

## **Sumitomo Electric Wiring Systems (Europe) Limited**

### **Tax Strategy for the year ending 31 March 2024**

#### **Introduction:**

This document sets out the policy and approach that Sumitomo Electric Wiring Systems (Europe) Limited (“SEWS-E”) takes when conducting its tax affairs and dealing with tax risk. This document will be reviewed periodically by the SEWS-E Finance team, and if any significant changes become necessary a revised Tax Strategy will be prepared and subsequently approved by the SEWS-E Chief Financial Officer (“CFO”).

The UK members of the worldwide Sumitomo Electric Industries Group (“SEG”), including SEWS-E, follow the core principles outlined in the SEG Corporate and Tax Policies:

**Corporate Policy:** SEG entities shall contribute to the development of each nation and society through business activities, employment and paying tax.

**Tax Policy:** The top priority of SEG is to match its tax framework with business substance globally. Paying taxes is an important obligation. SEG companies do not pursue tax avoidance, and therefore will not accept unreasonable tax adjustments. SEG companies endeavour to eliminate the possibility of double taxation because double taxation decreases each company’s resources for reinvestment to contribute to society in the medium and long term. However, SEG companies will enter into co-operative dialogue with tax authorities to mitigate double taxation on disputed matters.

Both of the above policies are developed in strict accordance with the Sumitomo Spirit, which can be considered to be overarching guiding principles of SEG since the original conception of the predecessor founding company over 400 years ago. Key principles of the Sumitomo Spirit are to develop long-term trustful relationships, and not to pursue immoral business for short-term gain.

#### **Approach to tax risk management and governance**

SEWS-E is committed to acting with integrity and transparency in all tax matters. We endeavour to comply with all relevant laws, rules, regulations and disclosure requirements, wherever we operate. We make timely and accurate tax returns that reflect our fiscal obligations to HMRC.

Taxes fall within the ultimate responsibility of the CFO of SEWS-E. However, handling of day-to-day tax matters is delegated to the appropriate team members within the SEWS-E Finance and Human Resources departments, who hold a combination of accounting and tax qualifications and experience in their fields (together, the “Tax Function”).

Diligent professional care and judgement will be employed to assess tax risks, in order to arrive at well-reasoned conclusions on how the risks should be managed. Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisors to support the decision-making process.

In reviewing the risks of a tax action or decision, the following would be considered:

- The legal and fiduciary duties of directors and employees;
- The tax benefits and impact on the SEWS-E Group’s reported result, comparative to the potential financial costs involved, including the risk of penalties and interest;
- The wider consequences of potential disagreement with tax authorities, and any possible impact on relationships with them; and

- The maintenance of corporate reputation, having particular regard to the communities in the jurisdictions in which SEWS-E operates.

### **Attitude to tax planning**

SEWS-E does not engage in artificial tax planning arrangements designed purely to reduce its tax liabilities. SEWS-E's business structure, and its inter-company transactions, are aligned with its fundamental commercial purpose.

The SEWS-E Group operates in a number of territories across the EMEA region, employing more than 28,000 people, predominantly in labour intensive manufacture of wiring harness and electrical components ("Product"), which are ultimately sold to automotive Original Equipment Manufacturers ("OEMs").

The key factors determining the present organisational structure are therefore:

1. Cost of manufacturing, in particular the cost of directly employed labour and logistics costs (including customs duties); and
2. Proximity to end customers, to meet the just-in-time requirements of Tier 1 automotive OEMs

The overseas entities within the SEWS-E Group have been established as a result of non-tax driven commercial decisions, in particular to meet the needs of SEWS-E's major OEM customers to produce Product to the correct quantity, quality and cost, and to supply Product in a timely manner.

In line with the SEG tax policy above, the SEWS-E Group strives to align its profits (and therefore taxes) with the commercial substance present in each entity.

As commercial realities change over time, requiring an evolution in the supply chain or structure of the SEWS-E Group, SEWS-E understands that the Tax Function should be involved throughout from planning to implementation to avoid failure in implementation, documentation or maintenance. The prominence of the commercial needs will in no circumstances override compliance with all applicable laws. The Tax Function will therefore provide appropriate input as part of the approval process for business proposals to ensure a clear understanding of any potential tax consequences.

### **Level of risk that the company is prepared to accept**

SEWS-E has a low risk-appetite, and is committed to openness and transparency in its approach to dealings with tax authorities wherever it operates. Whilst there are no defined risk thresholds in place, appropriate consideration (as defined above) is given by the Tax Function on a transactional basis. Any issues with a potentially material impact on the tax risk profile of SEWS-E would be escalated to the CFO for consideration.

All dealings with tax authorities will be conducted in a co-operative, courteous and timely manner. SEWS-E's aim would be to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

SEWS-E is committed to ensuring the correct interpretation of all applicable laws, rules and regulations in meeting our tax compliance and reporting responsibilities in all jurisdictions in which we operate.

SEWS-E's overriding policy is to pay the appropriate level of tax in each jurisdiction according to the business substance and value creation contribution of each branch and legal entity, with particular regard to the respective functions undertaken, assets employed and risks borne.

SEWS-E believes that its transfer pricing policies and results are fair and equitable to all members of the SEWS-E group, and reflect a low-risk and reasonable interpretation of the latest version of the OECD Transfer Pricing Guidelines and supporting commentary made by participating states.

Therefore, SEWS-E will attempt to resolve challenges from tax authorities by engaging in a co-operative manner with the tax authority in order to articulate the basis of the transfer pricing policies and how these are derived directly from the commercial facts of SEWS-E's business.

#### **Relationship with HM Revenue and Customs ("HMRC")**

In line with the Tax Policy of SEG, the UK members of SEG (including SEWS-E) believe that a mutually beneficial relationship between the tax authority and the taxpayer is possible.

As such, SEG UK members strive to maintain and develop a strong, pro-active working relationship with HMRC. UK SEG members are transparent in their dealings with HMRC. SEWS-E aims to foster good relations with HMRC and to undertake all correspondence in a professional, courteous and timely manner.

SEWS-E is proud of its current "low-risk" rating issued by HMRC, and commits to:

- Undertake an annual testing programme to assess its tax processes and controls, as part of its responsibilities under Senior Accounting Officer ("SAO") legislation. To the extent that a material deficiency in its tax processes is identified, SEWS-E will take proactive steps to resolve the deficiency;
- Identify and communicate in real time with HMRC regarding matters of complexity that could give rise to different interpretations, in order to discuss and resolve the appropriate tax treatment; and
- Make fair, accurate and timely disclosure in correspondence and tax returns, and respond to queries and information requests in a timely fashion.

We consider that the publication of this statement complies with the duty set out in Paragraph 19(2) Schedule 19 Finance Act 2016.

Approved for publication by:

Katsuhide Takagi, SEWS-E CFO and SAO

Date: