

2021/22

Assurance Plan

Welcome

South West Water is the combined entity covering the original South West Water and Bournemouth Water areas, following the merger of the two companies in 2016. Both identities have been retained by the Company in their original operating areas. There are now performance commitments in place for 2020-25 spanning both areas. From April 2020, we also took over services for customers on the Isles of Scilly. We recognise the importance of customers and other stakeholders understanding what they can expect from us and being able to place trust and confidence in the data, information and publications we provide.



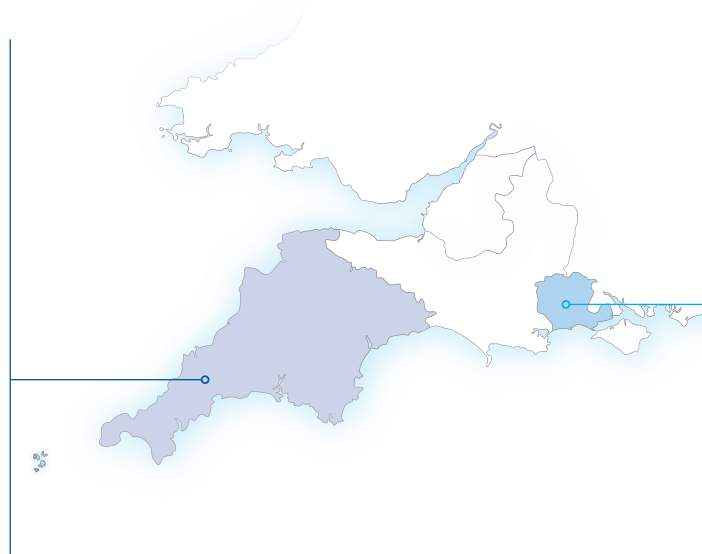
South West Water

South West Water

We provide water and wastewater services to a population of c.1.7m in Cornwall, Devon and parts of Dorset and Somerset.

Isles of Scilly

From April 2020 we took over responsibility for providing water and wastewater services to the five inhabited islands.



Bournemouth Water

Bournemouth Water

We provide water services to a population of c.0.5 million in areas of Dorset, Hampshire and Wiltshire. Bournemouth Water was acquired by Pennon Group plc in April 2015 and from 1 April 2016 has been integrated with South West Water.

34
drinking water
treatment works

18,300km
drinking water
mains network

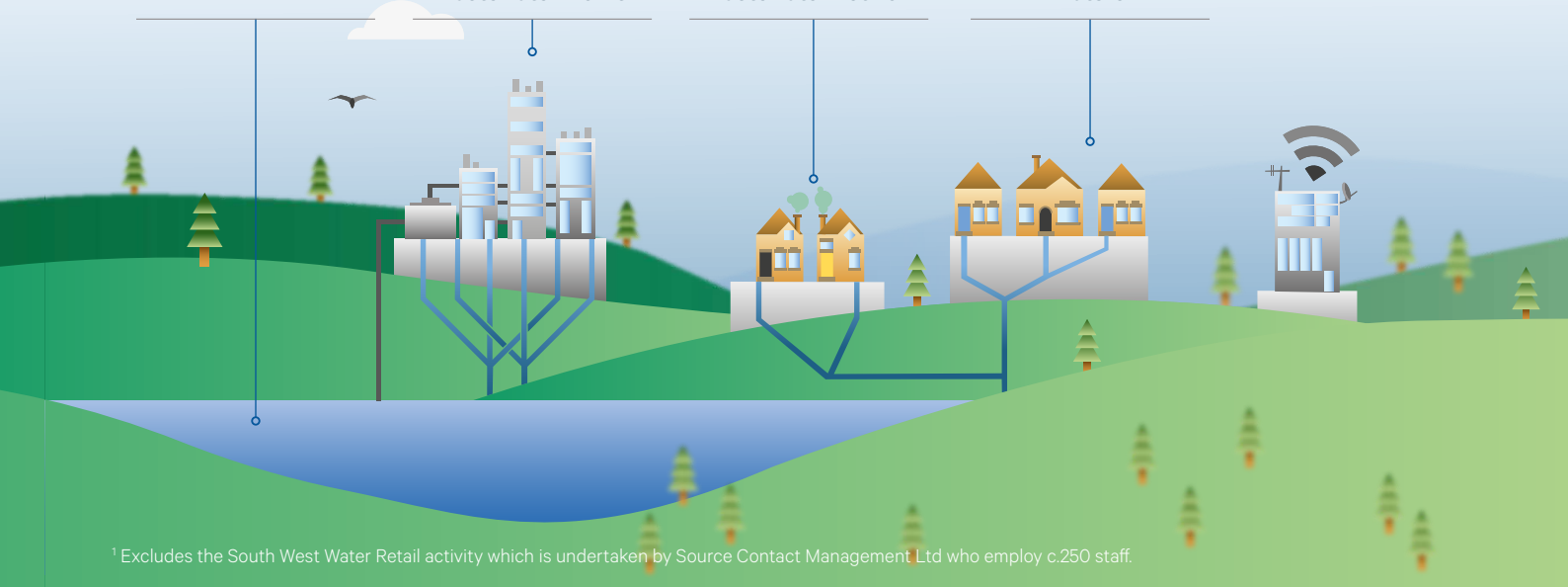
c.2.3m
total population
served

23
water
reservoirs

650
South West Water
wastewater works

17,515km
of South West Water
wastewater network

151
bathing
waters



¹ Excludes the South West Water Retail activity which is undertaken by Source Contact Management Ltd who employ c.250 staff.

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The consultation

Our values



Trusted

We do the right thing for our customers and stakeholders.



Collaborative

We forge strong relationships, working together to make a positive impact.



Responsible

We keep our promises to our customers, communities and each other.



Progressive

We are always looking for new ways to improve and make life better.

Executive summary

At South West Water we recognise how important it is for all our customers and stakeholders to have trust and confidence in the information we report, on the services we provide and how we provide them.

We remain not only keen to ensure that the information we provide is reliable but that it is the information which is useful and is in a format and style which is understandable and user-friendly.

We believe that the Assurance Plan is an important process in helping to ensure that details of the assurance we perform in key areas is available and communicated clearly, openly and transparently to stakeholders.

We publish the plan on our website alongside other core documents concerning our performance. It also helps focus assurance efforts on areas important to stakeholders.

Assurance providers form part of the consultation and as such help to ensure that the expectations in respect of assurance are clear for the Company, external assurance providers, customers and other stakeholders.

The assurance plan was previously compiled, consulted on and published as a result of the Company Monitoring Framework (CMF) assessment carried out by Ofwat. Although this assessment is now no longer performed, this has not changed our view of the importance of the Assurance Plan.

The Assurance Plan utilises South West Water's long-established Integrated Assurance Framework, which incorporates a robust 'three lines of defence model.' This framework is applied flexibly to areas where assurance is required, considering both the risk that the information or data may be incorrectly reported and the appropriate options for assurance.

