

# TAX POLICY

Group Policy n° PG-21/18  
First Release: June 2018

## INTRODUCTION

This Tax Policy sets forth the fundamental principles on which the Edison Group bases its management of taxation and its relations with the tax authorities. By adopting these principles, the Edison Group seeks to spread a tax culture within the company and enhance the management of tax risks in order to protect and safeguard corporate assets.

The Edison Group has drawn up and approved its own Tax Policy, taking into consideration its **Code of Ethics**, which defines the principles, founding values of business ethics and rules of conduct applicable to Edison S.p.A. and Group Companies, in Italy and abroad, also drawing on the guidelines adopted by the **EDF Group**.

## THE EDISON GROUP COMMITMENT

Proper management of taxation and proper fulfilment of the legally established obligations to contribute to public expenditure are of fundamental importance for the Edison Group, enabling it to play a part in creating/maximising value for all its stakeholders, and in particular for employees and collaborators, shareholders and institutional partners.

For this reason, in all the activities it performs, the Edison Group promotes and implements an approach to **tax management that seeks to minimise the risk of operating in breach of tax laws**, or in conflict with the principles and/or the purposes of tax rules, also in order to **prevent tax disputes, maintaining an attitude based on transparency and dialogue** towards the tax authorities of the countries in which it operates.

By adopting its own Tax Policy, the Edison Group seeks to clearly set out the **fundamental principles and guidelines of its tax policy, aimed at:**

- **guaranteeing proper and timely fulfilment of tax obligations** and, more generally, **compliance with tax regulations** applicable to the Group in the countries in which it operates; and
- **guaranteeing proper and efficient management of the Group's taxation**, to avoid, within lawfully acceptable limits, being subject to double taxation and/or being faced with an unjustifiably excessive tax burden.

In keeping with international best practices, in order to ensure that these objectives are fully achieved, Edison has extended its Internal Control and Risk Management System to include the tax area, by adopting a **“Tax Control Framework”** which allows a structured approach to the **detection, assessment, management and active control of the tax risk**.

## APPLICABILITY AND ADDRESSEES

The fundamental principles and guidelines defined by this document apply **to the management of all types of taxes and duties** relating to the performance of business.

The Tax Policy applies, in Italy and abroad, to Edison S.p.A. and to the subsidiary and investee companies and/or joint venture companies (“JV”) which, through special service agreements, have entrusted the management of their administration and tax activities to Edison. In this context, it therefore provides binding standards for the conduct expected, at individual level, of the following **Addressees**.

- All those who, for any reason and irrespective of the type of contractual relationship in place, contribute to achieving the corporate purposes and objectives:
  - employees and collaborators;
  - tax advisors;
  - directors.
- In investee or JV companies, it applies equally, as far as Edison’s authority extends, to the directors, management and company personnel (i.e. Edison personnel) who operate within that context.

Edison promotes a culture of tax compliance and therefore requires that the Tax Policy principles and guidelines are also observed by all those with whom the Group enters into contact when managing tax aspects (investee or associated companies, partners, customers, suppliers, professionals and other types of third parties).

**The Tax Policy is approved by the Executive Committee (Comex) on the basis of the CFO’s proposal. The Control and Risk Committee and the Board of Directors of Edison S.p.A. are informed of the adoption of the Tax Policy.**

The text of the Tax Policy is brought to the attention of the Addressees and is reviewed by Edison’s tax and compliance experts to ensure it continues to be in line with the corporate context and with tax regulations.

# 1 FUNDAMENTAL PRINCIPLES

The Edison Group's Tax Policy is based on the four fundamental principles stated below:

- **Corporate culture:**  
Edison is committed to fostering the spread and development over time of a corporate culture based on management and prevention of the tax risk and full cooperation between the Tax Affairs Function and the Business Departments/functions.
- **Tax compliance:**  
When implementing its commercial and financial strategies, the Group is committed to formal and substantive compliance with laws, regulations and provisions applicable in the geographical areas in which it operates, also in light of relevant practices and case law.
- **Tax risk management:**  
The Group adopts instruments and procedures to favour timely identification and active management of tax risks, which could also arise in the processes managed on a day-to-day basis by the line functions, and not only in the management of tax obligations.
- **Management of relations with the tax authorities:**  
When managing relations with the Italian and foreign tax authorities, Edison is committed to maintaining a cooperative and transparent approach, to ensure that relations are constructive and to reduce disputes to a minimum.

