

# Tax Strategy

## Introduction to the tax strategy

The operations of JFE Steel Europe Limited ("JFESE") are relatively small, and straightforward in nature. JFESE's principal activity is to provide a liaison service with customers in the European area on behalf of our parent company, JFE Steel Corporation ("JFES"). JFES is a subsidiary undertaking of the ultimate parent company, JFE Holdings ("JFE"), incorporated in Japan and the head of the group (the "Group").

Our overall vision for tax is to uphold our ethical values and manage taxes with transparency and in a compliant way, ensuring we fulfil our legal and regulatory obligations. Abiding by this vision supports JFESE in meeting our commitment to contribute to society with steel by building long-term, mutually beneficial relationships with customers and achieving our business objective of the enhancement of sustainable growth and medium to long-term corporate value.

The tax strategy and objectives set out below build upon our ethical values which determine the way we conduct ourselves in our daily operations.

## Tax Strategy statement

**Approach to tax risk management and governance:** The effective management of tax risk ensures that we comply with all relevant tax laws and regulations, and operate in accordance with our ethical values. Such ethical values are communicated to JFESE in form of a "Compliance Guidebook" (the "Guidebook") which is shared by JFES, addressing the Corporate Vision and Corporate Values established by JFE as a Group, that all JFESE executives and employees are to faithfully adhere to. Meetings between JFESE's tax staff and other business divisions are held as needed, in order to communicate tax issues that may have effect on business operations, as well as identify and capture any latent tax risks. External advisers fill in the gaps for the limited tax roles, playing a significant role to ensure that key tax risks and issues arising from business transactions and operations in the UK are dealt in accordance with all applicable laws and ordinances by applying diligent professional care and judgement. Any irregular or material issues are escalated as appropriate to our Head Office Tax Team in Japan for consultation and approval. We ensure that we are compliant with our tax filing and reporting obligations in the UK through ongoing engagement with, and support from, external advisers.

**Attitude towards tax planning:** JFESE endeavors to compete fairly and freely, refrain from illegal business activities, promote sound business practices, and be faithful and sincere in all activities and dealings upon acting in the best interests of our stakeholders. Thus, all business transactions are undertaken in accordance with our ethical values and JFESE's business objectives, with the primary focus to comply with all applicable laws and ordinances. We make use of legislated tax incentives and exemptions approved by external advisers to support the long-term development of our company, but do not participate in any aggressive tax planning, or transactions which do not have a commercial purpose as their primary driver. Furthermore, in line with our ethical values, we are committed to acting in line with both the letter and spirit of the law.

**Level of risk in relation to taxation that we are prepared to accept:** In relation to our UK tax affairs, JFESE's appetite for tax risk is low and we only structure our affairs based on sound commercial principles and in accordance to our ethical values and relevant tax legislation. Aggressive tax planning is not proactively considered and we do not engage in any operations that would compromise our ethical values, business objectives, JFESE's reputation and the reputation of our wider stakeholders.

**Approach towards dealings with HMRC:** We seek to maintain an open and transparent relationship with HMRC based on regular and open communication, fair negotiations, timely completion of its reporting obligations and payment of any taxes due. In situations where tax law is unclear, we will seek relevant advice from external tax advisers, and discuss any issues upfront with HMRC. Should any disputes arise, we will maintain our honest and constructive manner with a view to achieving early agreement and resolution.

**Our published UK tax strategy, which has been approved by the Board, satisfies Schedule 19 of the UK Finance Act 2016, in respect of our financial year ending December 2018.**