

Tax Strategy

Introduction:

Daiwa SB Investments (UK) Limited (“DSBI” or “the firm”) is a private limited company incorporated in the United Kingdom. DSBI is primarily an investment management business, which is regulated by the UK Financial Conduct Authority (“FCA”). The company also provides investment research and marketing support services to its parent company (Sumitomo Mitsui DS Asset Management Company, Limited (SMDAM)); a company based in Tokyo, Japan.

This statement sets out the firm’s approach to conducting its tax affairs and dealing with tax risks. DSBI regards the publication of this tax strategy as complying with its duty under paragraph 16 (2) Schedule 19 of the Finance Act 2016 to publish their UK tax strategy.

DSBI is committed towards conducting its tax affairs consistently with the following principles:

- We aim to promote full tax compliance by ensuring all required tax filings are met, disclosures are made on an accurate and timely basis, and all tax payments are made as and when they fall due.
- We seek to maintain an open and transparent relationship with HMRC.
- We only undertake tax planning in the context of wider business activities having a commercial and economic basis.
- The firm recognises its responsibility as a financial intermediary to prevent any form of tax evasion.

Approach to risk management and governance:

Ultimate responsibility for the UK tax strategy, the supporting governance framework; and management of tax risks resides with the board of directors. Responsibility for delivering on the firm’s tax strategy and managing the firm’s tax affairs is delegated to the company’s tax function. As part of this role, the tax function provides tax advice to the firm, prepares all UK tax filings, manages relationships with HMRC and undertakes various forms of tax and financial reporting. This is all done under the close supervision of the firm’s senior management.

All new products and material business transactions are subject to review by senior management to ensure that they are consistent with the organisation’s tax principles, and the tax function is consulted over any sensitive or complex technical matters. External tax advice is sought where appropriate to assist with UK tax compliance matters and provide technical support in the context of complex tax matters.

The firm’s senior management and tax function regularly communicate with the tax department of the parent company (SMDAM) to ensure that the UK tax strategy and related policies are fully aligned with the objectives of the wider, worldwide group. As part of a wider multi-national organisation, DSBI is exposed to a variety of tax risks which can be broadly categorised as follows:

Tax Compliance and Reporting Risks - The risk associated with compliance failures, such as the 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 firm's tax principles and 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 they continue to be effective.

Tax Planning:

We are committed to full compliance with our tax obligations and paying the right amount of tax at the right time. We will not engage in inappropriate tax planning strategies to avoid such tax liabilities. DSBI considers tax planning strategies to be inappropriate if:

- They do not relate to genuine commercial activities.
- They 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.
- They pose a significant risk of challenge or reputational damage.

The Firm 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.

Tax risk appetite:

The firm has a low appetite towards tax risk. We do not participate in aggressive tax planning or complex structured arrangements designed to reduce our tax liability.

We acknowledge that the subjective nature and complexity of tax legislation makes it impossible to fully mitigate all tax risks. However, we still seek to manage our tax affairs in a manner that maximises long term shareholder value through a compliant, transparent and prudent approach to tax risk management.

Relationship with HMRC:

Consistent with the firm's tax principles, DSBI seeks to maintain an open and transparent relationship with HMRC. This takes the form of providing timely and accurate responses to all enquiries and, where appropriate, seeking advance clearances or entering into formal agreements in respect of significant tax issues.