

WaterFuture

Board Assurance Statement 2020–2025



South West
Water



Bournemouth
Water

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Board Assurance Statement

The South West Water business plan documents supported by the accompanying data tables submitted highlight the company's proposals for the next five year period 2020-25.

The South West Water Board's approach to the governance over the submission is aligned to South West Water's Internal Assurance Framework.

In line with Ofwat's reporting requirements this statement details South West Water's Board approach to:

- How the Board has challenged and satisfied itself that all the elements result in a plan that is high quality
- How the Board has challenged and satisfied itself that the overall strategy to data assurance and governance processes ensures high-quality data
- How the Board has challenged and satisfied itself that the business plan will enable the company to meet its statutory obligations, now and in the future
- How the Board has challenged and satisfied itself that its plan will deliver operational, financial and corporate resilience into the longer term, encompassing the period 2020-25
- How the Board has provided ownership of the overall strategy and direction of the plan in the long term.

Key challenges from the Board	Response from the Executive
Ambition on pollutions performance	Enhanced pollutions strategy implemented targeting the lowest number of pollutions ever seen in the industry
Bill level in 2024/25	Further stretch efficiency targets applied in between customer consultation and final business plan
Bill profile to 2024/25	Bill profiles smoothed further where possible to achieve stability of bills throughout 2025
Addressing lessons learned from Storm Emma	Monthly report to Board on progress against lessons learned and targeted community resilience improvement plans
Scale of affordability support	Board pledge to address water poverty for our customers by 2025
Smart metering policy	Metering policy updated to reflect any new or replacement meters should be digital and all customers on the PSR should be prioritised for digital replacement
Direct procurement and markets	Potential direct procurement scheme with Southern Water post 2025 and internal water resources market being developed for 2020
Further sharing of success	Customer share ownership scheme and 'enhanced' debt sharing mechanism

The Board's priorities

The South West Water Board has been engaged at all stages in the development of South West Water's business plan for 2020-25. In line with customer and other stakeholder engagement they have set the objectives for the plan, which is both ambitious in respect of delivering significant improvements against key performance commitments in the outcomes which we are prioritising and reflective of the extensive engagement we have performed to establish the willingness of customers to pay for these priority areas.

The scale of the plan reflects well justified business cases, which have been thoroughly reviewed by the Board to ensure they represent efficient means of delivering the priorities. For example, the investment proposed to significantly upgrade water treatment processes in the Bournemouth Water area is judged by the Board to significantly reduce risks in respect of water quality and the resilience of the supply in the area and provide a more cost efficient treatment process in the long term.

Assurance has been central to the Board's decision making process and business cases have been thoroughly and robustly developed, utilising both internal and external specialists, and subject to levels of assurance commensurate with the scale of the proposals. This has been provided in line with our Integrated Assurance Framework, utilising our external technical and financial assurance partners as well as other specialists when deemed necessary.

The Board has reviewed outputs of this assurance in considering business cases included within the business plan.

Governance and strategic leadership

The South West Water Board has in place a well established and effective set of policies and procedures covering corporate governance, internal control and risk management.

South West Water Limited is a wholly-owned subsidiary of Pennon Group Plc, a FTSE 250 company with shares listed on the London Stock Exchange. As a listed company, Pennon Group Plc is required to comply with the UK Corporate Governance Code, following both the spirit and the letter of the code.

The Board is responsible for ensuring effective governance and oversight of its operational business. The key areas include:

- Reviewing strategies, policies, management, initiatives and performance of South West Water
- Ensuring that South West Water conducts its business in a responsible manner in relation to environmental, social and governance matters
- Reviewing systems, internal controls and risk assessment processes.

The South West Water Board comprises the Non-Executive Chairman, two Executive Directors and seven Non-Executive Directors, six of whom are considered by the Board to be independent. All of the Non-Executive Directors are considered to have the appropriate skills, experience in their respective disciplines and character to bring independent and objective judgment to the Board's deliberations and to represent customers' interests.

The company utilises an Integrated Assurance Framework as described in its published Assurance Plan, which is applied to all assurance requirements, including those identified in the Assurance Plan as significant areas for assurance (such as the PR19 business plan submission).

