

Ørsted

Tax Policy

The Ørsted vision is a world that runs entirely on green energy. Ørsted develops, constructs and operates offshore wind farms, bioenergy plants and innovative waste-to-energy solutions and provides smart energy products to its customers. Headquartered in Denmark, Ørsted employs 5,800 people worldwide.

Our tax policy is our foundation for a common approach to tax within Ørsted. We recognise the key role that tax plays in society and the development of the countries where we operate. We also believe that a responsible approach to tax is essential to the long-term sustainability of the societies where we have activities and of our business across the globe.

The world's governments have defined the greatest challenges for our societies towards 2030 through the UN Sustainable Development Goals (SDGs). At Ørsted, we are committed to running our business in a way that contributes to the SDGs. Tax payments contribute both directly and indirectly to most of the SDGs, in particular target #16.6 on the development of effective, accountable and transparent institutions.

We support the international tax reform work by international organisations such as the OECD, and we believe there is a strong need to rebuild the public's confidence in the corporate tax system. We can do our share by providing user-friendly information about our tax positions. We urge policy-makers across the globe to implement international tax reform in a coherent and coordinated way to ensure a level playing field and minimise risks of paying double tax.

The Ørsted tax policy is approved by Ørsted's Board of Directors and applies to all Ørsted companies wherever incorporated. The policy is reviewed by the Board of Directors annually.

Accountability and governance

Tax is a core part of our corporate responsibility and governance and is overseen by the Board of Directors. The Board of Directors is accountable for the tax policy, and the responsibility for tax risk management lies with the CFO and overseen by the Audit and Risk Committee.

The day to day management of Ørsted's tax affairs is handled by a centralised global tax team. The global tax team is involved in all significant business developments, so we can fully assess any potential tax consequences of our decisions in advance.

The principles of our tax policy apply to the parent company (Ørsted A/S) and its subsidiaries (the Group). The principles are embedded in internal operational guidelines and in processes established to ensure that the policy is adhered to in Ørsted's daily operations.

We employ appropriately qualified and trained tax professionals with the right levels of expertise and understanding. We constantly monitor updates and changes to tax legislation to assess the impact on the Group. In addition, training and guidance is provided to non-tax specialist colleagues on tax matters relevant to their roles.

Our tax principles extend to our relationships with employees, customers, contractors and partners. This means, for example, that even though our tax policy does not apply to joint ventures that are not controlled by us, our representatives in those joint ventures will act according to these principles.

Through our Whistle Blower Hotline, we provide opportunities for employees and external parties to raise any issues of concern in person or anonymously.

Compliance

We have a clear responsibility to comply with the laws in the countries where we operate. In relation to tax legislation, we choose to do this by aiming to comply not only with the letter of the law, but also with the underlying tax policy intent. We do this by taking an objective view of the generally understood interpretation of the tax laws and regulations in the individual countries.

The generally understood interpretation is the common view across the informed tax community (taxpayers, tax advisers and the prevailing practice followed by the tax authorities) of how the tax laws and regulations are interpreted and applied. If a generally understood interpretation has not yet formed, we will form our own opinion based on available sources, and, where appropriate, seek the advice of tax advisers and discuss with tax authorities on a reasonable interpretation.

Ørsted follows the 'more-likely-than-not' principle for making decisions on tax matters. This means, for example, when concluding the tax treatment of a transaction, we will not undertake it, unless we deem it more likely than not that our position would be upheld in a court of law if challenged by a tax authority. The 'more-likely-than-not' approach is expected to cover the absolute majority of situations. In certain instances, however, we would consider a position acceptable even if it does not meet the 'more-likely-than-not' standard. This could be the case if there is an uncertainty created by a comparison of the wording of the law, the expressed policy intent or lack thereof, or fluctuating or divergent application by tax authorities or the judicial system.

Our ambition is to apply best practices at all times and act in accordance with applicable legislation on tax computation and tax reporting to ensure that we pay the right amount of tax at the right time in the countries where we operate. This means that we will prepare and submit all tax filings required, providing complete, accurate and timely disclosures to all relevant revenue authorities.

We continuously evaluate our processes and controls to ensure that we are compliant with local and international standards relevant to our business.

Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear-cut and may change over time. This may give rise to a tax risk. We believe that our tax risk is best managed by the prevention of unnecessary disputes, which we strive to achieve through:

- strong technical positions
- clear explanation of those positions
- thorough documentation
- strong compliance procedures ensuring accurate and complete tax reporting.

Our attitude to tax planning

We only use business structures that are driven by commercial considerations, aligned with business activity

and which have genuine substance. Any tax planning is based on reasonable interpretations of applicable law and is aligned with the substance of the economic and commercial activity of our business. We will not undertake transactions whose sole purpose is to create a tax benefit which is in excess of what is reasonably understood to be intended by relevant tax rules.

We apply the arm's length principle to all intercompany transactions, in line with applicable best practice guidelines, unless legally required to apply other pricing mechanisms.

We do not use so-called secrecy jurisdictions or tax havens to avoid taxes. If we establish an entity in low or nil-rate jurisdictions, it will be for substantive and commercial reasons, for example local demand for renewable energy.

This means that we pay tax on profits according to where value is created within the normal course of commercial activity; we do not use artificially fragmented structures or contracts to avoid establishing a taxable presence in jurisdictions where we do business.

We aim for certainty on tax positions. Where the law is unclear or subject to interpretation we will, where appropriate, seek an external opinion. Where possible and relevant, we will seek to minimise uncertainties regarding tax through binding rulings or advance pricing agreements with tax authorities. If we seek rulings from tax authorities to confirm an applicable tax treatment, we do so based on full disclosure of all the relevant facts and circumstances.

Relationship with tax authorities

We seek, wherever possible, to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust.

We follow established procedures and channels for all dealings with tax authorities, government officials, ministers and other third parties in a professional, courteous and timely manner.

We are open and transparent with tax authorities, responding to relevant tax authority enquiries in a straightforward and timely manner.

Where appropriate and possible, we will seek to enter into an early dialogue with tax authorities where there is significant uncertainty about how the tax rules apply to our business.

Where there are misunderstandings of fact or law, we will seek to work with tax authorities, identify the issues and explore options to resolve any misunderstandings or disagreements. In situations where we cannot resolve disagreements through dialogue, we will resolve our disagreements in the tax tribunals or courts to ensure the correct tax treatment.

Use of tax incentives

Governments often implement tax rules to incentivise certain activities such as encouraging companies to increase investments, to promote the development of infrastructure, to stimulate growth or to create jobs. Ørsted is a growth company, and our ambition is to reduce the cost of renewable energy to make it a viable, efficient and sustainable alternative to fossil fuels. These developments require continuous investments for which governments sometimes provide tax incentives such as customs relief, R&D credits or accelerated depreciation on machinery and equipment. We welcome such incentives, as they enable us to further develop cheap and efficient green energy. We therefore make use of incentives and tax reliefs where they apply in areas where we have commercial substance.

Transparency

We believe that by providing user-friendly information about our tax positions we contribute to rebuilding the public's trust in the corporate tax system. However, when it comes to more detailed information about tax payments and potential tax consequences of our decisions, disclosure may harm our own and our partner's business. If that is the case, we will seek to balance the public's need for information and business needs for trade secrets.

In line with our belief in transparency, we provide regular information to our stakeholders – including investors, policy makers, employees, civil society and the general public – about our approach to tax and taxes paid.

We therefore publish:

- An overview of our Group structure and a list of all entities, with ownership information and a brief explanation of the type and geographic scope of activities
- Annual information on taxes paid at a country-level, our total tax contribution and our effective tax rate together with information on our economic activity (country-by-country reporting)

Supporting effective tax systems

We engage constructively in national and international dialogue with governments, business groups and civil society to support the development of effective tax systems, legislation and administration.

We give constructive input to industry groups, governments and other external bodies (e.g. OECD and the EU) and engage with civil society on tax issues to contribute to the development of future tax legislation and practice.

We believe that more informed and sustainable outcomes are achieved where governments openly consult with industry and other affected stakeholders. We will work with governments, both directly and through industry trade bodies, to help illustrate the wider impact that tax proposals will have on the industry, the regulatory environment and our customers. We will seek to provide pragmatic, proportionate and constructive comments to help meet the objectives of new initiatives in the interests of all our stakeholders.

Last approved by the Board of Directors in Ørsted A/S on October 31, 2018.