

## PEPCO GROUP UK TAX STRATEGY

(applicable to Pepco Group N.V. and its UK tax-resident subsidiaries)

This UK tax strategy applies to Pepco Group N.V. and its UK tax-resident subsidiaries including Pepco Group Limited (the **Company**) (together, the **UK Sub-Group, we, us or our**), and was approved by the Board of Directors of the Company (the **Board**) on 28 July 2022. This UK tax strategy applies from the date of publication until it is superseded. The Company as the head of the UK Sub-Group regards this publication as complying with the duties of the UK Sub-Group under paragraphs 19(2) and 16(2) of Schedule 19 to the Finance Act 2016 (the **Schedule**) in respect of the financial year ended 30 September 2022.

References to “UK taxation” are to the taxes and duties set out in paragraph 15(1) of the Schedule which include income tax, corporation tax, amounts for which any member of the UK Sub-Group is liable under PAYE regulations, national insurance contributions and value added tax. References to “tax”, “taxes”, or “taxation” are to UK taxation and to any similar worldwide taxes in respect of which any member of the UK Sub-Group has legal responsibilities.

### Commitment to UK compliance

We understand that the UK taxes we pay to the Government are an important source of revenue in providing a stable infrastructure, social fabric, and economic environment, for UK citizens who are also our colleagues and customers. We believe this sits comfortably alongside our business purpose which is to create value on a sustainable basis. In this context, we will organise our commercial activities in a tax efficient manner, whilst ensuring compliance with all UK tax law and UK practice. In doing so, we take into account the interest of all our stakeholders and ensure effective interaction with HM Revenue & Customs (**HMRC**) and transparency in relation to our UK tax affairs.

Compliance for us means paying the right and fair amount of UK tax at the right time in accordance with the letter and spirit of UK law. We disclose all relevant facts and circumstances to HMRC and claim reliefs and incentives where available and operating in line with the commitments of this strategy.

### Governance in relation to UK taxation

Ultimate responsibility for the UK Sub-Group’s tax strategy and compliance in respect of UK taxation is vested in the Board. The Board has approved this tax strategy.

The Board is required to monitor the integrity of the UK Sub-Group’s financial reporting system, internal controls and risk management framework, including those elements related to UK taxation.

Executive management of the UK Sub-Group’s tax strategy in respect of each relevant member of the UK Sub-Group is delegated by the Board to the Chief Financial Officer (**CFO**) of the relevant member of the UK Sub-Group, who has executive responsibility for tax matters, and is the designated Senior Accounting Officer (**SAO**), in respect of that UK Sub-Group member.

Day to day management of the tax affairs of each relevant member of the UK Sub-Group is delegated to appropriately qualified individuals within the UK Sub-Group's operating and holding companies, who each have a reporting relationship to the relevant UK Sub-Group member's CFO.

The Board ensures that the UK Sub-Group's tax strategy is one of the factors considered in all material investments and significant business decisions taken.

### **Approach to risk management in relation to UK taxation**

The UK Sub-Group operates a system of UK tax risk assessment and controls as a component of the overall internal control framework applicable to the UK Sub-Group's financial reporting system.

The UK Sub-Group seeks to reduce the level of UK tax risk arising from its UK operations as far as is reasonably practicable by ensuring that reasonable care is applied in relation to all processes which could materially affect its compliance with its tax obligations.

Processes relating to different UK taxes are allocated to appropriate process owners, who carry out a review of the UK activities and processes to identify key risks and mitigating controls in place. These key risks are monitored for business and UK legislative changes which may impact them and changes to processes or controls are made when required.

Appropriate training is undertaken by staff who manage, or process, matters which have tax implications.

Advice is sought from leading external professional advisors where considered appropriate, given the complex and dynamic nature of UK tax law.

### **Attitude towards tax planning**

The UK Sub-Group monitors UK risks to ensure compliance with UK legal requirements in a manner which ensures payment of the right amount of UK tax.

When entering into commercial transactions, the UK Sub-Group seeks to utilise available UK tax incentives, reliefs and exemptions in line with, and in the spirit of, the applicable tax legislation. We conduct transactions between group companies on an arm's length basis.

The UK Sub-Group does not undertake UK tax planning unrelated to commercial or strategic transactions. Any UK tax planning undertaken must:

- support genuine commercial and economic activity;
- be structured in a way such that the tax results of the relevant activity are not inconsistent with the underlying economic consequences of that activity;
- comply with generally accepted custom and practice, in addition to the law;
- be of a type that HMRC would expect;
- be consistent with, and be seen to be consistent with, the UK Sub-Group's purpose and values; and
- have regard to the potential impact on our reputation and broader goals.

The UK Sub-Group will not undertake UK planning that is contrived or artificial. Where necessary, the UK Sub-Group will engage external advisors to help us manage our tax position where there is significant uncertainty or complexity relating to a particular issue.

## **Level of tax risk in relation to UK taxation accepted**

The international environment in which we operate brings an inherent element of tax risk.

In relation to UK taxes we are tax risk averse, and our UK tax planning strategy is not aggressive. The level of risk which the UK Sub-Group accepts is consistent with its overall objective of achieving certainty in the UK Sub-Group's tax affairs. At all times the UK Sub-Group seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. In relation to any specific issue or transaction, the Board is ultimately responsible for identifying the risks (including tax risks) which need to be addressed, and for determining what actions should be taken to manage those risks, having regard to materiality of the amounts and obligations in question.

## **Relationship with HMRC**

The UK Sub-Group seeks to foster good relationships with HMRC and to undertake all such dealings with HMRC in a professional, courteous, and timely manner. We seek to be clear and proactive in all our interactions with HMRC.

The Company, and other relevant members of the UK Sub-Group, have regular meetings and ad-hoc discussions with our Customer Compliance Manager in respect of developments in the UK Sub-Group's business, current, future and retrospective tax risks, and interpretation of the law in relation to all relevant UK taxes.

The UK Sub-Group ensures that HMRC is kept aware of significant transactions and changes in the business and seeks to discuss with HMRC at an early stage any UK taxation issues arising in respect of those transactions or changes. When submitting tax computations and returns to HMRC, the UK Sub-Group discloses to HMRC all relevant facts and identifies any transactions or issues where it considers that there is potential for the tax treatment to be uncertain. Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.