

## UK Tax Strategy

### PURPOSE AND SCOPE

This document sets out the Tax Strategy of the Sumitomo Mitsui Trust entities in the UK (collectively the sub-group will be known as “SuMi TRUST UK”), which is part of The Sumitomo Mitsui Trust Group (“SuMi TRUST Group”). This strategy specifically covers the following UK entities:

- Sumitomo Mitsui Trust Bank, Limited – London Branch (“SMTB London”) [with FY ending 31 March];
- Sumitomo Mitsui Trust International Limited (“SMTI”) [with FY ending 31 December];
- Sumitomo Mitsui Trust (UK) Limited (“SMT (UK)”) [with FY ending 30 September];
- STB AM Investment (UK) Limited (“STB AM”) [with FY ending 31 March];
- SMT Nominees (UK) Limited – [Dormant company with FY ending 31 July];
- Nikko AM Global Holdings Limited [with FY ending 31 March]; and
- Nikko Asset Management Europe Ltd (“Nikko AM Europe”) [with FY ending 31 March].

This UK strategy will apply for the financial year ending 31 March 2021 and will remain so until it is superseded.

### INTRODUCTION

The SuMi TRUST Group operates globally and has a number of subsidiaries including a branch in the UK. The UK activities cover banking, investment management and custodian services. SMTB London, SMTI and Nikko AM Europe are regulated by the Financial Conduct Authority and SMTB London is also regulated by the Prudential Regulation Authority. The banking business is undertaken by SMTB London, which operates across two main business divisions; Wholesale Total Solution Business and Global Markets Business. Following the transfer of business on 2 March 2020, the custodian services business previously undertaken by SMT(UK) is now provided by SMTB London, whilst the investment management services are provided by SMTI and Nikko AM Europe.

The SuMi TRUST Group plans to achieve sustainable and stable growth through business model reformation in its mid-term management plan which commenced from April 2017 and revised every three years. SuMi TRUST Group’s medium term vision covers the following areas and SuMi TRUST Group’s tax strategy is aligned with this vision:

- Pursuing growth by strengthening our edge as a financial group specialized in trust banking;
- Fundamental strengthening of our cost competitiveness;
- Capital policy that conforms to our business model; and
- Strengthening effectiveness of governance and enhance fiduciary duties.

### GOVERNANCE IN RELATION TO UK TAXATION

The Executive Committee of SuMi TRUST Group has set a policy on tax compliance for the entire group which stipulates corporate responsibility on compliance of laws, managing tax risks and building relationship of trust with tax authorities. This policy is reflected in our Annual Report 2020, as one of the six Codes of Conduct of the SuMi TRUST Group:

*“Strict Compliance with Applicable Laws and Regulations - We will strictly comply with all applicable laws, rules and regulations, and will ensure that all our corporate activities meet the highest standards of social norms.”*

Based on this, the board of directors of the UK subsidiaries and the General Manager of London Branch are responsible for the UK tax strategy, with day-to-day responsibility delegated to the relevant Finance Team. They analyse the applicable laws, rules and regulations including taxation and also perform tax risk management as part of our overall corporate governance. As such, we have processes in place to ensure we can identify, quantify and mitigate current and future tax risks, ensuring we stay within our operational risk appetite.

### **RISK MANAGEMENT**

When considering a new transaction, we would analyse the relevant risks, including legal, regulatory, tax and accounting, and ensure compliance risks are minimised through effective internal controls.

SuMi TRUST UK adopts a framework that enables senior management to exercise strategic oversight of tax matters. This framework for new products/business approval consists of the following components:

- New products/business consideration/checklist and due diligence;
- Relevant committee/relevant reporting and authorisation process; and
- Approval.

Appropriate training is given to relevant staff to ensure they have adequate knowledge to understand such risks.

### **TAX PLANNING**

The SuMi TRUST UK's activity is driven by the commercial needs of the business, its clients and its anticipated future development within the confines of the law. Although UK taxes are taken into account in meeting this objective, we do not structure our affairs nor undertake transactions that are contrived, artificial, or based solely on tax merits. SuMi TRUST UK will only enter into tax planning that has genuine commercial substance.

Our culture and internal code of conduct rules does not permit aggressive tax planning in all aspects of the business including:

- In its own tax affairs;
- In products and services it offers to clients; and
- In the remuneration packages for employees including senior executives.

SuMi TRUST UK will comply with not only the letter of the tax law, but also ensure our interpretation is aligned with the intentions of the UK Parliament. Where there is uncertainty in interpretation or application of tax law, we will seek clarity from external tax advisors.

### **LEVEL OF ACCEPTABLE RISK**

SuMi TRUST UK Sub-Group uses a simple business model and does not involve itself in complex tax structures.

The SuMi TRUST UK recognises tax risk as one of the important management governance issues in its broader business risk management framework and will make decisions in relation to tax giving due regard to our reputation as a Trust Banking Group. For that reason, we are committed to conducting our affairs in a way that produce low tax risk. We will properly promote corporate activities with a view of appropriately controlling and managing our tax affairs.

As a result, it has a low risk appetite in relation to complex tax matters and manages its risks to ensure compliance with all legal requirements, ensuring that the right amount of tax is paid.

### **RELATIONSHIP BETWEEN SuMi TRUST UK SUB-GROUP AND HMRC**

We endeavour to have a transparent and constructive relationship with HMRC, based on mutual trust, mutual understanding and mutual cooperation. All the members of the SuMi Trust UK engages with HMRC with openness, honesty, and in the spirit of cooperative and proactive compliance.

Where the SuMi TRUST UK is in doubt whether the tax result of a proposed transaction is contrary to the intentions of Parliament, we will discuss its plan in advance with HMRC to ensure that the tax treatment is in line with the spirit of the law.

This strategy applies to the SuMi TRUST UK in accordance with paragraph 19(2) and paragraph 22 of Schedule 19 of the Finance Act 2016.