This plan covers assurance over South West Water's and Bournemouth Water's delivery against our five-year plans for the 2020-25 period. South West Water's plan received 'enhanced' status from Ofwat. The business plans set out 'performance commitments' against customer priorities and set the framework for setting tariffs and charges to ensure the plans are funded.

This plan builds upon our previous annual assurance plans and follows a consultation with customers and other stakeholders reviewing our risks, strengths and weaknesses, which we also continue to view as a useful exercise, despite the CMF no longer being published, helping to ensure we meet customers' needs with regards to the information we provide them.

In line with the Company's business plan, during 2020/21 South West Water successfully gained certification with BSI in line with the standard BS 18477:2010 (Inclusive service provision for identifying and responding to consumer vulnerability for the supply of water and wastewater services). This includes a programme of internal and external audit. The importance of identifying and responding to vulnerable customers has been heightened during the Coronavirus pandemic.

It has also never been more vital to provide customers and stakeholders with information that they want and can trust (see the Risks, Strengths and Weaknesses Statement for further information on how we have been keeping our customers informed at this time).

Many of the proposed significant assurance areas remain in line with those identified in last year's plan and our specific assurance plans have again been updated to reflect experience and feedback.

In line with previous years this Assurance Plan covers both data reporting and wider areas where it is important that stakeholders (both external and internal) understand the assurance we are undertaking.

Annual reporting – including summary reports

In July 2021, we will publish our:

- Annual Performance Report
- Summary Performance Reports (for each area)
- Summary Assurance Report (in line with feedback received during the consultation process, we are reviewing how to better integrate this with the Annual Performance Report).

Between them these documents will summarise our performance, the assurance processes and the results of the assurance undertaken which underpin the data we report and all of the significant areas for assurance.

These documents will report performance in line with our 2020-25 business plan, which achieved fast track status. This plan has stretching commitments in a number of areas and it is important that the Board can provide robust assurance to our stakeholders over the performance we report. The assurance statement the Board will make in our Annual Performance Report will reflect on the assurance provided in line with this plan.

Consultation

In December 2020 – mid January 2021, following consultation on our Statement of Risks, Strengths and Weaknesses, we conducted a consultation exercise upon a draft version of this plan.

In addition to pro-actively seeking comment on this plan, we also obtained internal feedback from within the Company and from external assurance partners. We will further consult ahead of publishing our next Assurance Plan.

A summary of the changes made as a result of the consultation is shown on page 21. Given the plan covers more than annual data assurance, consultation feedback has led to a change to publish the plan in March, ahead of the commencement of each regulatory year.

We continue to welcome any feedback on our assurance plans. Send any comments to: riskandcompliance@southwestwater.co.uk

The information South West Water publishes and its assurance processes

We publish information which ensures we not only meet our statutory, licence and regulatory obligations but also provide information to customers on the Company's activities, how the Company is performing and most importantly, how customers can get help when they need it.

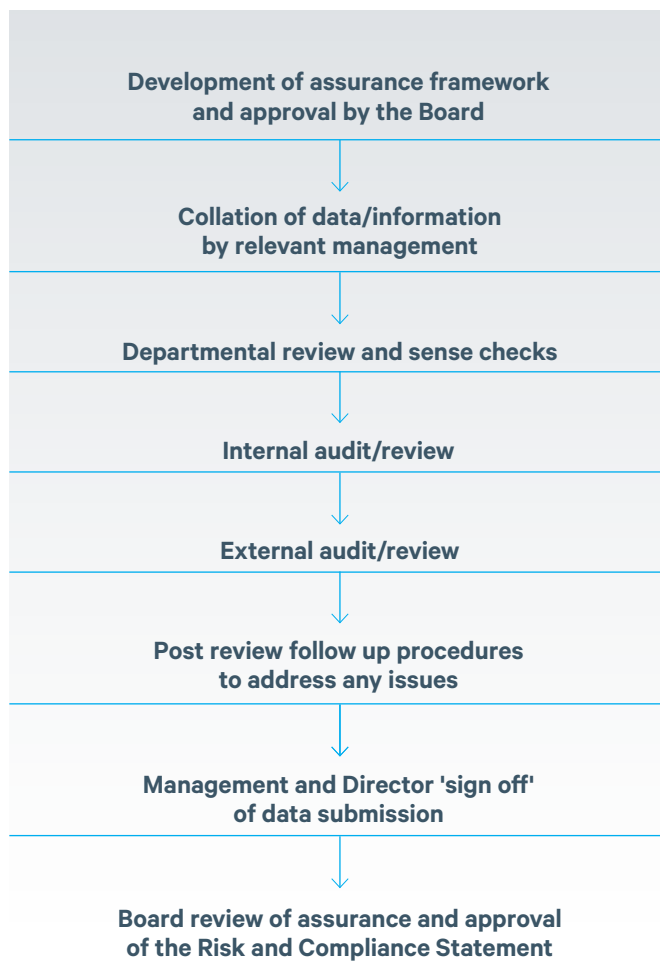
Information is published primarily on our website but also through a broad range of communication channels to reach our diverse customer base. Such channels include customer bills, annual newsletters and e-newsletters for customers who have subscribed.

We also engage with our customers through the media such as advertorials in community magazines, community team engagement at external events, school visits, community speaker programmes as well as doorstep engagement as part of behavioural change campaigns e.g. Love Your Loo and Think Sink, as well as our programmes reaching out to customers on affordability and vulnerability issues. An independent WaterShare+ Advisory Panel has been established in line with our Business Plan for 2020-2025 which will further protect the interests of our customers and from 2021, we will introduce a Customer Annual General Meeting.

Underpinning the information we publish are robust risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis, and appropriate mitigation is in place to suit the level of risk (see diagram on page 05). These processes are critical not only to ensuring accurate data is presented but also, more fundamentally, that the risks to our performance and services are well understood and managed, so that the picture our information represents, is robust and reliable.

We have systems and processes in place to identify, manage and review risks, as detailed in the following pages. Our risk and assurance framework remains largely unchanged from our previous review of our risks, strengths and weaknesses and the methodology for identification and mitigation of risk remains fit for purpose at individual business unit and corporate levels.

The following diagram summarises the typical assurance approach taken in any significant project involving submission of data:



Examples of information we publish



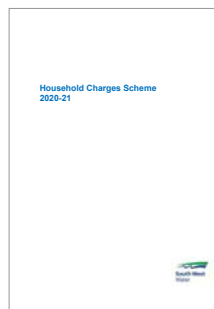
**ANNUAL
PERFORMANCE
REPORT**



**ANNUAL REPORT
AND FINANCIAL
STATEMENTS**



**SUMMARY
PERFORMANCE
REPORT**



**CHARGES SCHEMES
2020-21**



**BUSINESS PLAN
2020-2025**

The information South West Water publishes and its assurance processes continued

We have a mature integrated risk management framework which is fully embedded into our governance structures and embodies our values of being 'trusted' and 'responsible' in the way we carry out our business.

Our risk management approach incorporates both top-down and then bottom-up processes, ensuring a common understanding of the risks and opportunities that the Company is exposed to and how they may impact upon the achievement of our strategic priorities.

