

UK TAX POLICY FOR HDF (UK) HOLDINGS LIMITED

EFFECTIVE: 1 APRIL 2021

Introduction

This document sets out the tax policy of HDF (UK) Holdings Limited and its subsidiaries. A list of companies to which it applies is provided at the end of this document.

This policy is published in accordance with the requirements set out under paragraphs 16(2) and 16(4) to Schedule 19 of the Finance Act 2016 and covers the taxes and duties set out in paragraph 15(1) of the schedule. The Finance Act requires the published tax strategy to cover four specific requirements:

- (i) The approach to risk management and governance arrangements in relation to UK taxation.
- (ii) The attitude of the group towards tax planning in relation to UK taxation.
- (iii) The level of risk in relation to UK taxation that the group is prepared to accept.
- (iv) The approach of the group towards its dealings with HMRC.

The document will be reviewed regularly for its suitability, adequacy and effectiveness in line with the annual requirement to re-publish this document.

Approach to risk management and governance arrangements

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

The Senior Accounting Officer is responsible for ensuring that appropriate policies, processes and systems are in place within the Group and that these are reviewed on a regular basis. Tax return processes are documented to provide a framework for staff to follow and implement and to monitor controls. Wherever possible, the Group uses automated processes and specialist tax software to minimise the risk of errors in the management of taxes. Formal meetings to consider tax issues and tax risks take place at regular intervals and compliance controls covering all taxes are monitored. All tax risks are maintained in a tax risk and control register and any significant risks are included in the Group's overall risk register.

Our approach to risk management is extended to ensure that adequate processes and procedures are in place for the prevention of facilitation of third party criminal tax evasions within our supply chain in accordance with the Criminal Finances Act 2017. All relevant staff at various levels of the company are required to complete on-line training on the 'anti-facilitation of tax evasion policy and internal control checks' annually as part of our anti-money laundering training. Our compliance officer has the day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, dealing with any queries and reviewing internal control systems and procedures to ensure they are operational and effective.

Where applicable, we withhold taxes and submit the relevant tax returns, seek advance tax clearance confirmations from HMRC regarding third parties and submit other foreign account tax information exchange returns in compliance with the Foreign Account Tax Compliance Act

(FATCA). These control processes and procedures are reviewed regularly at senior levels and, where necessary, external professional advice is sought on matters of technical nature. We do not condone illicit trades anywhere within our supply chain.

Due consideration is given to the Group's reputation, brand, corporate and social responsibility when considering tax positions.

The Group's tax risks are managed by having suitable well-trained staff to ensure compliance with the tax rules and manage tax risk. This ensures that the group's tax matters are handled with an acceptable standard of professional expertise and enables high compliance with relevant group tax rules, such as the adherence to arm's length principles in transfer pricing and other group transactions.

Attitude towards tax planning

The Group manages risks to ensure compliance with all legal requirements and in a manner which ensures the payment of the right amount of tax when it falls due. Whilst the Group seeks to structure its tax affairs in an efficient manner, all tax planning must be responsible and have a business purpose. The economic benefits associated with tax planning must never override compliance with any applicable laws.

The Group will not enter into artificial transactions or arrangements designed to circumvent the intentions of the law and will not make use of any tax planning that we are not prepared to fully disclose to the tax authorities.

Assessment of acceptable tax risk

The level of risk which the Group accepts in relation to UK taxation is consistent with the overall objective of achieving certainty in the Group's tax affairs. The Group considers that it has a prudent tax risk appetite, a low risk tolerance and uses its compliance management procedures to ensure tax risk is minimised based on principles of reasonable care. When conducting assessments of acceptable tax risk external opinion is sought, where necessary, on matters of technical nature.

Approach to dealing with HMRC

The Group seeks to have a transparent and constructive relationship with HMRC which is open and honest and builds a positive long term relationship. Regular meetings are held with HMRC to ensure that they understand our business and to provide the opportunity to discuss the tax implications of our strategy and business developments.

We aim to be proactive in our dealings with HMRC and to discuss matters in advance with them to get, where applicable, their opinions or prior approval to reporting in our tax returns. We continually review business processes to ensure they comply with applicable tax legislation, regulations and disclosure requirements and ensure the timely submission of tax returns.

Any inadvertent errors in submissions made to HMRC are fully disclosed as soon as reasonably practicable after they are identified.

The companies covered by this Tax Policy are:

- HDF (UK) Holdings Limited
- Hastings Water (UK) Limited

- South East Water (Holdings) Limited
- South East Water Limited
- South East Water (Finance) Limited
- Swan Group
- Swan Property Limited
- MKW Holdco1