

# Vattenfall Tax Policy

Approved by Vattenfall Board of Directors, 17th of December 2019

*Vattenfall regards the publication of this document as compliance with the duty imposed under UK tax law within paragraph 19 of Schedule 19 of Finance Act 2016 to publish a tax strategy in relation to UK taxation in the current financial year.*

Vattenfall is one of Europe's largest producers and retailers of electricity and heat.

Vattenfall's main markets are Sweden, Germany, the Netherlands, Denmark, and the UK.

The Group has approximately 20,000 employees.

The Parent Company, Vattenfall AB, is 100% owned by the Swedish state, and its headquarters are in Solna, Sweden.



**VATTENFALL**

## ***Tax Policy***

Vattenfall's Tax Policy is to focus on tax compliance and tax efficiency.

All material business transaction shall proactively be reviewed from a tax perspective and implemented in accordance with tax laws.

Vattenfall will continue to further develop tax control and tax risk management system to secure tax compliance.

All legal entities shall timely and compliant to tax laws submit tax returns to the competent Tax Authority.

Vattenfall will conduct tax planning to the extent required to secure an efficient handling of taxes within the constraints of the tax law.

Vattenfall do not have and will not conduct any aggressive tax planning activities.

Vattenfall do not have and will not have any business activities in countries listed as tax havens based on the current definition and list published by EU (<https://www.consilium.europa.eu/sv/policies/eu-list-of-non-cooperative-jurisdictions/>) ) and OECD (<http://www.oecd.org/countries/monaco/list-of-unco-operative-tax-havens.htm>).

Vattenfall aims for an open and transparent relationship with the tax authorities and also to be transparent towards other external stakeholders.

Vattenfall will enter country specific tax enhanced relationship system.

## ***How Vattenfall manages tax risk***

Vattenfall defines tax risk as the risk that a Vattenfall legal entity fails to pay or collect the correct amount of tax at the correct time and/or fails to comply with compliance and reporting requirements in a tax jurisdiction.

The Vattenfall Management System (VMS) is the framework that ensures that Vattenfall's governance adheres to formal requirements as well as to requirements made by the Board, the CEO, the business operations and the Staff Functions. It contains the governance required at overall level in Vattenfall.

The VMS is documented in binding governance documents, which include a specific instruction for Taxes. The tax instruction assigns or, in the case where already assigned by law, states all tax-related responsibilities to roles within the business.

Vattenfall's in-house tax function comprises Country Tax departments for each main geographical market in addition to the Group Tax function at Vattenfall AB.

The Country Tax departments report to the Head of Group Tax and are responsible to secure that business activities within respective jurisdiction are carried out in a tax compliant and tax efficient way. In addition, tax areas like transfer pricing, tax strategy and financial tax reporting are handled in cross border tax working groups.

Head of Group Tax reports to the Head of Group Finance who in turn reports to the Group CFO of Vattenfall AB.

Vattenfall aims to ensure that applicable tax competence and resources are allocated to secure that all tax areas and all business activities are managed to secure tax compliancy and tax efficiency. The Tax Function is responsible for ensuring that tax related checks and controls are implemented in the systems and that there are processes in place regarding standard transactions.

On a quarterly basis, Country Tax departments report to Group Tax who reports to the Board and Audit Committee of Vattenfall AB on the status of tax compliance, adherence to the tax strategy, tax audit status and provides an explanation to the financial figures.

Vattenfall's consolidated results are published quarterly.

### ***Vattenfall attitude to tax planning***

Integrity, doing business fairly and responsibly, is one of the principles within Vattenfall's internal code of conduct.

In line with our code, employees at all levels in the organisation take ownership and personal responsibility for doing the right thing, by acting in line with the law and with the company's ethical standards.

Our code of conduct is made publicly available on our website at <https://corporate.vattenfall.com/about-vattenfall/corporate-governance/internal-governance/>

Our code of conduct establishes a compliance culture within the business. Vattenfall does not undertake any aggressive tax planning activities. Vattenfall engages in tax planning to secure tax compliance and an efficient handling of taxes.

### ***Level of tax risk Vattenfall prepare to accept***

Vattenfall acts as a good corporate citizen. Vattenfall shall be tax compliant and tax efficient. Whilst tax laws are not always definitive, Vattenfall takes corporate social responsibility into consideration in tax planning activities.

Vattenfall shall pay the right amount of taxes in each country where it operates. Vattenfall will apply country-specific tax incentives for investments in that country.

### ***Vattenfall's approach towards tax authorities***

Vattenfall aims for an open and transparent relationship with the tax authorities in each country where it operates and enter into country specific enhanced relationship systems where available e.g. in the Netherlands, Vattenfall entered into an enhanced relationship agreement with the Dutch tax authority in 2010, in Sweden, Vattenfall entered into the enhanced relationship with the Swedish Tax Authority when introduced 2013 and in the UK Vattenfall has established the UK tax authority established process for large corporate tax payers.

Vattenfall will secure that all requests from tax authorities are handled in a timely, efficient and thorough manner.