This integrated assurance approach ensures an appropriate level of assurance is applied and identified using a risk-based approach dependent on the assessed risk and complexity of assurance requirements.

In any significant area or project where assurance is required over submitted data, information certificates will be prepared by those responsible to confirm that the submission is robust and all material issues have been addressed.

Independent internal review is used to ensure that processes are robust and adhered to. External review and audit processes are used whenever significant data is provided to an external audience. All our published information is subject to independent assurance to the level we determine is appropriate, in order to provide confidence to our customers and stakeholders that our information is accurate, reliable and complete, no matter how complex it is.

We have established feedback processes to ensure that issues or queries raised during the internal and external assurance processes are followed up so that any changes or remedial work is completed as appropriate. This ensures that our reported service performance data is robust, transparent and legitimate.

We have well established formal management systems and processes for all activities within our regulated business. These systems are independently certified to the International Standards Organisations' ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems), ISO 50001 (Energy Management Systems) and ISO 27001 (Information Security Management Systems) standards.

These ensure the efficiency, quality and safety of all we do. A programme of internal audit takes place, together with external audit, as part of continued certification and annual assurance. The Company uses the services of an independent external team to audit non-financial data and report on their findings.

South West Water's Board recognises the importance of meeting the Company's statutory, licence and regulatory obligations and believes that the Company is aware of and adequately understands these obligations and has met them in all material respects as a diligent company.

Our Assurance Plan will further detail key assurance activities that the Board will oversee and our annual reporting will lay down further detail on the outcome of these assurance activities and the Board's conclusions.

The integrated assurance approach includes:



Governance, oversight and approval

Board transparency and governance

South West Water is dedicated to ensuring strong governance structures and activities in accordance with best practice and aligned with Ofwat's Board Transparency and Governance requirements.

We fully recognise the importance of Board transparency and leadership and we are committed to ensuring alignment with best practice and our strategic objectives. Following the sale by Pennon Group plc of Viridor on 8 July 2020, the Board membership and structure has been amended, having enacted the required succession plan. The Annual Performance Report will provide extensive detail on the structure and how it supports stakeholder interests.

The role of the Board, Audit Committee and Executive management in assurance

South West Water's governance structure is designed to be efficient and effective, whilst also ensuring that as a regulated company it also operates independently.

The ultimate responsibility for decision making rests with South West Water's Board.

The responsibility for providing effective scrutiny and governance over the Company's reporting and the performance of assurance rests with the South West Water Audit Committee (in the first instance).

Each of the members of the Audit Committee attend Committee meetings and fully contribute to Committee discussions.

Management of the Company's day to day activities is undertaken by South West Water's Executive Management, which comprises our Statutory Executive Directors and other Executive Management who are responsible for specific key areas of the business.

The Board have oversight of each area identified in this report and scrutinise those areas and the assurance performed before approving related submissions/publications or making relevant decisions.

The Board will provide a detailed assurance statement in the Annual Performance Report which will provide further detail on the assurance the Board can provide over data reported in the context of operating a regulated water and wastewater business. We will provide an update on all significant areas for assurance in our Annual Reporting.

Format of this plan

This plan summarises South West Water's Integrated Assurance Framework and considers how we select the appropriate balance of assurance for all significant areas requiring assurance across the business.






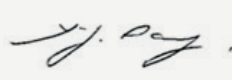


In this plan we:

- identify the most significant areas of our business upon which we are required to assure
- explain how we assure these areas
- identify the elements of the Integrated Assurance Framework we plan to use.

Inherently some of these areas are ongoing and as such assurance is already underway.

Approval of the assurance plan

Following consultation feedback, given the plan is wider than annual data assurance, South West Water has taken the decision to publish its plan in March in advance of the new regulatory year. The plan continues to reflect the approach we intend to take to year end data assurance. The Audit Committee and South West Water Board have approved this Assurance Plan at the March 2021 Audit Committee and Board meetings.

Name and position	Signed
Gill Rider Pennon Group and South West Water Chair	
Neil Cooper Pennon Group and South West Water Senior Independent Non-Executive Director	
Iain Evans Pennon Group and South West Water Independent Non-Executive Director	
Claire Ighodaro CBE Pennon Group and South West Water Independent Non-Executive Director	
Jon Butterworth MBE Pennon Group and South West Water Independent Non-Executive Director	
Susan Davy Pennon Group and South West Water Chief Executive	
Louise Rowe South West Water Finance Director	
Paul Boote Pennon Group Finance Director	

Significant assurance areas

1. Performance commitments (2020/21) – published following assurance in July 2021

Why is it significant?

South West Water's 2020-25 business plan targeted a number of 'performance commitments' to deliver customer and other stakeholder priorities. The commitments were developed following extensive consultation and an assessment of the value customers place on the improvements which influence the amount the Company is allowed to charge customers. Outperformance of some of the commitments results in financial rewards, with penalties for underperformance, through our Outcome Delivery Incentives (ODIs).

The range of rewards and penalties available to South West Water for 2020/21, the first year of the new regulatory period, is greater than it was in previous years. Many of the metrics themselves are also new or have new definitions and therefore there will be a heightened expectation from customers and other stakeholders that reported performance against these commitments is robust and has been subject to an appropriate level of assurance, including external third party assurance.

Specific assurance plan

All performance commitments are reported within the Annual Performance Report which is published annually in July. The performance commitment data is initially provided alongside a methodology explaining how the data is collated and a narrative commentary by the relevant departments within South West Water. This follows departmental reviews, sense checks and explicit challenge and sign off of the data by the departmental management.

All of the performance commitment data is subject to a mixture of assurance provided by a combination of the internal Risk and Compliance team and the external technical auditor, Jacobs (and where performance commitments relate to financial data, the financial auditor, EY).

The level and extent of assurance applied to each performance commitment is determined by a risk assessment of how prone each reported commitment may be to error, the level of customer and regulatory interest and the associated financial or reputational impact as well as any other assurance performed upon the data. We will continue to employ a more thorough deep dive approach in areas of heightened risk.

As a minimum for each commitment the external technical auditor Jacobs, having access to all relevant management, methodologies, data and processes will vigorously challenge the performance, related information and commentary for the year. Following the audit and follow up actions, management (including directors) will sign off the final position and commentary. The technical auditor will also confirm to the Board that audit actions have been resolved or an appropriate action plan is in place prior to the Board 'sign off' of the Annual Performance Report.

Jacobs publish a summary of the assurance they perform upon performance commitments within the Annual Performance Report as well as a summary of the results of that assurance.

Further specific internal assurance is performed and during the year, this has included:

- a deep dive review of procedures in respect of pollution performance
- Pennon Group Internal Audits in respect of a number of performance commitment areas.

Integrated assurance framework elements utilised

1st line

- Ongoing performance reviews and monthly reporting within teams and senior management, including formal Executive ODI Group
- Departmental certification and 'sign off' of submitted data
- Process and culture formed on quality management principals

2nd line

- Risk and Compliance internal audits

3rd line

- Pennon Group Internal Audits
- Jacobs technical auditors (and EY for financial data performance commitments)
- SGS ISO auditors, including ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and ISO 50001: 2011 (Energy) certifications

Significant assurance areas continued

2. Annual regulatory reporting (other than 2020 performance commitments)

Why is it significant?

