

United Kingdom Tax Strategy

The Group's UK tax affairs are managed in a manner that is consistent with Sumitomo Mitsui Financial Group's philosophy on corporate social responsibility.

Group Tax Principles

Tax Planning

The Group recognises its duty to shareholders to minimise business tax inefficiency, but also its social responsibility to pay all applicable taxes in the countries in which it does business. We will therefore pursue legitimate tax planning opportunities, but we will not engage in inappropriate tax avoidance strategies.

The Group considers tax planning strategies to be inappropriate if:

- They are not related to genuine commercial activities;
- They are intended to produce a tax result that is contrary to the intentions of relevant lawmakers – in this respect we aim to follow the spirit as well as the letter of the law; or
- They carry a significant risk of successful challenge or reputational damage.

Tax Compliance

The Group aims to achieve full tax compliance by making all required tax filings and disclosures on an accurate and timely basis, and to make all tax payments when due.

The Group adopts the arm's length principle in pricing all internal dealings to ensure compliance with international transfer pricing regulations.

The Group employs suitably qualified staff or engages reputable professional advisors to ensure that its tax policy objectives are met.

Avoidance and Evasion

The Group does not provide or promote products to customers which either have or are intended to produce tax results that are contrary to the intentions of law makers or which are likely to result in tax controversy when disclosed to relevant tax authorities.

The Group recognises its responsibility as a financial intermediary to prevent any form of tax evasion - we put controls in place that seek to identify and prevent facilitation of any such criminal activities and will report suspicious activity to the appropriate authorities.

Working with Tax Authorities

Group staff should adopt a proactive, open and transparent approach in all dealings with tax authorities.

UK Tax Risks

As part of a large multi-national organisation, UK Group entities are exposed to a variety of tax risks which can be categorised as follows:

Tax Compliance and Reporting Risks

The risk associated with compliance failures such as submission of late or inaccurate returns, the failure to submit claims and elections on time, and the failure of finance and operational systems to meet tax compliance and reporting requirements.

Transactional Tax Risks

The risk that transactions are executed or actions taken without appropriate consideration of the tax consequences, or where tax advice is not correctly implemented.

Reputational Risks

The risk that tax planning and governance arrangements fail to prevent tax outcomes that have a negative impact on our relationships with stakeholders, including shareholders, customers, tax authorities and the general public.

The Group Tax Principles and UK Tax Governance arrangements that are set out in this UK Tax Strategy are intended to mitigate each of these risks and are reviewed on a regular basis to ensure their effectiveness. The subjective nature of many tax rules makes it impossible to fully mitigate all tax risks. We do not set specific limits on acceptable tax risk, but seek to manage our affairs in a way that maximises long term shareholder value through a compliant, transparent and prudent approach to tax planning and risk management.

UK Tax Governance

The Group's UK operations are managed through four separate businesses; commercial banking, securities, leasing and information technology. Ultimate responsibility for UK tax strategy, the supporting governance framework and management of tax risks sits with the UK senior management of these businesses.

The UK senior management of each business have identified Senior Accounting Officers (SAOs) within their Finance functions to take responsibility for ensuring appropriate tax accounting arrangements are maintained to ensure timely and accurate tax compliance for all UK operating entities. SAOs are required to certify that they have met their responsibilities on an annual basis.

The Group is supported by a Tax function in London, staffed by qualified tax professionals. In addition to its oversight role, the Tax function provides tax advice to the Group, undertakes or assists with tax filings, manages relationships with HMRC and assists with various forms of tax and financial reporting. The Head of this Tax function also reports regularly into the formal SMBC BI and NCM Audit Committees that have been established as part of their wider governance framework.

External tax advisors are engaged where appropriate to assist with UK tax compliance matters and provide technical support on more complex tax matters. The Tax function supports all such activity.

All new products and material business transactions are subject to review by management to ensure that they are consistent with the Group Tax Principles and the Tax function is consulted on any sensitive or complex technical matters.

The Head of the Tax function in London works closely with tax resources in Tokyo to ensure UK and regional tax strategy and related policies are fully aligned with group objectives.

The Group has adopted the Code of Practice on Taxation for Banks – the Group's tax strategy, policies and governance arrangements are fully aligned with HMRC's related guidance.

Working with HMRC

Consistent with Group Tax Principles, the Group seeks to maintain a proactive, open and transparent relationship with HMRC. This takes the form of discussing material developments in our UK business, providing timely and accurate responses to all enquiries and, where appropriate, seeking advance clearances or entering into formal agreements in respect of material tax issues, for example through Advance Pricing Agreements.

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1. Sumitomo Mitsui Financial Group (SMFG) is the financial holding company which owns, inter alia, 100% of the issued and outstanding shares of Sumitomo Mitsui Banking Corporation, one of the largest commercial banks in Japan, and SMBC Nikko, one of the largest securities firms in Japan. This strategy has been adopted by the following UK entities that are 100% owned by SMFG: SMBC Bank International plc (SMBC BI), Sumitomo Mitsui Banking Corporation (London Branch), SMBC Nikko Capital Markets Ltd (NCM), SMBC Derivative Products Ltd, SMBC Leasing & Finance UK No.1 Limited, SMBC Leasing (UK) Limited, Mithras Leasing (No.1) Ltd, Mithras Leasing (No.3) Limited, Mithras Leasing (No. 4) Limited, Caledonian Rail Leasing Limited, SMBC Leasing and Finance, Inc (London Branch), Valley Rail Leasing No.1 Limited, Valley Rail Leasing No.2 Limited, Cambrian Rail Leasing No.1 Limited, Cambrian Rail Leasing No.2 Limited and JRI Europe Ltd (collectively referred to as 'Group' for the purposes of this UK Tax Strategy). The aforementioned companies regard the publication of this tax strategy as complying with the duty under paragraphs 20(2) or 22(2), as appropriate, of Schedule 19 FA 2016 to publish their sub-group or company tax strategy in the current financial year.