



Introduction - Publication of UK Tax Strategy

This document is published by Axpo UK Limited to meet its requirements under paragraph 22(2) of Schedule 19, Finance Act 2016. Axpo UK Limited is a 'qualifying company' under this legislation, and is therefore required to provide information concerning the group's tax strategy before the end of the current financial year. In the case of Axpo UK Limited, the required filing date is 30 September 2017.

Axpo Group Tax Strategy

1. The Axpo Group

The Axpo Group is a Swiss-based enterprise in the energy sector. Our business vision is as follows:

We want to be reliable

We stand for security, quality and sustainability. We therefore anchor ourselves locally throughout Europe and also in the US.

We want to be sustainable

Our actions as a business are determined in accordance with our ecological, social and economic objectives. We treat people and the environment with respect. Our long-term profitability gives us the freedom to act sustainably and makes us competitive.

We want to be innovative

The ongoing search for solutions that meet the energy requirements of our customers determines our thoughts and actions, including the products and services we develop.

2. Our tax strategy

The business vision outlined above also impacts the manner in which we address tax-related matters. The Axpo Group is a responsible taxpayer. We aim for our tax affairs to be sustainable, well-governed and transparent. It is also important to highlight that the Swiss government is a significant shareholder in the Group and does not advocate aggressive tax strategies.

2.1 **Risk Management and Governance in Relation to Taxation**

As a responsible taxpayer, we take due care in managing our tax affairs and pursue transparent tax management. Managing tax-related matters properly is a key component of a sustainable business. Our tax risks are monitored, managed and reduced through setting clear internal operational guidelines and having clear, defined lines of responsibility. The key elements of this process include the following:

- The Group Tax Director has produced specific guidelines that apply to corporation tax, indirect tax and transfer pricing;
- The responsibility to implement these guidelines sits with the CFO in each country;
- When there is doubt as to the implementation of the guidelines, the local CFO is required to elevate the matter to the Group Tax department.

These guidelines have been reviewed and approved by the management board of Axpo UK.

Tax law can sometimes be inherently subjective in nature. As a result, it is often impossible to mitigate all known tax risks. Where we are unclear on an area of law or regulation, we seek advice from external tax advisors.

Our tax team has established good relationships, and works in partnership, with our local senior management teams across all business functions, provides ongoing support on all tax-related matters, and assists with ad-hoc queries.

We are committed to complying with all applicable tax laws and regulations in the countries in which we operate as well as international standards, such as the OECD transfer pricing guidelines. Profits should be allocated to the country in which the business value is created. Consequently, taxes are driven by the value chain of the business activities. When calculating transfer prices, we strictly follow the arm's length principle.

We seek to comply with all our tax filing and reporting obligations, ensuring they are prepared in conformity with the appropriate domestic laws and regulations, reporting requirements and generally accepted standards. We ensure prompt payment of taxes. In summary, we manage tax risks to such an extent that material risks are minimized and key risk areas are monitored.

2.2 **Attitude Towards Tax Planning**

Our operational guidelines require that we comply with the tax rules in every country in which we do business. Commercial decisions are made in line with Axpo Group's overall strategy and vision, and our tax team works to support our business objectives. We aim, wherever possible, to establish a similar overall tax struc-

ture for similar business activities wherever we operate. Occasionally it may not be possible to follow this principle as a result of local requirements and/or specific business needs.

There are a number of reasons why tax planning is not a priority for the Group:

- We operate in countries where the tax rates are broadly aligned, hence there would be no particular benefit derived from profit shifting between countries.
- Tax planning is not central to our Group strategy outlined above.

In summary, the Group's attitude is that it does not engage in tax planning, consistent with the strategy outlined above.

2.3 Levels of Risk that the Group is Prepared to Accept

We manage our tax risks in all countries in which we operate. Our tolerance for tax risk is defined by the operational guidelines that the country CFOs are required to follow. Tax legislation and guidance are subject to interpretation in many cases, so it is inevitable that there will be some risk associated with the tax function. However, the Group's attitude to tax risk is to avoid planning strategies that knowingly increase the level of risk above the minimal level that the Group considers to be inherent in the ordinary course of business and is therefore unavoidable.

2.4 Relationship with Tax Authorities

All interactions with tax authorities are handled in a proactive and transparent manner. Any enquiries from official bodies of local tax authorities are dealt with timely and professionally. We make reasonable efforts to provide and explain tax relevant facts and circumstances in the event that information is not directly available.

We aim to establish and maintain relationships with all relevant tax authorities and, where appropriate, to engage in discussions with the intention of achieving transparency and either prevent or resolve controversy. For example, in cases where we see sustained transfer pricing risk, we may seek an Advance Pricing Agreement between the relevant tax authorities.