



# Axpo

## Group Tax Strategy

*Version October 2023*

## 1. Purpose and Scope

The Axpo Group Tax Strategy document ("**Tax Strategy**") presents the strategic approach to tax, which shall be followed by Axpo Holding AG and its fully consolidated entities<sup>1</sup> (collectively, "**Axpo**" or the "**Axpo Group**").

This Tax Strategy forms an integral part of Axpo's Tax Governance Framework, endorsed by the Board of Directors ("**BoD**"). The Tax Strategy shall be periodically reviewed by the Axpo Group Head of Tax ("**Head of Tax**"). Any changes impacting the substance of the Tax Strategy shall be approved by the Group CFO.

Adherence to this Tax Strategy is mandatory and applies to all Axpo Group entities and their employees, as well as other persons involved in managing affairs with possible tax impact in Axpo Group. The Group CFO together with the Head of Tax shall be accountable for implementation and compliance with the Tax Strategy. Breach of the aim or letter of this Tax Strategy shall be reported to the Head of Tax.

This Tax Strategy applies to direct and indirect tax matters within Axpo Group including, among others, corporate taxes on taxable profits (including transfer pricing matters), capital taxes, stamp duties, withholding taxes applicable on intercompany payments such as e.g. dividends, interests, royalties and services, value added taxes, sales taxes, goods and services taxes and international tax filings.

The presented list of taxes is not exhaustive, therefore, in case of new types of taxes or doubts whether this Tax Strategy applies or not, the Head of Tax should be consulted.

Axpo Group considers this Tax Strategy for its UK tax resident companies as meeting requirements under paragraph 19 of Schedule 19, Finance Act 2016 for the financial year ending on 30. September 2023.

## 2. Axpo's Approach to Tax

Axpo's business vision is to ensure a sustainable future through innovative energy solutions ("**Business Vision**"). Axpo believes that by aligning in daily work with this purpose, it creates value for the society and the economy, as well as for customers, employees and shareholders. For this reason, Axpo is committed to sustainability, reliability and innovation taking responsibility for meeting the high expectations of all stakeholders.

To realise the above Business Vision in the area of tax, the Axpo Holding AG Board of Directors ("**BoD**") has defined ambitions and set out expectations for group-wide tax management ("**Tax Vision**"). In this respect, the Axpo Tax Vision is to create long-term, sustainable added value for its stakeholders, by supporting business endeavours and entrepreneurial culture, while managing taxes in compliance with all applicable tax laws and regulations in the countries, in which Axpo operates.

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<sup>1</sup> For the purpose of this document, entities are understood as legal entities, branches, offices and representation offices through which Axpo operates.

Axpo Group adopts and executes the Tax Strategy that includes a defined approach to:

- Tax Compliance
- Tax Risk Management
- Business Partnering
- Tax Organisation

The mandate to execute the Tax Strategy lies with the Corporate Function Tax ("**Tax Function**"). To fulfil its mandate, the Tax Function is supported by other Corporate Functions and the Business.

## 2.1 Tax Compliance

Axpo aspires to create long-term, sustainable added value for its shareholders. Besides, Axpo understands that through the payment of taxes the Group contributes to the economic development of the countries in which it operates. Nevertheless, being a cost, taxes need to be managed to preserve Axpo's competitiveness in the markets in which it operates. Axpo implements principles of tax planning that comply with applicable tax legislation and practice and reduces uncertainties, as far as possible.

In this respect, any structuring of commercial activities needs to be performed in compliance with the Axpo Group regulatory landscape (including the Code of Conduct) and the letter as well as the spirit of the applicable tax laws. For this reason, Axpo shall not engage in any aggressive or artificial tax planning schemes that do not reflect the economic substance.

Furthermore, Axpo strives to apply a "good corporate citizenship" principle, understanding it as a commitment to fulfil its tax obligations in a responsible and sustainable manner.

In this context, Axpo is committed to:

- comply with all applicable tax laws and regulations taking into account both the spirit and the letter of the law in the countries in which Axpo operates;
- not transfer value created to or use otherwise low or nil tax jurisdictions for tax avoidance purposes;<sup>2</sup>
- not to use tax structures without commercial substance;
- comply on a timely and accurate manner with all tax filing and payment requirements (e.g. filing of tax returns, claims, elections etc.), following the relevant domestic regulations as well as the applicable local and international reporting requirements and standards;
- comply with internal and external tax transparency and reporting obligations as well as the proper application of prescribed and generally accepted accounting principles;
- undertake intragroup transactions following the OECD Transfer Pricing Guidelines and the arm's length principle reflecting the commercial substance,

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<sup>2</sup> Low or Nil tax jurisdictions (also referred to as "tax havens") are defined following reference to international standards (e.g. EU or OECD lists) plus other jurisdictions Axpo Group considers having such regimes. Axpo Group is not present in any of these jurisdictions.

