



Energy for
generations

ESB Group

TAX STRATEGY

Approved: July 2023

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ESB Group Tax Strategy

1. 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 the achievement of sustainability objectives, the economy and supports 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 in line with our core values.

2. Tax Strategy – Key Principles

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 ESB's strategy "*Driven to Make a Difference: Achieving Net Zero by 2040*" which sets out a clear pathway to achieve Net Zero in a way that supports our customers and ensures ESB's continued growth and ability to invest
- A commitment to sustainable tax arrangements reflective of ESB's ownership, the regulatory environment and the legal jurisdictions in which it operates.
- 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 Ethics;
 - 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 have a zero-tolerance approach to tax evasion or facilitation of tax evasion by third parties.

3. Tax Governance in ESB

The Code of Practice for the Governance of State Bodies 2016 (the "Code") provides a framework for the application of best practice in corporate governance by ESB and other State bodies. The ESB Group Tax team has developed a Tax Control Framework and overseen the implementation of a robust process across ESB to ensure compliance with the Code and a report on such compliance is made annually to ESB's Audit & Risk Committee.

While the Board has overall responsibility for the ESB's tax governance, responsibility for supporting the Board's oversight and governance of ESB tax affairs has been assigned to the Audit & Risk Committee.

Ongoing tax compliance is monitored by the ESB Group Tax Manager, who ultimately reports to the Executive Director, Group Finance & Commercial and on an annual basis meets with Audit & Risk Committee on the operation of the Tax Control Framework. ESB's Tax Control

Framework is the set of processes and internal control procedures that support the tax function in managing tax compliance by ensuring tax risks are known and controlled.

4. Tax Risk Management

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 Strategy, requiring documented policies and procedures across all our business units.

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.

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.

5. 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; and
- Development of and monitoring the Tax Control Framework.

6. Transfer Pricing

Intra group arrangements between ESB legal entities are conducted on an arm's length basis and the relevant Transfer Pricing analysis are documented in line with legislative requirements and OECD Transfer Pricing Guidelines.

7. 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.

8. 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.

9. 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 are part of the Irish Revenue Commissioner's Co-operative Compliance Framework and the UK's HMRC Business Risk Review Framework 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.

10. Transparency

ESB publishes its Tax Strategy, so stakeholders are familiar with how ESB manages its tax obligations. ESB complies with international tax transparency measures including filing an annual Country by Country ("CbyC") report and has a system of monitoring cross border arrangements under the EU DAC 6 Mandatory disclosure regime.

In addition to these disclosures ESB publishes in its Annual Report and Financial Statements ESB's Total Tax Contribution in Ireland and the UK, distinguishing between taxes borne and taxes collected on behalf of the exchequer.

11. Review of Tax Strategy

This ESB Group Tax Policy¹ is reviewed annually by ESB's Group Tax function and is subject to Audit & Risk Committee annual review and approval.

¹ ESB considers this document satisfying the requirements under s.161 and Sch.19, Part 2 of the Finance Act 2016 (UK) for the accounting period 31 December 2023.