Annual Regulatory Reporting (data and Company assertions, statements and commentary required by Ofwat to be reported in the company's Annual Performance report) which is published alongside the Annual Performance Report and Regulatory Report is an annual requirement of our regulator, Ofwat. The document is prepared in accordance with Ofwat's Regulatory Accounting Guidelines (RAGs), which ensures the Regulatory Reporting is prepared in a consistent manner across all water companies.

For 2020/21, South West Water is anticipating an increase in the volume of data to be provided in line with draft requirements published by Ofwat in a consultation document. The Company is analysing the new reporting requirements and ensuring it has systems and processes in place to be able to produce robust data including where there is new data to report or definitions change.

Where new data is reported or definitions are changed which may introduce the need for new or amended processes these are subject to internal (or external as appropriate) audit and challenge to determine their suitability to reporting accurately and reliably.

Specific assurance plan

All tables within the Regulatory Reporting section are subject to audit procedures or other assurance procedures (which are summarised within the APR) performed by South West Water's statutory financial auditor EY, or the Company's technical auditor, Jacobs.

EY perform an audit on sections of the Regulatory Reporting where a formal 'audit opinion' is required by Ofwat. These sections include baseline level of historical cost financial information aligned to price controls and further disaggregation of revenue and costs which allow stakeholders to review Company performance against the Final Determination. The audit opinion is on the fair presentation of these sections of the Regulatory Reporting and that they have been properly prepared.

Other non-financial sections of the regulatory reporting, includes current performance commitments, which are discussed on page 07 and other financial information includes analysis of expenditure at a more detailed level. This other information has not historically had a specific requirement that the information is externally assured. We have therefore agreed a set of assurance procedures with the statutory auditor EY and the technical auditor Jacobs to ensure that the information is assured to a similar level as our performance commitments and can be relied upon by stakeholders.

Responsibilities for completing tables and associated commentaries to be shown alongside the tables are delegated to the relevant management team within South West Water. A thorough internal verification of the information reported is performed within the relevant teams and for 2020/21 the team structure within wholesale operational areas has been strengthened to support this. The completed tables and associated commentaries are provided to the auditors and all of the relevant management are made available to the auditors. In line with statutory requirements, the Board reviews and approves this and publishes a sign-off alongside the Regulatory Reporting.

Integrated assurance framework elements utilised

1st line

- Delegated Manager Review of submitted data
- Published Board sign-off of Regulatory Reporting

2nd line

- Risk and Compliance verification of data included within the Regulatory Reporting

3rd line

- EY audit of sections 1 and 2¹
- EY and technical auditor assurance procedures on sections 3 and 4¹
- SGS ISO auditors, including ISO 9001:2015 (Quality), ISO 14001:2015 (Environmental) and ISO 50001:2015 (Energy) certifications

1. There is a dialogue between the financial and technical auditors where technical items feed into financial reporting to confirm consistency across the technical and financial elements.

Significant assurance areas continued

3. Annual report and financial statements

Why is it significant?

The Annual Report and Financial Statements provide financial and other information about the Company's activities during the year in accordance with International Financial Reporting Standards and the Companies Act 2006. This makes the format and basis of preparation of the information consistent with annual reporting of all other large UK companies.

In line with Ofwat's requirements on Board transparency and leadership, South West Water has also committed voluntarily to apply the UK Corporate Governance Code 2018 in preparing its annual report to the extent it can in the context of being a subsidiary company of a quoted company.

Specific assurance plan

The Annual Report and Financial Statements are subject to an extensive programme of internal and external assurance. South West Water's financial processes and procedures are rigorous, robust and subject to extensive management scrutiny and internal review as well as being an integral component of the independent Group Internal Audit plan.

South West Water's Executive Management and Statutory Board reviews the Company's financial position and performance on a monthly basis, and there is a thorough process of validation to ensure that annual and monthly financial reporting is in line with the underlying financial systems and transactions.

Our external auditor, EY, audits the annual report and financial statements. Their audit plan is reviewed annually by the Audit Committee, who are actively engaged with the external auditor. The Audit Committee has policies in place to ensure that the external auditor acts independently and effectively - for example the external auditor is not used for non-audit services, except where the fees are not material and the external auditor is best placed to provide those services.

Although South West Water is not a listed company itself, the Company has decided to comply with the principles of the UK Corporate Governance Code so far as it is possible in the context of being a subsidiary of a listed company (Pennon Group plc). These principles set out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. They also cover governance in respect of the Audit Committee and audit services.

The Board also makes a statement to confirm it considers the document 'fair, balanced and understandable.' This statement is made following an extensive verification process undertaken in conjunction with the preparation of the document in addition to a review undertaken by the statutory external auditor, EY.

Integrated assurance framework elements utilised

1st line

- Extensive management oversight

2nd line

- Verification programme led by the Risk and Compliance Team
- Monthly review of financial performance and position by the Board

3rd line

- Pennon Group Internal Audit - programme includes regular risk based audits of financial systems, processes and internal controls
- Statutory External Audit - performed by EY and overseen by the Audit Committee

Significant assurance areas continued

4. The summary performance report and summary assurance report

Why is it significant?

In July 2021 we will publish our fifth set of Summary Reporting. This has followed engagement with customers and other stakeholders, which identified them as important complementary documents to the more comprehensive Annual Performance Report and Regulatory Reporting.

The Summary Performance Reports (one for each of the original South West Water and Bournemouth Water areas) are short summaries of our performance which are designed to be user friendly and engaging, focusing on key headlines and performance.

We want the Summary Performance Reports to be useful to customers and increase our already strong levels of customer engagement and as such believe it is vital the document is as rigorously assured as the comprehensive Annual Performance Report and Regulatory Reporting (noting that the documents should be an unbiased summary of data which has been assured for inclusion in the more comprehensive report). These reports are particularly important in the light of the new set of performance commitments we are reporting in the new regulatory period.

The Summary Assurance Report has aimed to ensure that stakeholders can gain an understanding of the assurance which has been performed upon the annual reporting as well as on other data and information published by South West Water. This Summary Assurance Report has been an important follow up to the Assurance Plan and it is important that it is a fair, unbiased and accurate summary of assurance performed. Requirements for publication of a more comprehensive Board Assurance Statement have been the subject of consultation by Ofwat, and this may result in South West Water deciding to integrate some or all of the Summary Assurance Report into the Annual Performance Report. The Summary Assurance Report may then be refreshed or integrated with the Summary Performance Report.

Specific assurance plan – Summary performance report

We acknowledge that as a shorter document published outside of a statutory requirement, with no formal assurance requirements, there is a risk that the document could be produced in a biased manner. If it were produced in this way the value to stakeholders would be greatly diminished. To ensure this is not the case the document will:

- include a page showing the performance for the year against all of South West Water's performance commitments
- include only data and information shown in the Company's Annual Performance Report and Regulatory Reporting which has been subject to the rigorous assurance described on pages 06-07
- include balanced commentaries against outcomes in the South West and Bournemouth Water areas
- be fully verified by Jacobs, whose scope will explicitly include a review for bias within the document.

