may make changes to the Policy from time to time in order to address any risks identified or any concerns reported to it.

4. TRAINING AND INFORMATION

The Company may provide appropriate training to officers and directors in relation to the scope of the new offence, any particular areas of risk and this Policy as soon as reasonably practicable and, if appropriate, from time to time in the future. New officers and directors may be provided with training as soon as reasonably practicable after starting employment with the Company. You should attend this training if, or when, it is offered to you and familiarise yourself with the scope of the new offence and the ways in which the facilitation of tax evasion may occur in practice.

If you have questions at any time in relation to the new offence or this Policy, or you feel that you would benefit from additional training in relation to them, please contact the company secretary, Praxis IFM Fund Services (UK) Limited at Mermaid House, 2 Puddle Dock, London, EC4V 3DB, by

telephone on 0207 653 9690 or by email at Maria.Matheou@praxisifm.com.

5. RAISING CONCERNS

If at any time you are concerned about whether a particular transaction or activity may amount to tax evasion, criminal facilitation of tax evasion or a breach of this Policy, you should raise any question or concern at the earliest possible opportunity with the Company's chairman.

All matters raised will be dealt with in strict confidence and you will not suffer any adverse consequence for refusing to engage in the facilitation of tax evasion or for reporting instances in which you suspect that this Policy has been breached, even if this may result in the Company losing business.

6. SCOPE OF THE POLICY

The Policy applies to all directors and officers of the Company. **Appendix I** to the Policy sets out how the Policy applies to directors and officers in these circumstances. Compliance with this Policy is mandatory and it is vital that all staff know the rules and comply with them.

If considered appropriate by the Company, it may also require third party Associates (such as agents, consultants, contractors, suppliers, distributors and intermediaries) to be aware of this Policy and to act in a way that is consistent with this Policy or any equivalent policy that they themselves may have. **Appendix II** to the Policy sets out how the Policy applies in these circumstances.

7. ACKNOWLEDGEMENT

To confirm that you have read and understood this Policy, please sign and return **Appendix III (if you are an officer or director of the Company)** or **Appendix IV (if you are an Associate other than an officer or director)** to the Company Secretary. If you do not fully understand any aspect of this Policy, please contact the Company Secretary or the Company's chairman for further assistance and guidance or seek further advice before you sign.

Approved on:

Appendix I – Policy For Officers And Directors

1. KEY PRINCIPLE

The Company is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Company will not tolerate any form of criminal facilitation of tax evasion by any director, officer or third party dealing with the Company, including contractors, consultants, agency workers, agents and service providers.

No officer or other Associate of the Company should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Company and no officer or other Associate will suffer adverse consequences in their dealings with the Company for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All officers and other Associates must ensure that they are familiar with the aims and objectives of the Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Company and may result in disciplinary action or the Company seeking appropriate contractual or other remedies.

2. APPLICATION OF POLICY TO OFFICERS AND DIRECTORS

The Company has conducted a thorough risk assessment of all aspects of its business and operations and has identified the following areas as vulnerable to allegations of the criminal facilitation of tax evasion:

- investor and third party facing officers and directors;
- officers and directors responsible for signing contracts and producing invoices;
- dealings with third party Associates (as defined below).

For more on each of these, see below. This list is not exhaustive and all officers and directors should be mindful of the general anti-facilitation of tax evasion principle underpinning this Policy in all of their conduct and dealings on behalf of the Company. This risk assessment will be repeated periodically and this section of the Policy will be updated accordingly in the light of any change of circumstances.

2.1 INVESTOR AND THIRD PARTY FACING OFFICERS AND DIRECTORS

No officer or director should provide any service or take any action in relation to investors or other third parties which they believe will be used to facilitate a tax fraud. You should keep in mind the possibility that third parties will seek to use services provided by the Company or transact with the Company in a particular way for the purposes of the fraudulent evasion of taxes and you should take personal responsibility for ensuring that you do not knowingly facilitate this activity. Examples of such facilitation might include (but are not limited to):

- referring a client on to a third party with the express intention of assisting the client to evade tax;
- agreeing to support a particular transaction or activity (e.g. accepting payments, entering into contractual arrangements or invoicing) in the knowledge that a client is using that support to facilitate their fraudulent evasion of tax; and
- agreeing to structure or document a fund in a way which will facilitate the tax evasion by an investor or potential investor.