In line with this framework formal procedures have been implemented covering:

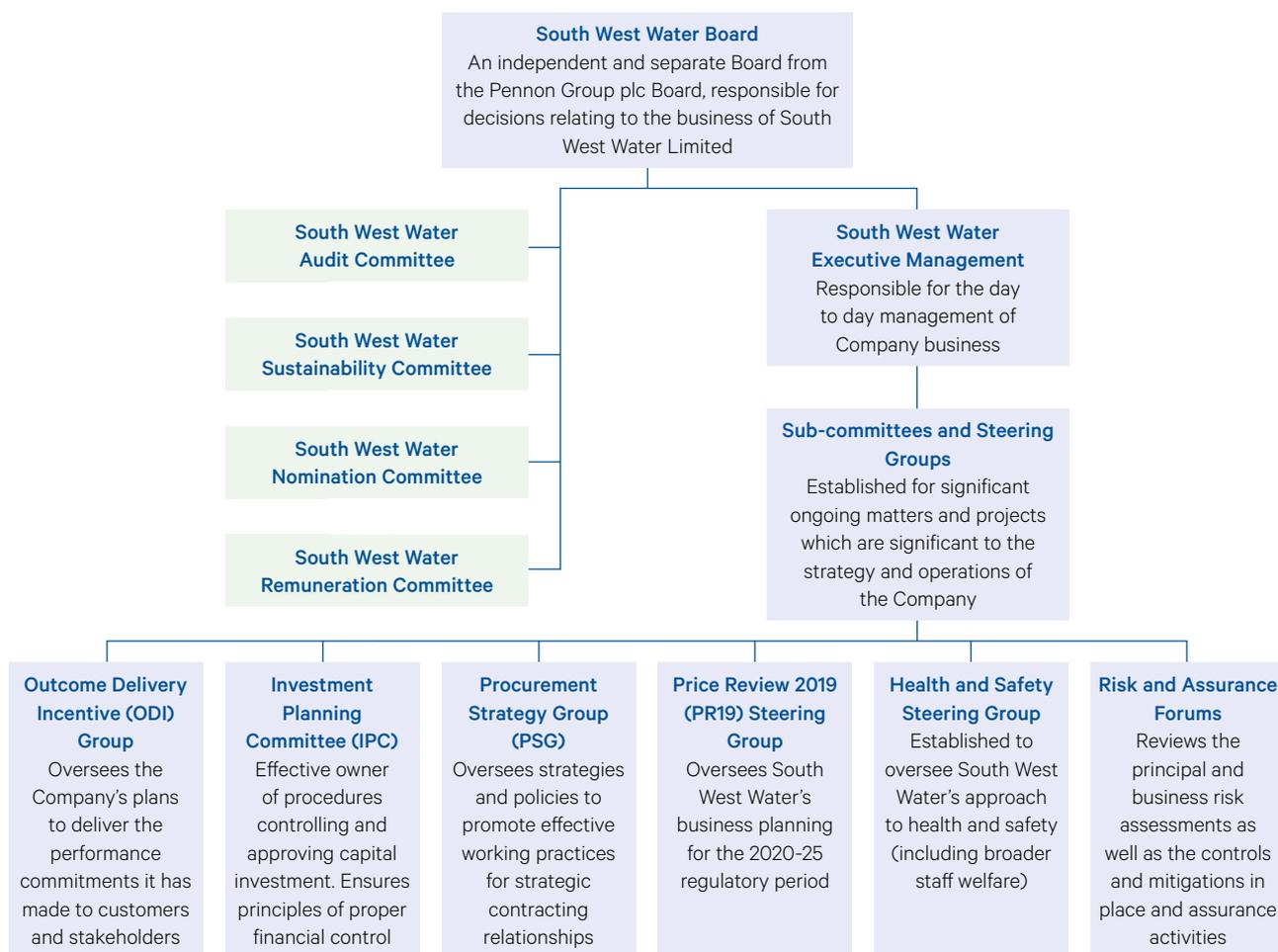
- Planning
- Responsibility for the preparation of data and commentaries
- Controls and checks
- External financial assurance
- External technical assurance
- Authorisation and certifications
- Follow-up actions from assurance.

Development of our plan has been driven by a central project team, working with experts across the business and with external support where needed.

Strategic leadership through the development of the plan has been given by the Board through ongoing updates and approval of material strategic matters. A PR14 sub-committee of the Board was established to review proposals in detail and recommend action to the Board. In addition, the Executive Management formed a Steering Group to give direction, monitor and agree specific outputs during the development of the plan.

