

Tax Strategy

We are committed to managing our tax affairs in a responsible manner. This means paying the right amount of tax at the right time in compliance with UK tax rules and acting in accordance with the values set out in our corporate responsibility framework.

References to 'tax' include taxes that we incur (corporation tax, business rates, employer's NIC, VAT and various environmental taxes) as well as taxes that we administer and collect on HMRC's behalf (PAYE and employee's NIC).

Our Approach to Tax

Our approach to tax is overseen by the Severn Trent Plc Board and is governed by the following key principles:

- We will manage our tax affairs responsibly, recognising the interests of all our stakeholders;
- We will not undertake aggressive tax planning or any planning that is not aligned with the economic and commercial activities of our business;
- We will make use of widely claimed incentives offered by Government to encourage investment; and
- We will maintain an open, transparent and collaborative relationship with HMRC consistent with maintaining our good working relationship.

The effective management of our tax affairs is in the best interests of customers as it helps to keep our bills as low as possible. This is particularly true for our regulated business where the taxes we pay are included in the calculation of customers' bills.

Tax Governance

Responsibility for tax governance sits with the Chief Financial Officer, with oversight from the Board and Audit Committee and day-to-day support from a team of qualified in-house tax professionals.

In accordance with group risk management procedures, tax risks are recorded and monitored throughout the year. If a material uncertainty is identified, external advice may be sought to ensure that our interpretation of the relevant UK tax rules is appropriate. We may also seek to resolve an uncertain tax position directly with HMRC before a tax return is filed, in accordance with HMRC's framework for co-operative compliance.

Any significant tax risk is reported to, and overseen by, the Group's Audit Committee, who also receive tax status updates as part of the interim and year-end financial reporting programmes.

Relationship with HMRC

In maintaining a good working relationship with HMRC, we seek to ensure that HMRC is kept up to date with business developments, including any commercial transactions with potentially significant tax implications.

Where queries or misunderstandings arise then these are managed on the basis of full disclosure and we will seek to work with HMRC to bring any items to resolution.

Tax Transparency

We are supportive of measures aimed at enhancing tax transparency and are committed to providing regular information on our tax affairs in a clear and straightforward way that enhances our stakeholders' understanding and provides confidence that we are paying our fair share of tax.

Non-UK operations

Substantially all of the Group's revenues and profits are generated in the UK and are subject to UK tax. We do not use overseas companies to manage the amount or timing of our tax liabilities. All of the Group's overseas subsidiaries are established for commercial purposes and details of these subsidiaries are set out in our annual tax report, which is published on our website: www.severntrent.co.uk.

Scope

This Tax Strategy covers the period ended 31 March 2020 and applies to Severn Trent Plc and its UK subsidiary undertakings. It is published in compliance with requirement at Paragraph 16(2) of Schedule 19 of Finance Act 2016 for large businesses to publish their tax strategy.

31 March 2020