Daiwater Investment Limited

Group Tax strategy

The Daiwater Investment Limited Group Tax Strategy, which includes Daiwater Investment Limited and all its subsidiaries, has been approved by the Board of Directors on 20 March 2024. This document complies with the duty under Paragraph 16(2) of Schedule 19 of the Finance Act 2016 to publish a Group Tax Strategy for the financial year ended 31 March 2024.

Introduction

Our approach to tax is based on the values incorporated in the updated Affinity Water Limited Code of Ethics:

At Affinity Water, we pay our way. We are committed to being a responsible and transparent taxpayer. We do not engage in tax evasion. We follow all relevant laws and regulations.

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures. We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities. Any available tax reliefs and incentives are only used in accordance with permissible rules and law.

Trust is hard won but easily lost. That's why we must always act with fairness and integrity. That simply means behaving in a way you're proud of – whether you think people will find out or not.

We must never accept or offer anything that could be considered a bribe or turn a blind eye to the actions of others. We are committed to implementing and enforcing effective systems – and to ensuring that we all take clear steps – to prevent bribery and any other form of corruption in our business.

We ensure any gifts and hospitality offered or received are reasonable and appropriate. They must never improperly influence our decisions or impartiality. Any gifts and hospitality we offer or receive must be appropriate and reasonable in terms of value, frequency, nature and timing.

We are open, honest, and collaborative with our regulators and share transparently all information which should be in the public domain.

Any concerns at work can be reported confidentially on our whistleblowing service, Luminate. It's a secure, independent service. Everyone is empowered to report misconduct or behaviour which breaches company standards.

Approach to Risk Management and Governance

Tax strategy is part of our overall risk management and governance framework, which is overseen by the Audit, Risk and Assurance Committee and the Board.

Martin Roughead, the Chief Financial Officer ("CFO"), is ultimately responsible for tax strategy. Responsibility for day to day tax matters, and for reporting to the Audit, Risk and Assurance Committee and the Board on the Group's tax position, is delegated to the Group Tax Manager.

The CFO meets with the Group Tax Manager, Head of Corporate Finance and Group Financial Controller regularly, to discuss current business issues and forthcoming significant transactions. These meetings ensures that the Group Tax Manager is involved in one-off transactions at an early stage and has time to identify tax risks and assess their potential impact on the business.

The CFO, Group Tax Manager and Head of Corporate Finance review the Group's tax risks every other month. We maintain a risk register, which documents potential impact on the business and controls in place to minimise risk. Key risks are reported to the Executive team and Board at least half yearly and this includes tax risks where necessary.

We consider our main tax risk to be the introduction of new legislation or changes in tax practice, which could result in increased tax payments that have not been included in the current regulatory settlement for Affinity Water Limited's appointed business.

Attitude to Tax Planning

We apply high ethical standards and business practices to our tax affairs in line with our policies and procedures We do not use artificial tax avoidance schemes or tax havens to reduce our tax liabilities, and we always comply with what we understand to be both the letter and the spirit of the law. All profits are reported and taxed in the country in which there is economic substance. We operate solely in the UK, and all of our customers are based here. No funds are held off-shore, and all finance is raised and held within the UK. All of our profits are reported and taxed in the UK.

Whilst we do not interpret tax legislation aggressively, we have an obligation to minimise our tax liability so that our customers are not funding excessive and unnecessary charges through increased bills. We are able to reduce our Corporation Tax charge by making beneficial claims and elections, such as those available for investment in Research & Development activities, reflecting the scale of our investment in assets vital to securing the ongoing delivery of an essential service to our customers and communities.

The tax implications of significant transactions are initially assessed by the Group Tax Manager, with assistance from external advisers when necessary. We seek external advice in order to reduce uncertainty and to ensure that our interpretation of current tax law and practice is correct.

Level of Acceptable Risk in relation to UK Tax

Our approach to tax risk is part of our wider risk management framework, in the context of our regulatory settlement.

The level of acceptable UK tax risk is not rigidly defined, however the Group generally seeks to reduce tax risk. Uncertainties over the interpretation of tax law are resolved as far as possible by seeking advice from external experts, our industry group or HMRC.

Dealing with HMRC

We have an open relationship with HMRC, and we advise them of any complex issues so that we can work with them to determine the correct amount of tax due. Whenever possible, we agree the tax treatment with HMRC before the tax returns are submitted. If this is not possible we draw HMRC's attention to complex issues at the time of submitting the tax returns.

We actively engage with HMRC and other relevant authorities on proposed changes to tax legislation by responding to public consultations and attending engagement meetings for businesses. This is done either directly or as part of our industry group.

It is rare for us to disagree with HMRC over the interpretation of tax law, however when disagreements occur they are resolved through discussion rather than litigation.