

# Drax Group Tax Strategy 2023



**drax**

# Group Tax Strategy

For the Financial Year ending 31 December 2023

## Our governance arrangements

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

The strategy is supported by internal control frameworks which govern the operations of the Drax Group and are subject to regular reviews by the Group's internal auditor and the financial control team. 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 implementation of the tax strategy is delegated to the Group Head of Tax, who reports to the Audit Committee during the year on key aspects of compliance with the strategy. The Group is liable to a range of taxes principally in the UK, including corporation tax, VAT, payroll taxes, climate change levy, electricity generator levy and landfill tax. To meet our compliance obligations, the Group Head of Tax is supported by an in-house tax team and accounting professionals across the wider finance function. We also rely on external advisors in jurisdictions that do not require a dedicated in-house tax resource.

## Our approach to tax planning and tax risk

The Group understands that tax risk is inherent in every commercial transaction. Our tax team are involved in all significant business activities and developments from an early stage, which enables us to fully assess any potential tax consequences of our business activities. Where appropriate, external advice is sought to supplement the knowledge of the internal team.

We seek to fully understand the reliefs and incentives that exist within the territories in which we operate and we will utilise those which are available to us and are 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 as set out in the **UK Government's Procurement Contract guidelines**.

All group subsidiaries 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.

We have an inactive subsidiary undertaking which is

incorporated in a low tax jurisdiction. It is resident in the UK for tax purposes and would therefore pay UK tax on any profits arising were it to become active.

## The level of tax risk the Group is 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. We also apply the same approach to cross-border transactions that impact on multiple jurisdictions.

Our approach to tax risk follows the same principles that apply to all other business risks. Maintaining our reputation with stakeholders and 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 a second opinion from external tax advisors, having established an internal position. We will also engage with respective tax authorities to resolve that uncertainty if the channel exists.

Our tax filings and tax positions reflect our commercial activities, and where judgement is required in relation to sensitive items in a tax return, we will only report that which we reasonably believe to be in accordance with tax law. The process we follow in such circumstances involves due consideration by our internal tax specialists, including 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 relevant tax authorities.

## Our approach to dealings with Tax Authorities in the UK and abroad

As we are a UK-headquartered business, our principal interactions are with the UK Tax Authorities, being HM Revenue & Customs (HMRC).

We actively seek open dialogue with HMRC in pursuit of a professional and constructive 'no surprises' working relationship. We regularly meet with them to enable a better understanding of key developments in our business and our HMRC risk rating reflects this constructive working relationship.

As we develop our business both in the UK and internationally, we will always seek to maintain a professional and constructive working relationship with tax authorities, governments, and other relevant bodies in the countries in which we are established or are looking to enter. These discussions

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

provide 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. This is particularly important where new taxes, reliefs or incentives are being considered or introduced, or the Group's activities qualify for taxes, reliefs or incentives for the first time.

*Approved by the Drax Group Plc Board of Directors on 25 April 2023.*