

RWE

Tax management

April 2023

RWE

“ As a leading global renewables company, RWE is aware of its social responsibility as a taxpayer and in respect of all other stakeholders – investors, states, employees, trading partners, the general public and the environment.

For us, this includes timely compliance with all the relevant tax regulations and obligations concerning declaration, documentation, disclosure and tax payment in all the countries where we have operations. A national and international Tax Compliance Management System has been put in place for purposes of implementing and monitoring this tax compliance in order to meet these requirements.

Our tax payments thereby promote economic and social development at our business locations and also serve our corporate purpose here:



**Our energy for
a sustainable
life.”**

Michael Müller

Member of the Executive Board of
RWE AG / Chief Financial Officer

Tax management

- **Anchoring tax integrity and transparency in everyday company routine**
- **Preventing violations by consistent tax management**

Tax transparency and responsible tax management are a top priority at RWE. As an energy utility operating on the international stage, we have to comply with a wide range of national jurisdictions and regulations governing tax law.

We therefore pursue a policy of Tax Compliance in all relevant legal fields of tax law. We consistently pursue violations such as tax evasion or facilitating tax evasion. We provide our employees with appropriate training and encourage them to report tax compliance violations

Culture of integrity and transparency

Within the framework of the RWE Code of Conduct and the RWE Tax Policy, the Executive Board of RWE AG and the executive managements of the companies of the RWE Group have made a commitment to comply with the Tax Compliance requirements. In addition, the Tax Policy of RWE in particular recognises and makes a commitment to tax transparency and responsible tax management. We take account of the claims of different stakeholders, such as governments, customers, shareholders and local authorities where RWE is operating.

The Tax Department is positioned organisationally under the Chief Financial Officer. The central Tax Department supports the Executive Board of RWE AG in carrying out its management and monitoring responsibilities with the aim of effectively implementing Tax Compliance within the RWE companies. The Supervisory Board and the Internal Audit Department perform a monitoring function in this process.

We foster a culture of integrity and compliance with rules in the area of tax and RWE has anchored this culture as a constituent element of various corporate processes. The Tax Department based at RWE AG has the lead role and bears Group responsibility. A Tax Compliance Organisation has also been established, which covers the subsidiary companies of RWE AG.

Risk management and prevention

We believe it is essential to commit to compliance with binding legal standards and rules, also in the area of taxes. A Group regulatory policy defines the functions and responsibilities for Tax Compliance and Tax Compliance Management in the company organisation.

Training employees and consistently clarifying violations

We are continuously developing, improving and reviewing the Tax Compliance Management System of RWE AG. Each employee is required to play an active role in their area of work, to implement tax compliance measures and programmes, for example by participation in and cooperation on further training measures. They are also obliged to report potential tax compliance violations.

The objective is to maintain credibility and integrity in relation to our business partners and in dealings with each other. Notifications for violations of Tax Compliance can be made through the Compliance Whistleblower System set up throughout RWE.

As part of Tax Compliance Management, we defined targets for adherence to Tax Compliance requirements. This is primarily about meeting the statutory regulations. These relate specifically to complying with all the deadlines for tax notification and tax declarations, avoiding erroneous or incorrect tax declarations or notifications, initiating other reports, such as notifications about our ownership of domestic and foreign shareholdings to the tax authorities in Germany, and complying with payment deadlines for advance payments and tax arrears. We want to ensure with effective Cash Tax Management that advance payments of the appropriate amount are made and that interest charges are avoided.

Recording and systematically assessing risks

Tax Compliance risks are systematically recorded and evaluated, and risk-mitigating measures are taken on a preventive basis as appropriate. At RWE, the national Tax Compliance Management System (Tax CMS) in Germany encompasses the following types of tax: turnover, energy, wage, corporation and trade tax. A total of 286 tax and organisational risks are monitored by a large number of tax-type specific checks and balances within the framework of the risk control matrixes. Checks are also carried out preventively and postoperatively through to daily reviews in order to further strengthen the system. If corrections have to be made to declarations, we generally take these into account directly in the tax declarations to be submitted or agree them with the tax authorities in advance of company audits.

We monitor the compliance risks of the material foreign companies of the RWE Group within the framework of the International Tax Compliance Management System by the quarterly submission of the tax declaration, the tax payments and the tax risks.

Tax management of international business relationships within the Group

As a company operating in the international arena, there are diverse business relations between the business units. The structure of these relationships in conformity with compliance is defined with binding effect in the Group Guideline on Transfer Prices. To this end, the guideline defines uniform and binding principles throughout the Group for billing related to all cross-border business relationships. Furthermore, the guideline provides detailed instructions on which services can be offset and defines which international transfer pricing method recognised by the tax authorities is used to determine the remuneration for third parties. The Group companies involved in the exchange of services and the central Tax Department of RWE AG are responsible for implementing and complying with the principles defined in the guideline. This includes the timely preparation of the transfer pricing documents and the prompt reporting of extraordinary business transactions.