Specific assurance plan – Summary assurance report

The Summary Assurance Report is designed to be an understandable and unbiased summary of the assurance which has been performed on the annual and other reporting, any significant findings of the assurance and how the Company is addressing them.

Given the importance that we do not misrepresent the assurance which has been performed by our external providers of assurance, EY will review the report to ensure that their audit and other procedures have been accurately reported. Jacobs will similarly review the report to ensure their work has been accurately reflected. These reviews will occur whether the document is a standalone document or integrated into the Annual Performance Report.

Integrated assurance framework elements utilised

1st line

- Compilation of Summary Performance Report using only assured data from the full Annual Performance Report and Regulatory Reporting

2nd line

- Verification led by the Risk and Compliance team of data and information within the report to the comprehensive report

3rd line

- Technical auditor review of document for unbiased nature of compilation from full reporting
- EY review of accuracy and summary of their assurance work
- Dialogue between EY and Jacobs to confirm respective audit scope and audited data

Significant assurance areas continued

5. Project assurance

Why is it significant?

South West Water participates in a number of projects requiring assurance, whether as part of the long-term regulatory framework or projects which require a rapid response.

In 2020/21 this included South West Water's application to support the Government's initiative referred to as "building back greener" following the Covid-19 pandemic, while delivering real and lasting improvements to the environment for current and future generations, which included proposals to bring forward necessary capital expenditure from future years as well as new proposals to contribute to further environmental improvements as part of the "green recovery" supporting employment within the regions we serve.

In 2021/22, it is possible further significant new projects will emerge as well as preparations commencing for the five-year regulatory periodic review 'PR24,' which will focus on the business plan for the 2025-30 period.

Specific assurance plan

South West Water viewed our Green Recovery proposals as if they were part of our five-yearly business plan, upon which we employ a significant level of detailed internal scrutiny supported by external technical assurance.

Projects such as this are managed by the Executive and the Board, who oversee and challenge the plans / outputs. We engage our technical and financial external assurers as appropriate for each project.

Integrated assurance framework elements utilised

1st line

- Rigorous project management approach
- Regular Board reporting

2nd line

- Independent internal review
- Central Regulatory review of technical data

3rd line

- Pennon Group Internal Audit audits of areas
- Jacobs audit and challenge of technical data submitted
- Review of financial data / modelling

Significant assurance areas continued

6. Health, safety and wellbeing

Why is it significant?

Within South West Water, we are committed to providing a place of work free from harm, by minimising the risk of injury and ill health, where everyone goes home safe every day. The health and safety of our employees and all company stakeholders comes first. We commit to do everything safely and responsibly, or not at all – regardless of what the task is or who has asked us to do it. In recent years this has included implementing a clear and structured long-term platform for all health and safety activity known as ‘HomeSafe’.

HomeSafe is a wide-ranging behavioural change programme, drawing on best practice concepts and learnings from a range of industries. It is being supported with a broad set of health and safety indicators to improve management information, insights and safety performance. This broader data set allows for a better understanding of injury causes and allows us to benchmark against other companies across many sectors.

A core aim is to improve our key safety measure known as lost time injury frequency rate (LTIFR)². We are reporting this information in our annual performance report, alongside our performance in respect of RIDDOR³ incidents.

In recognising its importance, health, safety and wellbeing is included in South West Water’s Assurance Plan as a significant area for assurance. South West Water is committed to achieving the new ISO 45001:2018 Occupational Health and Safety standard.

Throughout the year, the Company has also been committed to minimising risks posed to our people in respect of Covid-19, whilst maintaining our essential services.

Specific assurance plan

South West Water has an established programme of health and safety Senior Management visits across its operational sites, which are supplemented by consideration of health and safety issues as part of site internal audits. This internal audit plan for health and safety is aligned with the requirements of the ISO 45001:2018 Occupational Health and Safety standard. The Plan is risk and theme based with targeted assurance of both legal and systems compliance, and with strong linkage to the HomeSafe delivery programme.

The enhanced data set designed to provide better data and management information is subject to a specific annual technical audit, provided by the Company’s technical auditors, Jacobs. This audit considers data including LTIFR and RIDDOR performance.

Since the emergence of the Covid-19 pandemic, the Company has ensured that there has been no detriment to assurance activities, whilst ensuring all related Covid-19 risks have been mitigated.

Integrated assurance framework elements utilised

1st line

- Ongoing performance reviews and monthly reporting within teams and senior management
- Departmental certification and ‘sign off’ of submitted data
- Monthly reporting to Board level
- Certification by business units and Board of all submissions

2nd line

- Health Safety Security Assurance (HSSA) team internal audits
- Senior Management site safety visits

3rd line

- Pennon Group Internal Audit oversight
- Pennon Serious Incident Review Panel
- Annual technical data audits

2. A lost time injury is defined as any work-related injury that results in a person being unfit for work on any day beyond the day of the incident. Lost time injuries are expressed as a frequency rate (LTIFR) per 200,000 working hours.

3. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations. RIDDOR puts duties on employers, the self-employed and people in control of work premises (the Responsible Person) to report certain serious workplace accidents, occupational diseases and specified dangerous occurrences (near misses).

Significant assurance areas continued

7. Tariffs and charges

Why is it significant?

The bills paid by our domestic customers and the wholesale charges paid by non-household customers in our areas are determined by the tariffs and charges published in January and February each year.

These tariffs and charges are set in line with the Company's business plan and a number of other constraints, including a pledge that the price differential between our two operational areas following the merger will be maintained.

It is important that the customers can have confidence that the bills which they receive reflect the published charges schemes and that those charges schemes have been through a sufficiently rigorous assurance process to ensure the constraints have been met.

During the year, South West Water will be planning for and publishing wholesale, end user household, developer services as well as New Applicant and Variation tariffs and charges for 2021/22. We applied the same assurance measures for 2020/21 tariffs and charges which were published in January 2021.

The Covid-19 pandemic has placed additional challenges to macro-economic forecasts as well as in forecasting future customer volumes, which is a factor setting wholesale charges in line with the regulatory model. Over the last year non-household and household volumes in our region have varied from the normal pattern as customer demand has varied.

Specific assurance plan

The Company meets with representative customer groups throughout the year to ensure that the structure of South West Water's charges remains the most appropriate for customers in our areas. The calculation of the tariffs and charges within this structure, which comply with the constraints in place, utilises a model developed by an external specialist.

Internally there is a process of sign-off for all variable inputs into the model and for forecasts and expert judgements used.

KPMG perform a set of procedures mutually agreed with South West Water, reflective of risks which may result in tariffs and charges not meeting the constraints discussed above.

KPMG focus on:

- identifying whether inputs to South West Water's model agree to underlying sources
- replicating key calculations to ensure the model is operating correctly
- checking that the tariffs and charges comply with key constraints and guidelines
- checking that the revenues from the model outputs are in line with the approved business plan.

