

RED ROCK GROUP TAX STRATEGY

Group overview

The Red Rock Group (“the Group”) is owned by SDIC Power Holdings Co. Ltd (“SDIC Power”) of China and was established to meet SDIC Power’s ambition of becoming a significant player in the United Kingdom (UK) and European clean energy market.

The Group’s strategy is to invest in, develop, construct, own and operate clean energy projects. To achieve the desired growth within the European clean energy market, the business has four strategic priorities:

- Development of existing projects within the portfolio;
- Pursuit of investment opportunities for majority stakes in operational projects;
- Pursuit of investment opportunities for minority stakes in projects operated by others; and
- Securing new sites for future development of offshore wind farm projects.

The Group recognises the importance of tax to the economy and believes that a clear and responsible tax strategy is essential to support the sustainability of our business and the growth that the Group aims to achieve in the upcoming years.

This document sets out the tax strategy and strategic tax objectives of the Group for the year ending 31 December 2020 and aims to give direction to the decision-makers within the Group and to keep all of our interested stakeholders informed about our approach to managing tax affairs.

The strategy applies to all of the Group companies which are incorporated within the UK (Appendix A). It intends to establish a clear approach to all aspects of compliance, reporting, and payment of all taxes borne and collected by the Group, the principal ones being corporate income taxes, employment taxes, and indirect taxes.

This document will undergo continued review and will be updated and further developed as appropriate.

By publishing this strategy, the Group is fulfilling its responsibilities under Schedule 19, Part 2 of the Finance Act 2016.

Tax governance, tax risk management and tax risk appetite

The Group is committed to being a responsible taxpayer: complying with tax laws and practice at all times, taking reasonable care to reduce tax risks, and paying the correct amount of tax at the right time.

In line with the Group’s commitment to being a responsible taxpayer, the Group aims to conduct its business and manage its tax affairs in line with the following objectives:

1. Apply, at all times, best practice and act in accordance with all applicable national and international tax rules. When in doubt, we will seek to consult with external tax advisors to minimise the risk of non-compliance.
2. Remain open, transparent and pro-active in our communications with tax authorities, deal with all inquiries in a timely manner, and seek specific clearance from tax authorities in advance of undertaking transactions where appropriate.
3. Apply professional diligence and care in the management of tax and other risks, ensuring that adequate procedures and controls are in place and are operating effectively.
4. Plan and structure tax-sensitive transactions in a balanced manner and in a way which reflects the Group's commercial operations.

The approach of the Group to risk management and governance arrangements in relation to UK taxation

Recognition and effective management of tax and other risks are important elements of business activities at all levels within the Group. Policies and procedures implemented by the Group are intended to support the adopted tax strategy and to help mitigate tax risks. Day-to-day management of the Group's tax affairs is delegated to a team of appropriately qualified and experienced in-house accountants within the Finance and Budgeting Department.

The Group's Finance and Budgeting Department is led by the Chief Financial Officer who is supported by the Finance Manager. All members of the Finance and Budgeting Department are responsible for complying with the principles and the strategy outlined in this document.

We are committed to supporting the professional development of all personnel, and to providing them with training and resources required for the performance of their roles. We strive to continuously expand the levels of our in-house tax expertise through the recruitment of personnel with relevant background and qualifications. Our long-term objective is an establishment of a specialist in-house tax division within the Group.

We seek external tax advice in relation to material transactions, matters of complex or uncertain nature, and in situations when our tax expertise in particular area may be insufficient. External tax advice is sourced independently of external audit and assurance services.

The attitude of the Group towards tax planning

The Group will seek to eliminate unnecessary tax inefficiencies and double taxation and may make use of available reliefs and tax incentives offered by government to encourage growth and investment in order to enhance the value delivered to our shareholders. The Group will not engage in tax planning which is not aligned with its commercial activities or which is inconsistent with the evident intention of relevant legislation.

The Group monitors all relevant transfer pricing requirements and acts accordingly, applying the arm's length principle to its intercompany transactions in accordance with current OECD principles.

Tax risks

Identification, assessment, monitoring and reporting of key tax risks across the Group is the responsibility of the Finance and Budgeting Department. The Group minimises its exposure to tax risks through:

- Seeking external advice on matters of complex or uncertain nature, or where the expert's opinion is appropriate to reinforce the Group's commitment to tax compliance;
- Ongoing training for the members of the Finance and Budgeting team; and
- Providing access to sources of knowledge, including tax and accounting updates, publications and manuals.

Whilst the Group does not have a prescribed level of acceptable risk, tax is aligned with the Group's overall business objectives and consideration is given to these in all interactions.

The approach of the Group towards dealings with HMRC

The Group is committed to the principles of openness and transparency in its approach to dealing with HMRC, making fair, accurate and timely disclosures in correspondence and returns, and responding to queries and information requests in a timely fashion. We are committed to being proactive in our communications with HMRC.



Appendix A: Members of the Red Rock Group

Redrock Investment Limited (09980171)

Red Rock Power Limited (SC284836)

Beatrice Wind Limited (SC373172)

Afton Wind Farm (Holdings) Limited (10356374)

Afton Wind Farm Limited (10332231)

Afton Wind Farm (BMO) Limited (10360056)