



Group Tax Strategy for the year ended 31 March 2021

The Bristol Water Group Tax Strategy, which includes Bristol Water Group and all its subsidiaries, was approved by the Board of Directors on XX February 2021 and complies with Schedule 19 of the Finance Act 2016.

Introduction

Bristol Water's values require our employees to be professional, accountable and trustworthy. Our company code of conduct similarly sets out expectations with regard to the integrity and professionalism of our staff. Our approach to tax is aligned with this, following tax legislation.

As such, we aim to act with integrity and professionalism in relation to our tax obligations, and to act in alignment with the expectations of a long established company providing a critical public service. We therefore do not aggressively interpret relevant legislation or use artificial tax avoidance schemes. We will seek to minimise our tax liability by recognising appropriate legislative concessions and reliefs, to ensure we are acting fairly and minimising the cost of our service.

Under the regulatory framework within which the Group operates, reduced tax payments will ultimately lead to reduced bills for our customers.

Our commitment is underpinned by the following principles:

1. How tax risk is managed

The Bristol Water risk management framework is followed as part of our internal control processes and we have a specialist tax team who identify, assess and manage tax risks and account for them appropriately.

The risk framework is reported on at Board meetings on a bi-annual basis. The board are informed of improvements and provide governance and oversight of tax risks.

There are robust internal policies, procedures, training and compliance programme to ensure alignment across the business in order to meet our tax obligations.

The Chief Financial Officer is ultimately responsible for tax strategy and reports to the Board on any significant issues arising from tax management or compliance.

The ARAC review and recommend the tax strategy and risk management framework to the Board who are responsible for approving them.

2. Attitude to Tax Planning



Bristol Water engages in tax planning primarily to apply appropriate and efficient tax treatment in a cost efficient manner to commercial, investment and financing decisions. We do not seek to enter into non-commercial transactions to reduce tax nor do we seek to utilise artificial schemes which go beyond the intent of the legislation.

The UK Government has specific tax allowances and incentives to encourage investment in both infrastructure and employment, where these are relevant to Bristol Water; they are applied in the manner intended.

We operate solely in the UK and all our profits are subject to UK tax.

Professional advice is sought on matters where the amount of tax is significant and the tax treatment is uncertain in order to reduce this uncertainty and ensure that our interpretation of current tax law and practice is correct.

3. Level of Tax Risk tolerated

The tax risks are identified and logged on the tax risk register along with the associated controls. The net tax risks are actively managed. The Board have approved a moderate level of risk appetite in terms of minimising tax paid but a zero risk appetite for breaching legislation.

The tax risks which are likely to occur and would have a significant impact on the business are escalated to the Corporate Risk register which is reported to the Board. An action plan for these risks is implemented to mitigate the impact on the business.

4. Working with HMRC

We maintain a good relationship with HMRC and in areas of complexity work with them to determine the correct treatment and amount of tax due.

We engage with the Government and other relevant authorities on the development of tax legislation either directly or through Industry Groups.