## 2 GUIDELINES

The four fundamental principles are set forth in guidelines, which must be observed by Addressees of the Tax Policy, to ensure achievement of the objectives pursued by the Edison Group.

### 2.1 CORPORATE CULTURE

1. Favour the spread within the Group of a culture based on compliance and prevention of the tax risk, raising the Addressees' awareness of tax matters to allow prior assessment of risks, but also of opportunities.
2. Ensure full and constant cooperation between the Business Functions/Departments/Divisions and the Tax Affairs Function, to ensure timely identification, assessment and proper management of the tax risks in processes.
3. Guarantee that the Tax Affairs Function personnel are provided with appropriate training, specialty training and refresher training, so that they can oversee not only tax compliance aspects, but also act as "business partners" and guarantee adequate support to the Business Area in achieving strategic objectives and creating value.

4. Guarantee that the personnel of the other Departments/Functions/Divisions who deal with tax compliance and related activities are also provided with appropriate training, specialty training and refresher training, ensuring appropriate oversight of tax obligations that are not directly managed by Tax Affairs.
5. Guarantee that all Addressees are provided with appropriate training on tax management to facilitate proactive management of tax risks and ensure that high compliance standards are maintained.
6. Promptly inform the Tax Affairs Function of business decisions that could have significant impacts on the Group's tax burden, so as to ensure prior analysis of potential tax risks.
7. Ensure systematic and timely communications on updates and amendments to tax regulations from Tax Affairs to the corporate structures affected.

## 2.2 TAX COMPLIANCE

8. Manage commercial and financial transactions with third parties and/or between Group members in (both formal and substantive) compliance with national and international tax regulations applicable to the Group.
9. When there are various alternatives for achieving the same business objective, undertake, in full compliance with regulations, the most efficient alternative in tax terms, taking into consideration accepted practices, case-law and opinions issued by legal and tax advisors.
10. Do not take part, whether directly or indirectly (e.g. through third parties), and do not promote the execution of transactions or artificial tax optimisation schemes, with the aim of obtaining undue tax advantages/savings.
11. Fulfil the tax declaration and payment obligations as well as the disclosure and reporting obligations required by laws in force in the countries in which the Group operates.
12. Operations and transactions with counterparties located in "non-cooperative" countries must be supported by clear and relevant business reasons. More specially:
  - a. do not set up legal entities (companies, branches and so on) in these countries, unless there are reasons attributable to the Group's business activities;
  - b. do not engage in commercial and financial transactions with counterparties resident in these countries, unless there are reasons attributable to the Group's business activities.
13. Manage transfer pricing rules in compliance with the principles of the Organisation for Economic Co-operation and Development (OECD) and national regulations, and avoid double taxation.

### **2.3 MANAGEMENT OF THE TAX RISK**

- 14.** Carefully consider and assess the ordinary and extraordinary tax implications of business activities, in order to take advantage of any opportunities and benefits and to promptly report potential tax risks arising from operations and transactions and, if required, assist the Tax Affairs Function in analysing and assessing these risks.
- 15.** Comply with the need to provide the regular information flows required by the Tax Control Framework and, more specifically, actively cooperate to identify potential tax risks, also with regard to new business activities or initiatives.
- 16.** Comply with the procedures and carry out the controls established by the Tax Control Framework, adopted by the Group to facilitate the detection, assessment, management and active control of the tax risk.

### **2.4 MANAGEMENT OF RELATIONS WITH THE TAX AUTHORITIES**

- 17.** Manage relations with the tax authorities in compliance with the rules of conduct set forth in the Code of Ethics and cited by the Organisational Model adopted pursuant to Italian Legislative Decree 231/2001, based on principles of transparency, clarity, accuracy, completeness and timeliness.
- 18.** Maintain a constructive and professional attitude in every exchange with the tax authorities, in order to prevent and minimise the impacts of any disputes.
- 19.** Do not in any way obstruct the tax authorities' inspection activities and reply to requests received with professional diligence.
- 20.** If the opportunity should arise, consider concluding preventive agreements (e.g. Advanced Pricing Agreements) between the Edison Group companies and the competent tax authorities.