You should be aware of particular risks when dealing with investors or third parties from low tax transparency jurisdictions, or politically exposed persons and should also consider requests carefully when they involve the unexplained use of intermediaries or entities other than the investor with which you are dealing or unusual requests for assistance that are not within your day-to-day remit or in accordance with normal practice for dealing with an investor of that type.

If you receive a request for assistance in circumstances where you know or suspect that the investor or third party intends to use that assistance to enable them to fraudulently evade tax you should:

- resist responding to the request immediately and state that you will need to consult with the Company's chairman;
- report the request to the Company's chairman with as much detail as possible to explain why you suspect that the assistance requested might be used to enable fraudulent tax evasion;
- take no further action and do not agree to the request unless instructed to do so by the Company's chairman in circumstances where they have satisfied themselves that providing the assistance requested will not be in breach of this Policy.

If you are unsure whether or not responding to a particular request from a client or other third party may put you at risk of breaching this Policy, you should speak to the Company's chairman before agreeing to action the request. No officer will suffer an adverse consequence if the Company loses business as a result of their compliance with this Policy.

2.2 OFFICERS AND DIRECTORS RESPONSIBLE FOR NEGOTIATING AND SIGNING CONTRACTS AND PRODUCING INVOICES

The Company's risk assessment has identified that there are a number of ways in which officers and directors involved in negotiating contracts and producing invoices for customers could be encouraged to become involved in the criminal facilitation of tax evasion, including, but not limited to, false invoicing schemes, fraudulent VAT transactions, employment, consultancy or agency arrangements designed to evade tax and artificial and contrived contracts and transactions.

The Company prohibits the involvement of its officers, directors and other Associates in all such criminal activity and encourages all officers to be aware of this risk and to report any concerns that they may have that this Policy is being breached.

You should be mindful of the following factors that might indicate that a contractual arrangement or transaction is being used for the fraudulent evasion of tax:

- overly complex supply chains or ownership structures;
- requests to make or receive payments in cash rather than through an account with a recognised bank;
- requests to make or receive payments in a jurisdiction with which the other contracting party does not obviously have a connection, particularly those with a low tax transparency rating;
- high value, multijurisdictional transactions;
- transactions involving parties resident in jurisdictions with a low tax transparency rating;
- non face-to-face business relationships/transactions and contractual arrangements involving multiple third parties or intermediaries where the reason for this is unclear.

You should refuse any request from third parties to enter into contractual or invoicing arrangements where you know or suspect that the arrangements will be used to enable the fraudulent evasion of tax. You should report the request to the Company's chairman as soon as practicable giving as much detail as possible to enable them to make a record of the request and decide whether any further

preventative action should be taken.

If you know or suspect that other individuals are providing assistance in breach of this Policy or you identify suspicious transactions or invoices that may be in breach of this Policy, you should speak to the Company's chairman as soon as possible. No officer will suffer an adverse consequence if Company loses business as a result of their compliance with this Policy.

2.4 DEALINGS WITH ASSOCIATES

Under the Act, the Company may be criminally liable where criminal facilitation of tax evasion has been committed by a person, firm or company who is associated with the Company (such as an agent or service provider). The Company's only defence is to be able to demonstrate that it had "reasonable procedures" in place to prevent the criminal facilitation of tax evasion by someone associated with it. If you are involved in engaging or otherwise dealing with Associates, then depending upon the nature of the Associate and its business relationship with the Company, you may be required to take additional steps to ensure that the Associate is obliged to act in way that is consistent with this Policy or to demonstrate that it has an equivalent policy of its own in place in accordance with which it does business. As a minimum, however, Associates should be sent a copy of this Policy and should be asked to sign the declaration in **Appendix IV** by way of confirmation that they have understood the content and will take whatever actions the Company considers necessary to ensure that risks are appropriately addressed.

