

# Group Tax Strategy

For the Financial Year ending 31 December 2019

## Our governance arrangements

Our tax strategy<sup>1</sup> is governed by the Drax Group plc (the “Group”) **Board**. The responsibility for implementing it rests with our Group Head of Tax who reports to the **Chief Financial Officer**. The Group CFO reports regularly to the Board and **Audit Committee** on such matters, or on an ad hoc basis if the need arises. That strategy is applied consistently to **all companies within Drax Group**.

The strategy is supported by internal control frameworks which govern the operations of Drax Group, and are subject to regular reviews by the Group’s internal audit function. Such control frameworks and systems also underpin our compliance with the **UK Senior Accounting Officer legislation**.

Day to day oversight and responsibility for the management of the Group’s tax affairs and compliance with that tax strategy is delegated to the Group Head of Tax, who reports to the Audit Committee through the year on key aspects of compliance. The Group is liable to a range of taxes principally in the UK, including corporation taxes, VAT, payroll costs, climate change levy and landfill tax. To meet our compliance obligations, the Group Head of Tax is supported by in-house tax and accounting professionals within our corporate function and business unit teams.

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- <sup>1</sup> Our tax strategy is published and made available on our website in accordance with Schedule 19 of Finance Act 2016.
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## Our approach to tax planning and tax risk

The Group understands that tax is inherent in every commercial transaction so our tax team are involved in all significant business activities and developments, so that enables us to fully assess any potential tax consequences of our actions.

Our approach to tax will only seek to utilise the reliefs and incentives that exist within the territories that we operate, and are available to us in accordance with our commercial strategy and activities.

As a responsible tax payer, we expect our suppliers to act responsibly too, and as part of our supply chain code of conduct, we ask that our suppliers observe similar principles set out in the [UK Government's Procurement Contract guidelines](#).

All subsidiaries of the group are subject to tax in their place of residence and where economic allegiance is created, ensuring that tax is paid in the places where resources are utilised.

At 31 December 2018 we have a subsidiary undertaking which is incorporated in a low tax jurisdiction but is dormant and in any event is resident in the UK for tax purposes and would therefore pay UK tax on any profits arising.

## The level of tax risk the Group prepared to accept

We take a responsible approach to managing our tax affairs and we will always comply with applicable tax laws and regulations in the countries in which we operate.

Our approach to tax risk follows the same principles that apply to all other business risks. Maintaining our reputation with stakeholders and our upholding high corporate social responsibilities have always been important to us and are key considerations in assessing risk. In keeping with **our values** we will always seek to do the right thing in maintaining that position. That assessment will inevitably also take into account the materiality of any item, but we do not set defined limits on what is acceptable/non acceptable risk.

Instead, if we identify a material tax uncertainty, we will seek appropriate and proportionate external advice from reputable professional firms, and/or if the channel exists, we will engage with respective tax authorities to resolve that uncertainty.

Our tax filings/tax positions will only be led by commercial activities, and where judgement is required to include tax sensitive items in a tax return, we will only include them where we reasonably believe that, on balance, the treatment of the item is in accord with tax law. This includes our internal tax specialists giving the matter due consideration and where appropriate the assessment of case law, published intentions of the law setters, third party advisor opinion and tax

authority guidance. It will also consider the potential impact on our ongoing relationship with the tax authorities.

## Our approach to dealings with HMRC

We actively seek open dialogue with HM Revenue & Customs in pursuit of a professional and constructive 'no surprises' working relationship. As part of that relationship, HMRC risk assesses Drax as Low Risk. This assessment reflects our complexity and size, but also our openness and cooperation and our ability to deliver the right tax at the right time through processes, systems and skills. We meet regularly with HMRC as we see the value in working with tax authorities so they better understand developments in our business. It also provides the opportunity to share information about tax matters impacting our business and to agree tax positions collaboratively and where possible on a real-time basis.

***Approved by the Drax Group Plc Board of Directors on 27 November 2018***