



**ORMAT®**

# **ORMAT TECHNOLOGIES**

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## **CORPORATE TAX POLICY**

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## 1. PURPOSE

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This document outlines the global group tax policy of Ormat Technologies, Inc and its subsidiaries (collectively "Ormat", "Company", "Group", "we" or "our").

The Tax Policy sets forth the Company's tax strategy, based on excellence and a commitment to the application of good tax practices aligned within the framework of the corporate Core Values and Code of Business Conduct and Ethics. The Company's tax strategy has been established to ensure compliance with applicable tax laws and regulations and seeks to establish an appropriate coordination of the tax practices followed by the companies of the Group, all within the framework of fulfilling the corporate interest and supporting a long-term business strategy that avoids tax risks and inefficiencies in the implementation of business decisions. The Company takes into account all legitimate interests, including public interests, that converge in its business.

Our Corporate Tax Policy is reviewed on a regular basis and changes are approved by the Company's Audit Committee of the Board of Directors ("Audit Committee"). Ormat's Chief Financial Officer ("CFO") is responsible for the Tax Policy and delegates execution to the Vice President, Global Tax ("VP Tax"). Execution of the Tax Policy is supported by the Company's global Tax and Finance teams.

The Tax Policy applies to the compliance, payment, tax planning, and reporting of all income taxes, indirect taxes, and employment taxes owed and collected or paid by Ormat and its controlled subsidiaries worldwide.

## 2. GLOBAL GROUP TAX POLICY?

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### 2.1 High level overview

Ormat is a leading vertically integrated company that is primarily engaged in the geothermal and recovered energy power business. We have leveraged our core capabilities and global presence to expand our activity into different energy storage services and solar photovoltaic (PV) (including hybrid geothermal and solar PV as well as energy storage plus Solar PV). Ormat currently conducts its business in key markets throughout The Americas, Israel, Europe, Africa, and the Asia Pacific regions.

### 2.2 Tax Policy

Ormat's Tax Policy is aligned with the overall Company business strategy and our approach to corporate governance, ethics, and risk management where we operate.

Ormat's Core Values are Stability, Constant Renewal, Full Commitment, Courage, and Creativity. In accordance with our Core Values, it is of principal importance that we pay the right amount of tax by abiding by the rules and



regulations of the jurisdictions in which we operate and paying what we owe in a timely fashion. In doing so, we operate in a transparent, ethical, and socially responsible manner with regard to our interactions with tax authorities, contributing to the communities in which we operate while being mindful of our responsibility to our shareholders.

## 2.2.1 Our tax risks and our approach to tax risk management

Ormat is a U.S.-based company, taxed in the U.S. on its worldwide profits. We currently operate in several countries worldwide, and the number of countries in which business is conducted continues to grow.

Given the scale of operations, the broad range of tax obligations, and the complexity of the tax laws that the Company is required to comply with, uncertainty arises in relation to tax liabilities from time to time. This uncertainty is referred to as tax risk.

One type of tax risk relates to the fact that we conduct operations worldwide through our U.S. and foreign subsidiaries and are subject to complex transfer pricing regulations in the jurisdictions in which we operate. Transfer pricing regulations generally require that, for tax purposes, transactions between related parties be priced on a basis comparable to an arm's length transaction between unrelated parties. There is uncertainty and inherent subjectivity when complying with these rules.

An independent third-party advisor is engaged to provide comparable sets of arms-length data, in accordance with OECD and local country guidelines, to determine third party pricing levels which we then use for setting our internal pricing between our various subsidiaries. Engaging suitably qualified and independent external advisors to provide advice on uncertain tax matters gives us additional confidence that our tax filings are appropriate.

We proactively monitor tax law changes and comply with laws, regulations, disclosures, tax reporting, tax payment, and tax filing responsibilities to the best of our ability. By retaining the appropriate internal Tax and Finance expertise as well as standardizing processes, procedures, and various levels of review and approval, Ormat remains in compliance with the U.S. Sarbanes-Oxley Act of 2002. In order to mitigate tax risk, we operate an effective tax control framework to identify key tax risks and to manage those risks through appropriately designed and operated controls. These controls are subject to regular reviews by the Company's Internal Audit department and by our external independent audit firm.

The Company has Ethics and Compliance Programs designed to prevent and detect violations of our Code of Business Conduct and Ethics, and has established mechanisms for internal and external parties to anonymously raise compliance and ethics concerns, including unethical or unlawful behavior in relation to tax.