You should note that your obligation to monitor and manage risk in relation to any Associates with whom you deal is an ongoing obligation and applies for the duration of the business relationship. You should therefore keep any arrangements under review and report any concerns at the earliest opportunity.

3. GENERAL

You may be provided with relevant training to assist you to understand the law and to identify suspicious activities and transactions relevant to the business and the role in which you operate. Please see paragraphs 4 and 5 of the main Policy in relation to questions, further information and reporting any concerns that you may have.

This Policy (and the Appendices) does not form part of your service contract and the Company may amend or update any provision of either the Policy or the Appendices at any time.

Appendix II – Policy For Third Party Associates

1. KEY PRINCIPLE

The Company is committed to the prevention of the criminal facilitation of tax evasion in the workplace and in all its business dealings. The Company will not tolerate any form of criminal facilitation of tax evasion by any director, officer or third party dealing with the Company, including contractors, consultants, agency workers, agents and service providers.

No officer or other Associate of the Company should feel pressured into offering or agreeing to provide assistance to enable another person to unlawfully evade tax in order to secure business on behalf of or with the Company and no officer or other Associate will suffer adverse consequences in their dealings with the Company for refusing to agree to facilitate tax evasion or for taking steps to report any concerns that an offence has been committed.

All officers and other Associates must ensure that they are familiar with the aims and objectives of the Policy and must act in accordance with it. Breaches of this Policy are regarded seriously by the Company and may result in disciplinary action or the Company seeking appropriate contractual or other remedies.

2. APPLICATION OF POLICY TO THIRD PARTY ASSOCIATES

The Company recognises that it will have a wide range of different business relationships with Associates who are not its own officers or directors. Whatever those relationships, however, the Company is committed to acting in accordance with the key principle outlined above and will therefore take appropriate steps in each case to ensure that it has assessed any risk inherent in the relationship and has addressed that risk.

Whilst this Policy cannot be prescriptive about how such risks will be addressed in any particular case, you will be asked to co-operate with the Company in putting in place appropriate measures to address risk. These may include:

- you confirming that you have received and read this Policy and the Appendices;
- you confirming that you have in place equivalent policies to prevent the facilitation of tax evasion by your Associates and will comply with these when acting for or on behalf of the Company;
- you providing information or assistance to enable the Company to assess any risk in relation to its business relationship with you or to carry out due diligence in relation to your business (to the extent that this is necessary in order to address any risk); and/or
- you entering into contractual provisions to provide assurance to the Company that you will act in accordance with the law or the terms of this Policy.

Appendix III – Acknowledgement For Officers And Directors

PLEASE DETACH THIS FORM AND RETURN TO THE COMPANY SECRETARY

**SMITHSON INVESTMENT TRUST PLC (THE "COMPANY")
PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION POLICY**

By signing this form I hereby declare that I have read and understood the Company's prevention of the criminal facilitation of tax evasion policy (the "**Policy**").

If you do not fully understand this Policy, please contact the Company Secretary or the Company's chairman for further assistance and guidance before you sign.

NAME _____

SIGNATURE _____

DATE _____

Appendix Iv – Acknowledgement For Associates Other Than Officers Or Directors

PLEASE DETACH THIS FORM AND RETURN TO THE COMPANY

SMITHSON INVESTMENT TRUST PLC (THE "COMPANY")
PREVENTION OF THE CRIMINAL FACILITATION OF TAX EVASION POLICY

By signing this form I hereby declare that I have read and understood the Company's prevention of the criminal facilitation of tax evasion policy (the "**Policy**") and I will provide such information and take such actions as the Company may request in order to enable it to comply with the Policy.

NAME _____

FOR AND ON BEHALF OF _____

SIGNATURE _____

DATE _____