External assurance is supplemented by internal procedures led by the Company's Risk and Compliance team, and this work includes a cyclical review of non-primary (sometimes these are unregulated) charges.

The Board sign an explicit Statement of Assurance alongside publication of the charges schemes in January and February each year confirming, amongst other things, that in the Board's opinion the Company's processes and internal systems of control ensure that the data and information contained in the Charges Schemes meet the Company's obligations.

In particular we are ensuring that modelling of demand changes due to the impact of Covid-19 is subject to detailed challenge and assurance.

We continue to work towards the final tariffs with our Board and have engaged external experts to help forecast possible macro-economic impacts, specifically for our region, arising from Covid-19 and Brexit. We have also increased the level of external assurance from our provider in light of the significant uncertainty in predicting future volumes.

Integrated assurance framework elements utilised

1st line

- Sign-off of submitted inputs to the tariffs and charges model
- Utilisation of a model developed by an external specialist

2nd line

- Risk and Compliance led internal validation and assurance

3rd line

- Assurance work performed by KPMG upon a set of procedures mutually agreed to be reflective of risks present

Significant assurance areas continued

8. The Government £50 contribution

Why is it significant?

South West Water domestic customers in the original South West Water area have been receiving an annual £50 contribution towards their bill from central UK Government since April 2013. South West Water receives the contribution from the Government and the contribution is directly passed onto customers by South West Water in the form of a £50 discount on customers bills (pro-rated for bills relating to periods of less than a year).

The scheme will continue during 2021/22. South West Water receives no financial benefit from the payment and it is important that customers and Government can have confidence that the whole reduction reaches customers and that the contribution is claimed only for eligible customers.

Specific assurance plan

The £50 contribution is automatically applied to all domestic customer bills within our billing system (this is pro-rated, where bills reflect a period of less than a year).

At the commencement of the £50 contribution scheme, South West Water performed a review of all customers' account classifications (as domestic or business) to ensure that everyone entitled to receive the contribution did so and equally that the Government Contribution is only received by those customers the Government has defined as eligible.

South West Water's domestic retail function has a specific compliance team overseeing the billing system and matters relating to Customer Service. The Pennon Group Internal Audit also perform a cyclical annual audit of our billing systems.

South West Water and the Department for Environment, Food and Rural Affairs (DEFRA) have also engaged PwC to perform a quarterly audit of the scheme. This audit includes PwC reviewing a sample of payments made to ensure that they have been correctly applied and that the classification of accounts within South West Water systems remains appropriate.

Following the opening of the non-household retail market, an assurance process was agreed with PwC and DEFRA.

Integrated assurance framework elements utilised

1st line

- Management review and oversight of process

2nd line

- Domestic retail Compliance team review

3rd line

- Pennon Group Internal Audit of South West Water's billing systems
- Quarterly audit performed by PwC of the Government £50 Contribution process

Significant assurance areas continued

9. Responding to vulnerable customers

Why is it significant?

South West Water provides essential services to its household customer across all of the areas it serves. Although we don't operate a rigid definition of vulnerability, it is important that we are able to identify and understand the needs of our customers in vulnerable circumstances to ensure that our services are inclusive and to provide additional support as needed, both during the normal course of business and during events or emergencies.

It is not only household customers who may be in vulnerable circumstances and require support during events such as supply interruptions. Non-household (NHH) customers may also require support where they have vulnerable consumers either because that is the nature of their business, such as care homes, or where they are a water reseller such as a caravan park which may have vulnerable consumers on-site who are not direct customers of South West Water.

It is important that our priority services register, which allows us to help vulnerable customers during events or emergencies is as accurate and complete as possible. It is also important that our customers are treated as individuals and that we tailor our services accordingly. To achieve this our frontline staff require appropriate training. MIND the mental health charity provide such training to our staff.

Specific assurance plan

In line with our Business Plan commitments, South West Water achieved certification during 2020/21 to the management systems standard BS 18477:2010 (Inclusive service provision for identifying and responding to consumer vulnerability for the supply of water and wastewater services).

The scope of that standard sets an excellent benchmark to demonstrate the commitment in our response to vulnerable customers.

BSI conducted a staged set of assessments to identify gaps in place, which South West Water acted upon ahead of a certification audit prior to the end of the year 2020/21.

We currently perform a variety of internal assurance activities that are relevant to this significant area for assurance including directorate compliance activities, legal compliance assurance, relevant group internal audits and ISO compliance audits in line with ISO 9001 (Quality).

Alongside seeking certification under BS 18477:2010, we have other performance commitments which act as key performance indicators of the support we provide to customers in vulnerable circumstances. These include increasing the number of customers registered for priority services and making regular contact to ensure that customers on the register are receiving the most appropriate services for their needs. Additionally, we have a commitment to increase the level of satisfaction with services received under the priority services register measured through a survey conducted by our independent market research partners.

This assurance will be supplemented by internal BS 18477:2010 systems audits to ensure all aspects of the standard are considered.

Integrated assurance framework elements utilised

1st line

- Directorate procedures and compliance activities
- Code of conduct
- Management supervision and review of customer service activities

2nd line

- Directorate procedures and compliance activities
- Management supervision and review of customer service activities
- Internal ISO systems audits

3rd line

- Jacobs technical assurance of published technical data including numbers on the PSR
- BSI external audit in line with BS 18477:2010

Significant assurance areas continued

10. Environmental, social and corporate governance (ESG) impact

Why is it significant?

South West Water provides essential services in the areas it operates and is one of the higher profile companies in the South West. There is an increasing focus on the impact of large companies' impact upon the environment, as well as upon society and its corporate governance.

South West Water aims to demonstrate continual improvement in each of these areas and is for example, has committed to participating in the Government's 'Green Recovery' scheme supporting employment and the environment following the impacts upon the economy of Covid-19. As part of this South West Water is also planning to introduce a new commitment in respect of energy usage.

Customers and many other stakeholder, including investors and regulators, are showing an increasing interest in the ESG performance of South West Water and the Pennon Group. ESG reporting in the Group and Company Annual Report has increased in recent years and South West Water will provide voluntary greenhouse gas reporting data in its Annual Performance Report ahead of the requirement to do so.

The Company, as part of the Pennon Group, has also published Gender Pay Gap information in line with its normal timetable, despite temporary relaxations in timetables by the Government.

Specific assurance plan

South West Water's ESG information is audited by technical auditors ahead of its publication in annual reporting (whether South West Water or Pennon reporting). This audit programme will be expanded this year to include additional focus on the greenhouse gas information South West Water is committing to publish in its Annual Performance Report (even though this is ahead of the required deadline).

Further assurance work is performed on other submissions, such as Gender Pay Gap and CEO pay gap reporting, by the 2nd line Risk and Compliance function.

Integrated assurance framework elements utilised

1st line

- Full internal verification exercise on data and statements made in annual reporting

2nd line

- Extensive customer engagement to establish priorities as part of business planning
- Risk and Compliance audit (including Gender Pay Gap and CEO pay gap)

3rd line

- Technical audit of ESG reporting (including voluntary greenhouse gas reporting)

Significant assurance areas continued

11. Pollution strategy

Why is it significant?

