

Anglian Water – Tax and Transparency - 2020

Introduction

Anglian Water is the largest water and wastewater company in England and Wales by geographic area. We aim to be a leading customer service business in the UK. We will achieve this by engaging with customers, basing our approach on their expectation of excellent service and measuring our performance against the outcomes they want to see. We will provide the vital services that help the economy, the environment and communities to thrive. We strive to be a world-class operator, a responsible corporate citizen and a good employer.

We make significant contributions to the Exchequer each year, through a wide range of taxes collected and paid. We have one of the largest levels of private investment in the region, worth more than £2.5 billion over five years. This is central to underpinning economic recovery and growth of the regional economy.

Anglian Water is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities. We support the principle behind moves towards greater transparency that increase understanding of tax systems and the building of public trust.

Our commitment is underpinned by the following principles:

Tax planning and compliance

We engage in efficient tax planning that supports our business and reflects commercial and economic activity. We are registered for tax in the UK and do not engage in artificial tax arrangements.

We adhere to relevant tax law and we seek to minimise the risk of uncertainty or disputes.

We do this because it helps keep customer bills low, which is a guiding principle in everything that we do.

We aim to be compliant with UK tax legislation and to pay the right taxes at the right time.

We conduct transactions between Anglian Water group companies on an arm's-length basis and in accordance with both current OECD principles and Regulatory Accounting Guidelines.

Tax incentives and exemptions are sometimes implemented by governments and fiscal authorities in order to support investment, employment and economic development. Where they exist we seek to

apply them in the manner intended, so that we can make a comprehensive contribution to infrastructure development, environmental protection and customer engagement in the regions we serve.

Due consideration will be given to the Group's reputation, brand and corporate and social responsibilities when seeking to apply tax incentives, as well as the applicable legal and fiduciary duties of directors and employees of the group and will form part of the overall decision-making and risk assessment process.

Relationships with tax authorities

We are committed to the principles of openness and transparency in our approach to dealing with tax authorities. All dealings with the tax authorities and other relevant bodies are conducted in a collaborative, courteous and timely manner. Our aim is to strive for early agreement on disputed matters, and to achieve certainty wherever possible.

Tax risk management and governance

Anglian Water has a comprehensive multi-layered risk management system which consists of risk registers for all areas of the business. These registers are subject to both internal and external review. We have a low tolerance to non-compliance and have a specialist tax team who identify, assess and manage tax risks and account for them appropriately. We implement risk management measures including controls over compliance processes and monitor their effectiveness.

We report on a periodic basis to the Board on how risks are managed, monitored and assured and on improvements that are being made. In this way the Board provides governance and oversight of significant risks.

Where there is uncertainty as to the application or interpretation of tax law, appropriate written advice evidencing the facts, risks and conclusions may be taken from third party advisers to support the decision-making process.

Further Information

Our approach to tax is applicable across the Anglian Water Group.

This document is in accordance with Schedule 19 of the 2016 Finance Act and will be periodically reviewed, and any amendments will be approved by the Anglian Water Services Ltd and the Anglian Water Group Ltd Boards. It is effective for the year ending 31 March 2021.

Further information about this strategy can be obtained from our Corporate Communications Department.

Date of publication on website – [15 July 2020]