First Utility

Our approach to tax

November 2017

This tax strategy has been prepared in accordance with the requirements detailed at paragraph 16(2) of Schedule 19 of the Finance Act 2016. This tax strategy is applicable for the financial year ending 31 December 2017.

Introduction

First Utility is the largest independent energy and broadband provider in the UK, supplying gas, electricity and broadband to residential customers. First Utility Limited is the main trading entity of the group of companies headed by Impello Limited (the "Group").

The objective of the Group is to deliver long term value to its shareholders whilst lowering bills for customers. The Board's strategy to achieve this goal is embodied in these key principles:

- to attract a strong customer base, the Group competes on price and offers innovative services supported by outstanding customer service; and
- to employ and develop highly motivated staff, knowledgeable about the services they provide and trained in selling skills and customer service.

We take our social obligations seriously and ensure that we pay what we owe by working within the current tax legislation. Although we recognise the appropriate legislative allowances and reliefs available as set out in the UK tax legislation, we do not aggressively interpret this legislation or use artificial tax arrangements; this wouldn't be in line with our values of treating people fairly and doing right by our customers.

First Utility is committed to:

I. complying with tax laws in a responsible manner;
II. paying a fair amount of tax; and
III. maintaining a constructive relationship with HMRC.

Our commitment is underpinned by the following key principles:

A. Tax risk management and governance

Responsibility for our approach to tax lies with the Chief Financial Officer, with oversight and approval from the Board.

The day to day responsibility for the application of the approach to tax is delegated to the Group's finance team which is responsible for ensuring that policies and procedures that support the approach are in place, maintained and used consistently around the Group, and that the team has the qualifications, skills and experience necessary to apply the approach.

We identify, assess and manage tax risks and take the appropriate action. We implement risk management processes, constantly monitor their effectiveness and make ongoing improvements.

We use external tax advisers where there's a need for specialist guidance and support. For example, the annual corporation tax returns are reviewed by a specialist before we submit them to ensure that we comply with tax legislation. However, the responsibility for tax and the decisions made around tax remain with the Board.

The Group has an international presence with group companies operating in Germany and Poland. Transactions between group companies are made on an arm's-length basis and in accordance with current OECD principles.

B. Attitude towards tax planning

We manage the tax risk and cost that exists in every transaction, in the same way as any other cost. Therefore, tax will follow the commercial outcomes, taking account of the need for tax efficiency and our understanding of the current laws and practice.

All transactions must have a business purpose or commercial rationale and so we won't engage in artificial tax arrangements. We define an artificial tax arrangement as involving contrived, artificial transactions that serve little or no purpose other than to produce a tax advantage which involves operating within the letter, but not the spirit, of the law.

Where tax incentives and exemptions are implemented by HMRC to support growth, investment, employment and economic development, we'll apply them responsibly and in the manner intended. For such incentives and exemptions (e.g. Research & Development tax relief) we'll take professional advice to ensure that we're fully compliant with legislation and that we're also acting within the spirit of the legislation. Complying with these laws is always placed above the commercial needs of the the Group, whatever the circumstances.

We always carefully consider the Group's reputation, brand, corporate responsibilities and social responsibilities when considering tax initiatives, as well as the applicable legal and fiduciary duties of the Board of directors and employees. This will always form part of the overall decision-making and risk assessment process of any possible tax planning.

C. Acceptance of risk by the Board

We have no predefined limits of the amount of acceptable tax risk but the Board generally accepts a low level of risk in terms of tax management, with a very low risk tolerance for breach of relevant legislation. The reputational risk associated with tax planning is high on the Group's agenda.

Our approach to tax risk follows the same approach we take with all other risks present in our business. This means that we carefully consider reputation and corporate social responsibility along with financial outcomes in managing our approach to tax risk.

The tax risks which are likely to occur and which would have a significant impact on the business are escalated to the Group's Board. An action plan for these risks is then implemented to mitigate the impact on the business.

D. Relationships with HMRC

The Group is cooperative in all of our dealings with HMRC and we've sought to build an open relationship with them.

We'll always work collaboratively with HMRC to resolve any matters , and will always approach these dealings in a professional, courteous and timely manner.

Further information

This document is updated annually and it was last approved by the Board on 3 November 2017.