

This UK Tax Strategy statement is published in accordance with paragraph 19(2), Schedule 19 of Finance Act 2016, and applies to all UK companies of the RWE group for the financial year ending 31 December 2018.

Introduction

RWE AG (RWE), with its operating business fields of conventional power generation and energy trading, is indispensable to the proper functioning of the energy system and for security of supply in Europe. RWE is working to ensure that power is generated in an even more environmentally friendly way in the future, and that it continues to be reliably available and remains affordable.

RWE's business in the UK in respect of power generation, supply and trading and technology services, is subject to a variety of taxes including corporation tax, stamp duty and employment tax as well as indirect taxes such as VAT and excise duties. All of RWE's UK business is taxed in the UK and the taxes we pay and collect form a significant part of our economic contribution to the UK.

Each element of our tax strategy is consistent with the CBI's statement of tax principles¹ and reflects our commitment to manage our tax affairs responsibly and transparently, as set out by the principles below:

1. Tax Risk Management

Our tax team is involved in all significant business developments so that we can fully assess any potential tax consequences of our actions in advance.

We expect our UK tax team to maintain enough skilled resources so that we can adhere to our tax strategy without exception.

2. Tax Planning

We are not involved in tax planning other than that which arises from genuine commercial activity.

We do not bend or exploit the rules, and we do not use contrived or artificial structures to reduce our tax liabilities.

We show respect for the intention, as well as the letter, of the law at all times.

We make efficient use of the reliefs and incentives that are designed to recognise not only productive business, but also committed, strategic investment that contributes positively to a country's economic and social welfare or growth.

We seek proportionate external advice from reputable professional firms for any identified material tax uncertainties.

We never deliberately conceal or knowingly misrepresent issues to HMRC. If we discover errors, we disclose them.

Transactions between RWE group companies are conducted on an arm's length basis and in accordance with current OECD principles.

3. Transparency

We disclose and discuss tax issues in real time with HMRC and have regular update meetings.

We include extensive, additional voluntary disclosures when we file our annual corporate tax returns.

We support the principle behind moves towards greater transparency that increases understanding of tax systems.

4. Governance

The tax strategy of the RWE power generation, supply and trading and technology services businesses in the UK is set by both the RWE AG board in Germany and the local UK board. A globally organised tax function ensures compliance with local and international laws.

The global tax function is responsible for implementing sound tax policies, arranging for local and international tax compliance and tax planning and for creating tax awareness within the business.

RWE has procedures and controls in place to ensure that tax policies are adhered to. Procedures and policies are kept up to date with ever changing tax law and they help to support timely submission of accurate tax returns and proper tax accounting.

The responsibility for implementing the tax policy in the UK rests with the UK Head of Tax, who reports to the Board.

5. Relationships with governments

We actively seek open dialogue with HMRC in pursuit of a professional and constructive working relationship.

We contribute to the UK tax policy-making process where necessary, including by taking part in formal and informal consultations.

¹ See <http://www.cbi.org.uk/cbi-prod/assets/File/pdf/statement-of-tax-principles.pdf>