

ESB Group Tax Policy

Introduction

ESB's Board and management considers tax as an important element of its corporate responsibility. The taxes we pay are an important part of our contribution to local economies and support the development of the countries in which we operate. ESB aims in all cases to be a responsible and transparent taxpayer with sustainable and defensible tax arrangements.

Ownership and Corporate Governance

The commitment to sustainable tax arrangements is reflective of ESB's ownership, the regulatory environment and the legal jurisdictions in which it operates; mainly the Republic of Ireland (RoI), Northern Ireland and Great Britain.

As a majority State owned body, ESB operates under the Irish Code of Practice for the Governance of State Bodies. The Code of Practice stipulates that "State bodies should be exemplary in their compliance with taxation laws and should ensure that all tax liabilities are paid on or before the relevant due dates."

Whilst ESB is not listed in the United Kingdom (UK), the Group conforms, as far as possible and on a voluntary basis, to the UK Corporate Governance Code.

Tax Strategy

ESB's tax strategy is based on a number of key principles:

- Being a responsible and transparent taxpayer is part of the trust and reputation built with our customers and communities. We commit to remain consistent with these values in pursuit of the ESB's strategy to 'create a Brighter Future for the customers and communities we serve, by leading the transition to reliable, affordable, low-carbon energy'.
- Our commitment to comply with relevant tax laws and international regulations goes beyond legal compliance:
 - Our way of working conforms with ESB's Code of Business Conduct;
 - We expect profits to be taxed in the jurisdiction where economic activities generating the profits are performed and where value is created.
- We pursue an open and constructive dialogue with tax authorities that is based on respect, transparency and trust. We are part of the Irish Revenue Commissioner's Co-operative Compliance Framework and the UK's HMRC Business Risk Review Framework.
- We have a zero tolerance approach to tax evasion or facilitation of tax evasion by third parties.

ESB's Tax Function

ESB has a dedicated tax function which sits within the Group's Corporate Centre and is headed by the ESB Group Tax Manager.

The tax function is comprised of qualified and experienced Tax and Accounting professionals and is responsible for

- Managing ROI and UK Corporation Tax compliance and reporting
- Providing tax advice to the Business Units
- Managing relationships with the Revenue Commissioners and HM Revenue & Customs (HMRC)

- Ensuring that ESB International engages appropriate local tax advisors to advise on non ROI and UK business and manage their local tax reporting requirements
- Communicating and implementing the Tax Control Framework

Tax Governance and Transparency

ESB in common with other companies of its size faces tax compliance risk in its normal business operations.

To ensure a robust and consistent approach to mitigation of these tax risks, ESB aims to make compliance requirements an integral part of its business processes.

Tax risks are identified under ESB's Tax Control Framework, both at a strategic and operational level. The Tax Control Framework supports tax risk management and ensures adherence to our Tax Policy, requiring documented policies and procedures across all our business units.

The framework requires each Business Unit to have appropriate controls in place for all tax risks and that the responsibilities for these controls are clearly defined. Each Business Unit performs key control testing and provides evidence based sign off in accordance with ESB's internal control framework.

In line with global tax developments promoting fairer and more sustainable practices, ESB as a multinational business is subject to increased filing, reporting and governance requirements:

- ESB has documented its transfer pricing policies under arm's length principles between its subsidiaries in line with OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations of 10th July 2017;
- ESB files an annual Country by Country Report with the Irish Revenue Commissioners which provides financial and tax details on its operations on a country by country basis;
- ESB monitors and reviews business transactions for reportable cross border tax arrangements under the EU mandatory disclosure regime, Council Directive (EU) 2018/822 "DAC 6".

Attitude to Tax Planning

In accordance with the Group Risk Appetite Statement approved by the Board, ESB has a low risk appetite for activities that will compromise the ethics, values or compliance of the organisation. In this regard a conservative attitude to tax planning is therefore appropriate. Commercial transactions are structured to claim a tax relief or benefit, if available. The Group does not engage in tax avoidance arrangements or aggressive tax planning involving transactions where the main purpose is the avoidance of tax.

External Tax Advisors

External tax advice is sought where ESB requires additional expertise in executing commercial transactions of high complexity or material scale to the Group.

Dealings with Tax Authorities

ESB's tax affairs are dealt with in Ireland and the UK by the Revenue Commissioners' Large Cases Division and HMRC's Large Business Unit, respectively. ESB deals in an open and transparent way with each tax authority. This is achieved by regular meetings, business updates and responding to queries promptly. This enables ESB bring significant transactions to the attention of the relevant tax authority in advance where uncertainty of tax treatment exists.

This ESB Group Tax Policy is reviewed annually by ESB's Group Tax function and is subject to Finance and Investment Committee approval every 2 years.