- functions performed and risks assumed by the parties to a transaction and the respective tax and transfer pricing compliance obligations;
- maintain and document a Transfer Pricing Framework (including Country-by-Country Reporting as well as Master File and Local Files as required) that follows the arm's length principle whenever required and prevent tax base erosion and profit shifting through group-internal transactions.

In case of uncertainties as to the understanding or the application of the tax law or a need of obtaining external view, Axpo may appoint qualified external advisors to provide an opinion on tax matters.

Regarding relations with tax authorities, Axpo Group shall aspire to build and maintain excellent and if possible proactive and transparent relationships with the tax authorities in all jurisdictions where Axpo is subject to taxation. In this respect, Axpo may initiate proactive discussions with tax authorities (e.g. advance pricing agreements, rulings, etc.). During a tax audit, the Head of Tax or any other personnel instructed to lead such tax audit are expected to be transparent and prompt in replying to inquiries from tax authorities. The Axpo Group expectation is to work closely with tax authorities to find an acceptable settlement solution.

Axpo acknowledges increasing importance and potential opportunities of public advocacy, including publication of certain disclosures in the area of tax. In this respect, Axpo engages into regular internal discussions in order to ensure that those matters are adequately assessed in the best interest of Axpo and its stakeholders. Furthermore, the Tax Function shall be responsible for monitoring the global and local proposed and enacted tax developments (e.g. OECD BEPS 2.0, EU specific initiatives, US tax reform, etc.) as well as collaborating with public affairs and participating in business associations to anticipate tax legislative changes that may impact Axpo.

## **2.2 Tax Risk Management**

Axpo Group operates a tax risk management system that complies with applicable tax legislation and practice and strives to reduce uncertainties, as far as possible. In this regard, a risk-based approach is only acceptable in case of uncertainties still remaining after a diligent analysis with regard to the correct application of the law and where such uncertainty cannot be reasonably mitigated otherwise.

Axpo maintains a risk management and control framework that assures tax risks are prevented in the first place and in case of uncertainties such tax risks are actively managed.

The Tax Function is accountable for the risk management and control framework. In this respect, the Tax Function must be promptly informed about all new business initiatives, new contracts or remote working arrangements by the relevant Business Units or Functions before any arrangement is implemented. It is important to note, that an effective management of tax risks necessarily require that multiple layers of tax risk controls be put in place. Therefore, the initial obligation to manage tax risks lies with the Local Tax Teams, whereas the Group Tax Function shall have the supervisory role.

Further, for the identified tax risks Axpo has a reporting cycle in place. This affects matters where tax cases have a material impact on the reputational nature or on the financial statements of Axpo Group. Such tax cases are reported to the appropriate

Governance Bodies, including the BoD, who are further accountable for taking decisions on mitigation actions.

### **2.3 Business Partnering**

Within the scope of its mandate and within the framework provided by applicable tax laws and regulations, the Tax Function strives to support all Business Units in their endeavours to achieve their business targets. Therefore, in order to fulfil its mandate, the Tax Function needs to act and to be acknowledged as Business Partner for all stakeholders in all Business Units and locations.

In this respect, the processes that lead to relevant business structuring must assure that all tax aspects are considered in the respective decision process in an appropriate way. For this purpose, the Tax Function has to be involved in such processes in a timely manner. Axpo strives to enhance business insight capabilities by encouraging the engagement of broader teams in business partnering opportunities. By doing so, Axpo implements various initiatives (e.g. training, guidance etc.) that support developing an understanding and wide application of this Tax Strategy within the Axpo Group.

### **2.4 Tax Organisation**

Axpo Group acknowledges the importance of developing an agile tax function. In order to achieve this ambitious goal, Axpo Group strives to attract, retain and develop adequately skilled and trained tax workforce that performs its tasks effectively and efficiently.

Furthermore, Axpo admits the growing importance of digitalisation. Therefore, Axpo strives to streamline processes within the Tax Function through automation, common data platforms and integrated systems and documented actions taken to implement them.

Axpo believes that running an agile tax function is a team effort to which different functions must collaborate in a structured way to achieve the ambitious targets. In this respect, Axpo maintains a tax service operating model in order to ensure that a clear allocation of roles and responsibilities is defined to allow that the management of Axpo tax matters is compliant with all applicable tax laws and regulations. The mandate to manage tax affairs in Axpo lies with the Tax Function.

Further, the Tax Function comprises of the Group Tax Function ("**GTF**") and the Local Tax Teams ("**LTT**") and is supervised by the Head of Tax.

In this regard, the Group CFO together with the Head of Tax are accountable for the implementation and compliance with the Tax Strategy. The Head of Tax is therefore also responsible for ensuring that a governance framework, including an effective and efficient tax service operating model, is properly implemented.

The GTF is led by the Head of Tax and is mandated to centrally manage tax affairs within the Group. Furthermore, the GTF is responsible for directly managing the tax affairs of all Axpo-branded entities located in Switzerland.

The LTT are led by local CFOs/Heads of finance and are responsible to manage local tax affairs under the supervision and governance of the GTF (apart from all Axpo-branded entities located in Switzerland, which are managed by the GTF).