## 2.2.2 Our attitude towards tax planning

Our tax planning must support genuine commercial activity, comply with the laws and regulations of the jurisdictions in which we operate, and be consistent with—and be seen to be consistent with—our business strategy and Core Values. The Company does not engage in "prohibited tax shelter transactions" including listed transactions, transactions with contractual protection, or confidential transactions as defined by the Internal Revenue Service of the U.S. or similar provisions in other taxing jurisdictions.

In structuring our commercial activities, we will consider, among other factors, the tax laws of the countries in which we operate with the goal of maximizing value in a sustainable fashion for our shareholders. While alternative avenues exist to achieve the same commercial result, the most tax efficient approach in compliance with all relevant laws will generally be preferred. However, we will always strive to pursue our primary objectives of paying the right amount of tax at the right time and maintaining a strong and transparent relationship with external tax stakeholders and tax authorities.

Any tax planning undertaken will have commercial and economic substance and will consider the potential impact on our reputation and broader goals. Furthermore, our tax planning strategy aims to make use of tax incentives and exemptions intentionally provided by law. Additionally, the Company is motivated to engage in tax planning to comply with new or changing laws in one or more jurisdictions. All tax planning is subject to a robust documentation exercise, review, and approval process from multiple levels of expertise and diverse skillsets within the Company and, typically, is undertaken with advice from external advisors. All tax planning activities will be conducted in a manner consistent with the Code of Business Conduct and Ethics.

We take a proactive approach to tax issues and, if necessary, engage with tax authorities to confirm the correct application of tax law. We ensure our tax returns and disclosures are as clear as possible, and we strive to raise important issues proactively so that tax authorities can focus their resources effectively.

## 2.2.3 Our approach to dealing with tax authorities

As previously discussed, we operate in a transparent, ethical, and socially responsible manner with regard to working with tax authorities. We strive to maintain a proactive, professional, and constructive relationship with tax authorities and help focus their resources on the most important issues by providing clear and concise documentation and support and disclosing all relevant facts for the conclusions reached in our filings. In order to supply such documentation, we endeavor to comply with local document retention requirements.

We recognize that there will be areas of differing legal interpretations between ourselves and tax authorities and, when this occurs, we will engage in proactive discussion to bring matters to a rapid conclusion. The company is prepared to litigate on matters where agreement cannot be reached through discussion, although we would consider the potential impact on our reputation and on our working relationship with the tax authorities before doing so.

The Company does not tolerate tax evasion or tax fraud, nor is the facilitation of tax evasion or tax fraud by any person(s) acting on the Company's behalf tolerated.

### 3. GOVERNANCE, STRUCTURE AND ORGANIZATION

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#### 2.3 Tax Governance Framework

Responsibility for tax governance lies with the CFO, with oversight by the Audit Committee. The CFO delegates to the VP Tax the execution of the Tax Policy as well as the day-to-day operations of the Company's Tax function. The Company's tax status is regularly reported to the Audit Committee, and the Audit Committee is responsible for monitoring any significant tax matters. Audit Committee meetings are attended by the CFO and VP Tax.

#### 2.4 Tax Department Personnel

The VP Tax leads a centralized Tax department, primarily based in the U.S., of experienced and highly engaged tax professionals with appropriate professional qualifications and experience, including international tax expertise, commensurate with the responsibilities required for their roles. As a key component to the success of our Tax Policy, we are committed to providing team members with training as required to facilitate performance of their roles and to achieve their personal development objectives. All Tax department employees operate in accordance with the Tax Policy.



## 2.5 Finance and Other Personnel

Supporting the Tax department is a team of qualified in-house Finance, Accounting, and Tax professionals based principally in the local jurisdictions in which we operate. With oversight by the VP Tax and the Tax department, these local Finance professionals manage the day to day tax operations in their location and are often the direct liaison with local tax authorities and external tax advisors in their geographic jurisdiction. These Finance personnel are responsible for complying with the principles set out in this document and with wider tax governance requirements.

We are committed to continue providing training to all Finance personnel, as well as non-Finance personnel in key areas such as Legal, Human Resources, Procurement, and Operations, to ensure that they are able to inform the Tax department of relevant developments and to make decisions with tax consequences in the best interests of Ormat and in line with the Tax Policy.

## 2.6 External Advisors

Tax advice may be sought from external advisors with respect to material transactions where uncertainty exists or to supplement the Company's Tax and Finance team expertise in a specific tax area or jurisdiction. The VP Tax is responsible for the appointment of external advisors, subject to Ormat approval of audit/ non-audit services, and agreement on terms of engagement approved by the Company's Legal and Procurement departments where appropriate. Such terms must adhere to the Company's corporate governance and risk management policies, including the Ormat Code of Business Conduct and Ethics.