South West Water is committed to improving its performance in respect of pollutions, which in 2020/21 had fallen short of the standards we demand of ourselves. Customer engagement during the business planning process clearly demonstrates that our customers and other stakeholder place reducing pollutions as a priority for the Company.

Our business plan for 2020-25 has challenging targets to significantly reduce pollution incidents by the end of the period and revised processes and systems continue to be implemented to support this reduction.

Specific assurance plan

In line with the values of the Company, assurance occurs throughout the Company and an enhanced governance structure has been established to ensure commitments are delivered. A daily Pollutions Board meeting chaired by the CEO with a working group, investigations team and reporting team reporting into this Board.

A programme of culture, training and employee engagement has been established to ensure all relevant people within the organisation and our partners are fully focused on reducing pollution incidents.

All Pollution Incidents are investigated and a full route cause analysis is performed. Second line audits occur at our sites, including Environmental ISO Management System audits, which consider matters such as validation and calibration of relevant equipment.

In 2021/22, the Independent Pennon Group Internal Audit function will perform a detailed audit of Pollution Management within South West Water. Year end pollution data is audited by the external technical auditor as part of their annual programme.

Integrated assurance framework elements utilised

1st line

- Enhanced governance structure
- 24 hour data and service centre
- Culture, training and employee engagement programme
- CEO led daily 'Pollutions Board'

2nd line

- Root cause analysis/investigations of all pollution events
- Environmental ISO management system audits

3rd line

- Group Internal Audit (including specific Pollutions Management audit)
- Technical auditor review of published pollutions data

Significant assurance areas continued

12. Data protection and security

Why is it significant?

Various reports suggest that attempts to commit cybercrime are increasing. South West Water maintains residential customer details as well as some data in respect of businesses to which it acts as the wholesale water supplier.

Following high-profile incidents with other companies, customers are increasingly aware of, and interested in risks to their data.

It is also important for South West Water to maintain the security of its operational networks to ensure the security of critical national infrastructure ensuring the continued supply of drinking water as well as treatment of wastewater.

Specific assurance plan

South West Water maintains an Information System with extensive controls to mitigate the risks in respect of data protection and security. The Company has appointed a specific Data Protection Officer as well as maintaining a Data Protection/Security Governance Group.

The corporate IT system is certified to the international standard ISO 27001 – Information Security Management, and there is a dedicated Information Security team who oversee mitigations and controls in place as part of the system. A programme on internal and external audit is performed on the system and controls.

There is a Company wide Information Security policy and the Information Security team have provided briefings to other departments to ensure the culture supports the objectives of data protection and security. The Company conducts regular penetration testing to test the security of the system.

In respect of the operational network, South West Water has performed extensive work in line with the Network and Information Security (NIS) directive including the completion of audits performed by an external specialist and Group Internal audit. South West Water also engages annual external audit under the Security and Emergency Measures Directive (SEMD).

Integrated assurance framework elements utilised

1st line

- Dedicated data protection officer
- Data Protection/Security Governance Group
- Information Security Policy

2nd line

- Internal audit in line with ISO 27001
- Penetration testing

3rd line

- Group Internal Audit (including specific Information Security audits)
- External audits in line with the NIS Directive and SEMD

Continual improvement

South West Water seeks to continually improve in all areas of its operations. All of the performance commitments within the 2015-20 and 2020-25 business plans are aimed at improving performance across the period or for continued excellent performance where high levels are already achieved. These performance commitments are all in customer priority areas.

Wherever possible South West Water uses the results of assurance work performed to drive continual improvement and actively seeks the opinions of internal and external assurance providers concerning improvements that can be made.

Continual improvement is also a core concept of the ISO accreditations and certifications which South West Water has chosen to become accredited and certified against. South West Water is currently accredited or certified against:

- ISO 9001:2015 – Quality Management Systems
- ISO 14001:2015 – Environmental Management Systems
- ISO 17025:2017 – Testing and Calibration Laboratories
- ISO 27001:2013 – Information Security Management
- ISO 50001:2011 – Energy Management Systems.

These systems comprise sets of policies and procedures to ensure that South West Water:

- meets customer and stakeholder requirements such as the identified performance commitments which are customer priorities (ISO 9001:2015)
- effectively handles environmental issues mitigating the Company's impact on the environment (ISO 14001:2015)
- competently obtains samples and through the laboratories generates valid results providing confidence in South West Water's quality and compliance data (ISO 17025:2017)
- systematically manages its sensitive data, ensures business continuity and reduces the likelihood and impact of a security breach (ISO 27001:2013)
- delivers best practices in its management of energy (ISO 50001:2011).

The ISO standards are audited under a comprehensive programme of internal audit, led by the Company's Risk and Compliance team and a regular external audit provided by SGS, an accredited ISO certifying company.

South West Water's operations are also subject to cyclical risk based internal audits performed by the independent Pennon Group Internal Audit function, reporting to the Audit Committee.

Following a significant period of external assurance activity South West Water has an open dialogue with the assurance providers to review the activity to confirm its appropriateness and to seek ways of continually improving the approach and processes for future assurance.