The European Union has introduced a reporting obligation for specific cross-border tax arrangements with an EU nexus in order to improve transparency (DAC6). Such reports may occur despite adherence to all legal requirements and observance of our compliance principles, as even those facts that are both legal and legitimate are required to be reported. In order to meet this obligation, a web-based IT tool was implemented throughout the EU, a specialist international team was set up within the tax departments and appropriate employee training sessions were carried out in order to raise the awareness of reportable facts.

RWE takes combatting tax evasion very seriously and therefore only carries on business in countries with non-cooperative jurisdictions for tax purposes, known as the EU Black List, if it is economically essential for trading. We carry out continuously monitoring of our activities against the EU Black List countries in order to avoid possible tax conflicts..

Tax key figures GRI 207-4

Metric	Unit	2022	2021 ¹¹
Revenues from business transactions with third-party companies	€ million	304,412¹	134,783
of which: Germany	€ million	109,435	54,258
of which: USA	€ million	1,119	1,078
of which: United Kingdom	€ million	183,055	75,501
of which: Netherlands	€ million	1,642	947
of which: Other	€ million	9,161 ⁹	3,000
Income from internal Group transactions with other tax jurisdictions	€ million	155,789¹	42,040
of which: Germany	€ million	40,164	9,194
of which: USA	€ million	2	1
of which: United Kingdom	€ million	77,896	22,936
of which: Netherlands	€ million	4,486	1,999
of which: Other	€ million	33,241 ⁹	7,910
Earnings before income tax	€ million	2,294¹	1,481
of which: Germany	€ million	1,220	- 520
of which: USA	€ million	- 317	- 609
of which: United Kingdom	€ million	- 844	2,585
of which: Netherlands	€ million	1,418	160
of which: Other	€ million	817 ⁹	- 136
Property, plant and equipment	€ million	26,384^{1,10}	167,564
of which: Germany	€ million	8,229	68,925
of which: USA	€ million	5,060	7,030
of which: United Kingdom	€ million	9,142	77,083
of which: Netherlands	€ million	1,576	1,815
of which: Other	€ million	2,376 ⁹	12,712
Income tax paid	€ million	-9^{1,6}	- 156
of which: Germany	€ million	-235 ⁴	210
of which: USA	€ million	0	0
of which: United Kingdom	€ million	163	- 337
of which: Netherlands	€ million	3	0
of which: Other	€ million	59 ^{8,9}	- 29
Income tax incurred	€ million	420^{1,7}	- 270
of which: Germany	€ million	24 ⁵	- 110
of which: USA	€ million	0	0
of which: United Kingdom	€ million	265	- 138
of which: Netherlands	€ million	71	- 1
of which: Other	€ million	60 ^{8,9}	- 20
Energy tax	€ million	249^{2,3}	275
of which: Germany	€ million	230	255
of which: USA	€ million	0	0
of which: United Kingdom	€ million	0	0
of which: Netherlands	€ million	19	19
of which: Other	€ million	-	-
Wage tax	€ million	536³	523
of which: Germany	€ million	384	365
of which: USA	€ million	17	15
of which: United Kingdom	€ million	109	119
of which: Netherlands	€ million	26	25
of which: Other	€ million	-	-

Total of paid taxes per country	€ million	776	963
of which: Germany	€ million	379	410
of which: USA	€ million	17	15
of which: United Kingdom	€ million	273	456
of which: Netherlands	€ million	48	44
of which: Other	€ million	59 ⁹	38

1 Corresponds to the definitions of GRI 204, deviations from the consolidated financial statements are therefore possible.

2 Energy tax not including the British 'climate change levy'.

3 No figures were calculated for 'Other' on account of materiality reasons.

4 Refund of capital gains tax on dividends.

5 Excluding one-off effects from provision for tax risks.

6 In accordance with definitions from GRI 207, only taking account of the income taxes without ancillary services.

7 In accordance with definitions from GRI 207, only taxes from the period 2021 are stated.

8 No tax group above the limit and strongly counteracting effects in the individual countries.

9 Other countries on the basis of their importance in relation to portion of our revenue: Singapore, Czech Republic, Turkey, Italy, Poland, Spain, Denmark, Japan, Sweden, miscellaneous < 1 %.

10 No comparability with the previous year's figure because the calculation no longer includes derivatives.

11 For detailed explanations of the previous year's figures including footnotes, please refer to the Sustainability Report 2021 (p. 105).

RWE Aktiengesellschaft

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