

Cadent Tax Strategy Statement

Published 29 March 2018

In respect of the year ended 31 March 2018



Cadent

Tax Strategy Statement

This statement sets out our strategy in relation to all UK taxes and applies to all of the group's UK entities¹. It is approved by the Board and is published in accordance with our obligations under Finance Act 2016 Schedule 19, paragraph 19(2).

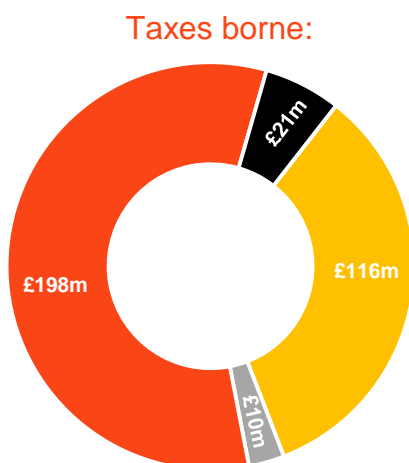
About us

Cadent owns and operates four of the eight gas distribution networks in the UK. We connect customers to the gas they use – whether its homes, factories, shops or businesses. We work with other companies to ensure gas is available when and where it's needed – our purpose is to keep the energy flowing for our customers and stakeholders in the communities in which we operate.

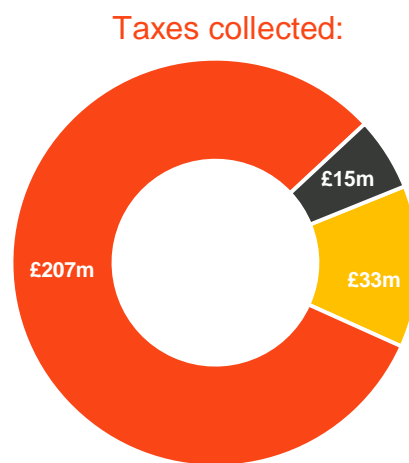
We are a 200 year old business with a strong track record of operating responsibly from our regulatory commitments and practices to our social actions. Given the size of our business we pay and collect on behalf of HMRC a significant amount of tax across the spectrum of UK taxes and we are committed to being a responsible and compliant taxpayer in this regard.

Our tax contribution

Our contribution in respect of UK taxes borne and collected during the year ended 31 March 2018 was £600m in total, shown as follows:



- Corporation Tax
- Stamp Duty
- Business Rates
- NIC & other



- PAYE
- VAT
- NIC & other

Our tax strategy

1. Our approach to tax governance and tax risk management

Our Chief Financial Officer (CFO) and Head of Tax are responsible for developing the tax strategy which is approved by the Board and ensuring we are compliant with our tax obligations. They are supported by the tax team who have detailed knowledge of UK taxation matters which affect us. Given the complexity of tax rules and their constantly changing nature we ensure that all of the tax team keep up to date with professional development in tax and related areas. We aim to be fully compliant with UK tax legislation and ensure that tax risks are identified and managed appropriately.

Decisions on significant UK tax matters are taken against a Board approved delegations framework, ensuring appropriate oversight to tax matters which can represent a significant cost. On significant matters we also seek external advice from our advisers, whether because of the complexity of UK tax rules or uncertainty as to their application to our business and as part of an open and transparent approach we also engage with HMRC in these instances.

We have clearly defined risk management procedures throughout the business and any tax risks identified are managed within this process. We categorise risks based on the likelihood of occurrence together with their likely financial and reputational impact and this allows for escalation of tax risks as appropriate to the CFO and the Board where necessary. We ensure that risk registers are maintained and updated for new and existing tax risks on a regular basis and report these through the wider risk management procedure.

2. Our attitude towards tax planning

Tax is considered in all of the significant commercial transactions we undertake. The tax team actively collaborate and consult with the relevant business teams to ensure that relevant and timely taxation advice is considered and factored into our commercial activities.

As a responsible tax payer we claim the appropriate UK tax deductions, reliefs, credits and exemptions available to us in accordance with UK tax legislation.

3. Level of risk in relation to UK taxation we are prepared to accept

As a large regulated business our appetite for risk in connection with UK taxation is low.

In assessing the level of tax risk in a particular commercial transaction we look at the issue holistically and ensure that potential reputational impacts with HMRC, OFGEM and customers are assessed together with the potential economic position in arriving at our assessment of risk.

4. Our approach to dealing with HMRC

Our relationship with HMRC is very important to us. We aim for a constructive relationship with HMRC, sharing information on the business and tax issues in an open and timely manner. We aim to minimise uncertainty and disputes with HMRC and therefore proactively engage with HMRC, entering into real

time dialogue where possible. If any errors are identified we aim to disclose these to HMRC as soon as practicable and settle any tax liabilities which may arise as a result.

As a very large business and employer in the UK, we also take an active part in shaping future UK tax policy where we can, responding to HMRC consultations and other proposals on UK tax policy which may impact the group.

1. This strategy covers all UK entities:
Quadgas Investments Bidco Limited; Quadgas Holdco Limited;
Quadgas Pledgeco Limited; Quadgas Midco Limited; Quadgas
Finance plc; Cadent Gas Limited; Cadent Services Limited and
Cadent Finance plc.