The Non-executive Directors have provided robust challenge to the Executive Directors in relation to the strategy and content of the plan, including meeting with customers and stakeholders including the WaterFuture Customer Panel (WFPCP).

Throughout the development of the business plan we have undertaken a fully transparent process in compliance with its own Board leadership, transparency and governance Code as well as the UK Corporate Governance Code.



Earning customers' trust

During PR14, we created WaterShare not only to share the benefits with customers in a timely manner but also to be more open and transparent with our customers with all areas of our performance and what it meant for customer bills. WaterShare reporting has been overseen by an independent WaterShare Panel since PR14 with minutes being published and publicly available and a report from the panel being sent to Ofwat every year.

For PR19, we are taking the bold step to extend customer sharing and participation further through our commitment to extend shares to customers, returning a share of outperformance on the embedded cost of debt to customers. This will also enable direct representation through shareholder forums.

As part of the annual company Monitoring Framework process, we continually seek feedback from customers on the way in which we report information to customers including our corporate and financial structure.

As part of a listed group we are bound by the UK governance code resulting in high levels of transparency in this area compared to non-listed entities. We have also engaged customers in focus groups on areas such as our tax strategy to help inform our plans.

WFCP have welcomed the levels of transparency and engagement on financial structures including dividend policy and has ratified the approach we are taking.

The Board is therefore confident that **our business plan will enable customers' trust and confidence through high levels of transparency and engagement with customers, on issues that matter to customers such as the company's corporate and financial structures and how these support our long-term resilience.**

Business planning and assurance

The business plan has been designed to ensure that as a whole it is high quality and consistent. The central team supported by specialists across the business and outside of the business have co-ordinated a thorough, extensive and joined-up process.

South West Water has utilised its integrated assurance framework to design an assurance process which ensures that individuals across the business have reviewed and certified the methodology, data and commentary which form the building blocks of our business plan. These internal processes have been complemented by comprehensive external assurance.

Responsibilities for data, methodologies and commentaries including the allocation of costs between business units, have been allocated across relevant sections of the business. Senior Managers and Directors have provided internal assurance through robust reviews and individual assurance statements in respect of all data tables and other significant data relevant to the business plan.

South West Water has engaged a technical assurance partner to confirm compliance with Ofwat's methodology and reporting requirements as well as to rigorously challenge the company's submissions.

We have also employed the services of a financial assurance partner. In line with considerations in respect of the South West Water Code and the UK Corporate Governance Code, we have employed a firm separate to our statutory financial auditor. A rigorous data mapping process has been undertaken to ensure that all data within data tables and other relevant data is appropriately externally assured by the relevant external assurer.

The scope of the external assurance process in respect of the business plan has been to:

- Consider our plans against the Ofwat methodology and price setting framework
- Review and challenge the appropriateness of the assumptions, estimates and projections used in our financial modelling, data tables and wider business plan
- Consider the robustness of any supporting documentation
- Assure the accuracy and consistency of data within all business plan documents.

In exercising its judgment on production of this business plan the Board has taken into account the following main factors:

- Information, including supporting explanation and identification of potential exceptions, arising from management review of company performance
- Meetings and discussions with the external technical and financial assurance providers
- Outcomes of meetings with the independent WFCP.

The Board is therefore confident that our business plan is based on robust, consistent, accurate and assured data as presented in the company's PR19 business plan tables and commentaries.

Track record for assurance

South West Water has consistently been in the self assurance and targeted assurance categories. The targeted assurance improvements have been completed.

South West Water provides good, high quality assurance for all of the information submitted to its or publishes irrespective of whether it is for a price review, other regulatory requirements or internal business operations and planning. We take every aspect of data provision seriously and ensure the strong governance framework we have is followed at all times.

In addition, the WFCP were complimentary on the extent and quality of the data provided to them throughout the business planning process for PR19.

The Board believes we have a good track record of producing high quality data, taking into account the approaches taken to date, the improvements made as an outcome of the targeted assurance category in the 2018 assessment of the company under the company monitoring framework.

