



THE AES CORPORATION: UK TAX STRATEGY December 2017

OUR BUSINESS PURPOSE

AES UK is part of The AES Corporation (“AES”), a Fortune 200 global power company. AES and its worldwide subsidiaries are dedicated to improving lives and making a lasting difference in the communities in which our businesses operate. We are committed to a wide range of social, economic and environmental initiatives that will improve the lives of our communities; protect the environments in which we operate; empower our people and businesses; and improve long-term returns to our investors.

At AES we strive to create ethical working relationships both internally and with our stakeholders. As a global power industry leader, we operate under a broad range of economic, political, social and cultural customs and traditions, as well as different local, regional, and international laws and regulations. We believe it is our duty and responsibility to conduct business with the highest level of integrity, ethics and compliance in all situations. The AES core values guide our actions, providing a common framework for how we interact with other AES people, conduct business with our partners and suppliers, and serve our customers in the communities in which we operate.

OUR UK TAX STRATEGY

AES believes that sustainable decision making includes careful consideration of tax consequences. We employ a balanced commercial perspective in our tax dealings to achieve reasonable and responsible outcomes that serve our stakeholders. We incorporate our core values in every aspect of our compliance with tax laws. We aim to fully comply with our obligations and to engage openly and honestly with HMRC and other tax authorities.

Our AES UK Tax Strategy applies to the taxes and duties set out in Paragraph 15(1) of Schedule 19 to the Finance Act 2016, so far as relating to or affecting the UK companies in the AES group. The principal operating companies at AES UK are AES Kilroot Power Limited and AES Ballylumford Limited which own and operate electricity generation power stations in Northern Ireland.

1. Our approach to risk management and governance arrangements

The effective management of all commercial risks, including tax, is a priority for AES and its subsidiaries. AES UK is part of a global control framework through which our staff manage tax risks, supported where necessary by advisers.

Tax risks are monitored across the group on an on-going basis. We manage and enhance our tax processes, systems and controls through regular governance meetings and reports to identify, assess, manage and monitor tax risks arising from business transactions and operations, and changes in tax law.

2. Our attitude to tax planning

The AES core values provide a framework for our attitude to tax planning. We operate within the letter and spirit of the applicable laws and regulations and we only undertake transactions that support genuine commercial activities. We pursue efficient tax positions built upon sound commercial practices.



We seek external professional advice where tax law is unclear or subject to interpretation.

3. The level of acceptable risk in relation to UK tax

We deliver results for our stakeholders in a sustainable manner by seeking to establish the tax consequences of a commercial transaction before entering into it, taking advice where necessary from external advisors and where appropriate, seeking confirmation whether formally or informally from a relevant tax authority.

We recognise the importance of our reputation and of our economic contributions to the communities we serve by paying the appropriate amount of tax in a timely manner.

Our aim is to be low risk from a UK tax authority perspective.

4. Our approach towards dealings with HMRC

Our approach towards dealings with HMRC and other tax authorities reflects the AES core values. We foster constructive relationships with tax authorities based upon mutual trust and respect.

We conduct ourselves in a constructive, open and transparent manner with HMRC, sustaining a good working relationship. By engaging in timely dialogue with tax authorities, we aim to prevent any unnecessary disputes.