



JERA Trading Tax Strategy 2018/19

Introduction to JERA Trading

JERA Trading (JERAT)¹ is ultimately owned by two leading Global Utilities (JERA from Japan 66% and EDF from France 33%) both with significant financial base and strong growth ambitions.

JERAT is core to its shareholders business model through the critical fuel sourcing and optimisation services it renders. Our value creation model relies on an asset backed trading approach putting the physical supply of our shareholders at the heart of our business and tightly controlling our risks.

JERAT itself is rated A (stable) by R&I rating agency and benefits from strong financial support from both its shareholders.

JERAT aims to become a world leader in energy trading

Governance

JERAT CEO/Managing Director reports to a Board constituted of 6 representatives, 4 appointed by JERA and 2 by EDF. The activity of the Board is supported by 2 specialised Committees: the Audit Committee looking at Finance (including Tax), Internal Audit, Governance and Risk matters and the Remuneration Committee looking at Health and Safety, Human Resources and Compensation related matters. Both those committees regularly reports to the Board.

Supporting the CEO/Managing Director an Executive team constituted of the Deputy Managing Director, the SVP Coal Trading, the Head of Risk and the Head of Finance oversees all of JERAT operations.

The Head of Finance has overall responsibility for the tax strategy, tax risk management and the governance framework which supports the tax strategy. Day to day management of the tax strategy is delegated to the Group Tax Manager who reports to the Head of Finance.

This Tax Strategy is consistent with the overall strategies of JERAT's principal shareholders, JERA Co. Inc. and EDF SA, and aims to create value for the business and shareholders while upholding its reputation and commitment to responsible business practices.

Commitment to tax compliance

The JERAT Group seeks to comply with its tax compliance, filing and payment obligations globally.

We aim to act with integrity and transparency in all tax matters with a commitment to full compliance with all tax legislation and full disclosure to tax authorities in the jurisdictions in which we operate.

Risk management

JERAT benefits from a tried and tested Risk Control and Management framework.

¹ JERA Trading Pte Ltd will be renamed JERA Global Markets Pte Ltd with effect from 1 April 2019

Our framework hinges around 5 core components:

- 1- **Oversight** of the organisation's risk management approach, policies and systems through the Board, Audit and Remuneration Committees.
- 2- Core **policies** that set a comprehensive framework for doing business at JERAT.
- 3- JERAT departments use a suite of **risk controls** to manage, monitor and report risks/ breaches on a daily basis
- 4- Several **internal committees** are in place to coordinate and support risk management activities, to consider identified breaches, to review projects and counterparts and to take corrective actions when needed.
- 5- **External auditors** / consultants provide an independent assurance over risks and controls activities at least once a year

Regular risk controls are performed by each department in line with the policies and procedures in place. Roughly 30 controls are performed at the end of each day to ensure operational processes have been properly followed.

Responsibilities for operating and monitoring risk management and internal control activities are clearly documented and communicated across the company. Education and training to ensure an appropriate awareness of roles, responsibilities and accountabilities are available for employees.

The Audit Committee and Board of Directors regularly evaluate the effectiveness of processes for identifying and managing risks to the achievement of JERAT objectives and challenge and approve the JERAT risk profile.

Specifically regarding identification, assessment and management of Tax risk JERAT has developed what it believes to be appropriate systems and procedures.

JERAT is proactive in managing tax risks, and utilises a robust governance framework throughout its business to ensure that there is the appropriate level of oversight and Board engagement. We manage tax risks to ensure they are highlighted and monitored and the most significant are managed and minimised.

Our approach to tax planning

We aim to manage our tax affairs in an efficient and pro-active manner to ensure our tax attributes maximise value for our shareholders.

We utilise tax incentives, exemptions and reliefs where they are relevant to our business and ply them in the manner intended.

We only undertake tax planning to enable the elimination of tax risk created by our day-to-day business operations (e.g. to avoid suffering double taxation or unexpected tax costs arising from commercial activities).

We do not participate in any artificial schemes or arrangements that are primarily designed and focused on reducing tax liabilities.

External advice may be sought in relation to areas of uncertainty or complexity and to ensure that our activities are in line with our tax strategy.

Our approach to dealings with tax authorities

We work together with the tax authorities in a style that is open and honest in order to build positive, long term relationships.

We aim to maintain regular contact and dialogues with the tax authorities to ensure complete transparency of our tax liabilities and obligations.

We ensure that the tax authorities are kept up to date on significant transactions or changes within the business and disclose all relevant facts including details of any transactions or issues where the tax treatment is unclear. This approach is applied proactively, to both current and future events and transactions.

Transparency

We comply with international compliance measures to improve transparency including OECD measures such as country by country reporting and automatic exchange of information.

We do not tolerate tax evasion or the facilitation of tax evasion by persons acting on our behalf.

The JERAT Group regards the publication of this document as complying with the duty under paragraph 19(2), Sch.9, Part 2 of the Finance Act 2016.