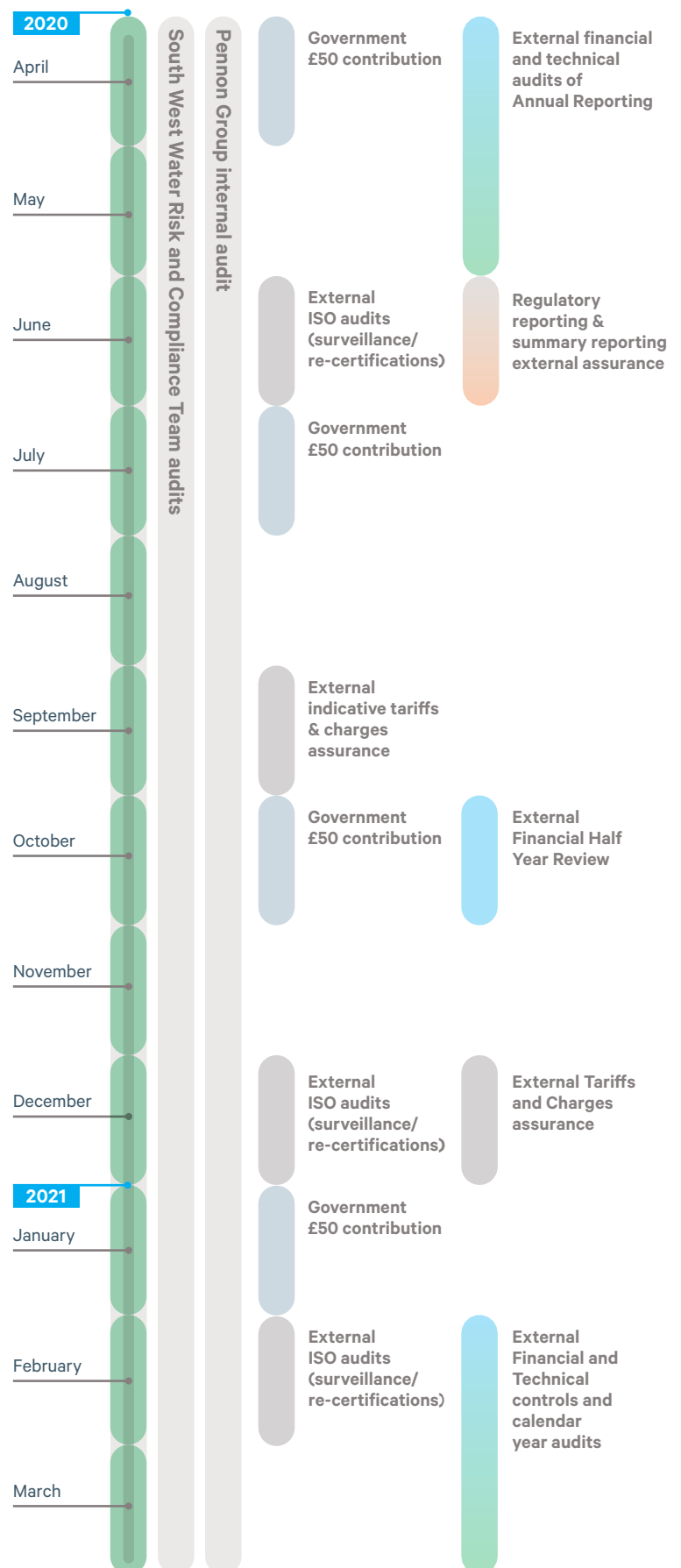
Ongoing assurance

This plan focuses on assurance activities in significant assurance areas. However, there is an underlying programme of assurance which is ongoing throughout the year and based upon South West Water's Integrated Framework.

This programme is flexible and adapts to meet any new requirements or areas of focus identified and is overseen by the Audit Committee.

During this consultation we would value any comments or feedback which can be sent to riskandcompliance@southwestwater.co.uk

Any comments received will be collated and used to inform our assurance programme.



The consultation

The consultation

The consultation has now concluded.

The plan was circulated internally to employees and invitations to participate have been emailed key stakeholders, including assurance providers and was also published on the South West Water website for feedback.

Amendments made to the plan following the consultation

Amendments made to the plan following the consultation In January the South West Water Board considered the results of the consultation process and approve this Final Assurance Plan following amendments in line with the consultation. These included:

- Three new significant areas for assurance have been identified (being Pollution Strategy, ESG reporting and Data Protection/Security) reflecting current stakeholder priorities
- A shift, given our plan reflects more than annual data assurance, to make it more prospective, published in March ahead of the start of the new regulatory period. Data assurance activity in respect of data relating to the previous regulatory period will continue to be included
- Updates to consider programme assurance in general rather than solely the Green Recovery submission on page 11, following review of our external assurance partners and the change in focus to be a prospective assurance plan
- Limited updates to Health and Safety assurance on page 12, including reflecting on the Covid-19 pandemic, which will be further discussed in our annual reporting.

Annual reporting

We have reviewed and concluded the documents we publish in this phase of the year (the Risks Strengths and Weaknesses Statement and Assurance Plan) and concluded, that even without a regulatory requirement to do so, they remain beneficial exercises for the Company to undertake and informative documents to publish.

We have made similar conclusions concerning the Summary Performance Reports and Summary Assurance Reports in respect of the content they contain, however following the consultation we are now planning on taking a more integrated approach for the Summary Assurance Report within our Annual Performance Report.

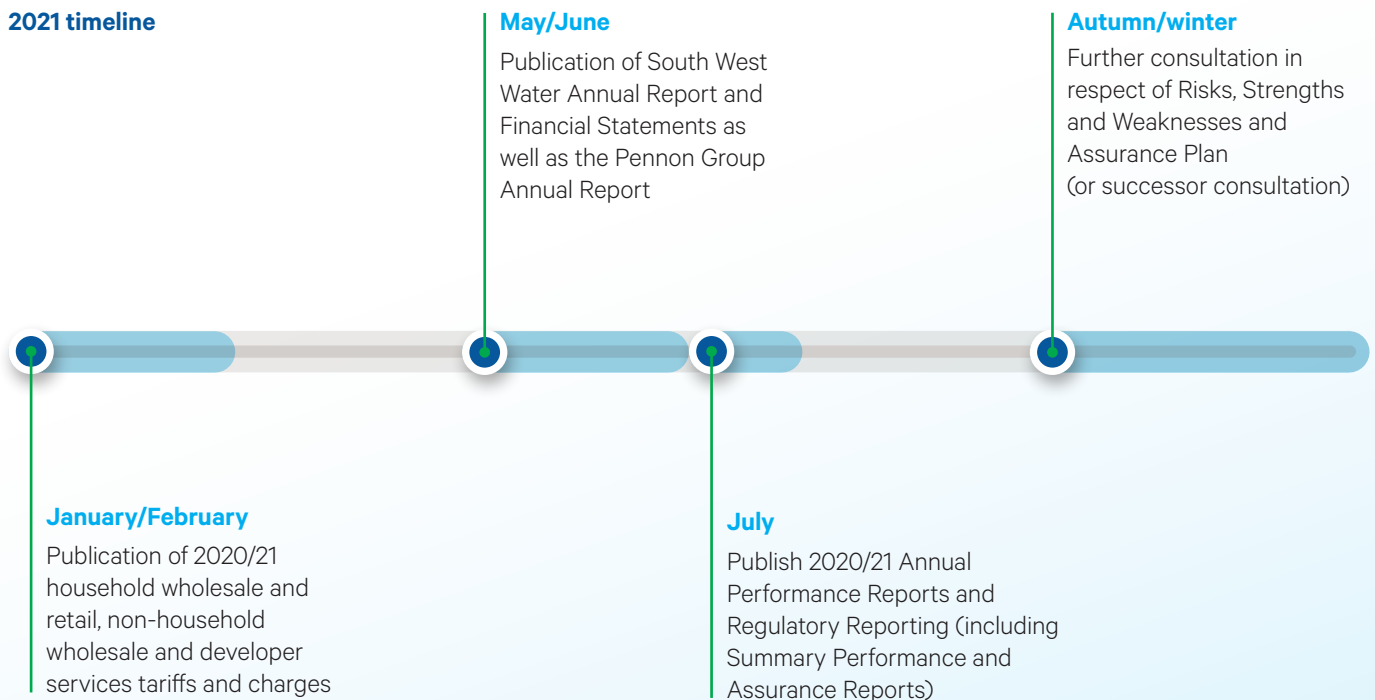
We continue to welcome your comments and feedback

Please send any comments to:

riskandcompliance@southwestwater.co.uk

Comments and feedback will be considered ahead of next year's consultation process.

2021 timeline



South West Water Limited

Peninsula House
Rydon Lane, Exeter
Devon, EX2 7HR

Registered in England
No 02366665