Compliance with statutory and licence obligations

South West Water has a number of statutory obligations including those within the Water Industry Act, the South West Water Licence, Competition Act and the Strategic Policy Statement (SPS) issued by Defra. Furthermore, the Environment Agency Water Industry Strategic Environmental Requirements (WISER) document set out certain statutory obligations on water companies:

We have worked with our key regulators and stakeholders including the Environment Agency (EA), Drinking Water Inspectorate (DWI), Natural England (NE) and the Consumer Council for Water (CCWater) through our WFCP to develop a programme that meets our obligations and is acceptable to customers.

We have included a programme of investments within our business plan that is compliant with the SPS and the Water Industry National Environment Programme (WINEP) in so far as:

- Full scale interventions are only made at locations where there is a clear need to invest. Investigations will be undertaken at other locations within the WINEP where we believe the need to invest in a full scale intervention is uncertain
- Subsequently, if it is found that full scale intervention is required, the investment will be made in order to meet the requirements of the WINEP in 2020-25
- This approach has been endorsed by the relevant regulators.

The Board is therefore confident to provide assurance that the business plan will deliver and that the Board will monitor the delivery of its outcomes which will fully meet all relevant statutory and licence obligations and take account of the UK governments' strategic policy statements.

Customer engagement

We are responsible for providing our customers with good quality water and wastewater services and high standards of customer service at a good price.

We have kept the needs of our customers and stakeholders at the core of our business planning process.

Our research and engagement plan aligns with guidance from Ofwat and CCWater.

We have committed to an extensive programme of customer engagement, widening the range of evidence, adopting new techniques and reinforcing established methods. We have ensured a robust process of triangulation of evidence from 900 valuations from an extensive range of customer research and engagement data sets.

Working closely with our independently chaired WFCP, and responding to their challenges, we have ensured that through our range of engagement and evidence we have taken on board the diverse priorities and needs of all our customers, across both our operating areas, including covering current and future customers, and those with affordability difficulties or in vulnerable situations.

As well as oversight from the Board and challenge from the WFCP, our engagement with customers has been quality assured through using experts in the fields of market research and regulatory and behavioural economics, and reviewed in detail through independent expert peer review.

The process of engagement and challenge has been transparent and documented through challenge logs and publication on the SWW and WFCP websites.

The WFCP presented us their overall assessment concluding that the quality of our customer engagement was high and could be relied upon and that customer views had been taken into account and were clearly reflected in the plan.

The result has been the highest ever level of customer acceptance of our plans with 88% of South West Water customers finding our proposed PR19 plan acceptable and 92% of Bournemouth Water customers finding the plan acceptable.

This direct involvement in this area of the plan has enabled the Board to be confident that our business plan has been informed by and reflects the results of

- **High quality customer engagement**
- **Feedback from our WFCP about the quality of our customer engagement and how we have incorporated this into the plan.**

We have designed our plan to be accessible to customers and stakeholders while ensuring that our approach is consistent with the methodology for setting price controls and provides sufficient support and commentary to Ofwat for our plans. Reflecting these needs we have produced a clear and concise business plan document which gives an overview of our plan, supplemented by a suite of more detailed plans and supporting data.

Affordability and vulnerability

Affordability is one of the key themes of our plan and a priority for our customers. The Board has been instrumental in embedding a culture of cost and service focus to ensure high quality services with bills kept as low as possible. This has been very successful but even with lower bills now than in 2009 we know that some customers still struggle to afford their bill with an estimated 14% in water poverty.

The Board has overseen the development of an industry leading package of support measures starting back in 2003, that covers both those who need or may need assistance with their bill and those in vulnerable circumstances who may have difficulty accessing our services.

The Board also played a key part in influencing the introduction of the £50 government contribution to all household customers in 2013. The Board has ensured a thorough risk assessment of the possible loss of the £50 contribution and the development of a plan that shows support from our customers with or without the £50 being retained post 2020.

The Board has ensured a thorough detailed analysis was undertaken by an independent expert illustrating the impact on customer affordability of proposed bill levels with and without the £50.

Different packages of support measures have been tested and challenged by Board and the underlying data and analysis assured by expert third parties, to enable us to commit to develop an overall enhanced package of innovative affordability measures that will ensure all customers can afford their bill, addressing water poverty for our customers by 2025.

This package of measures has been tested with customer and the independent WFCP who challenged the Board and iNEDs directly on how the company was ensuring all customers could afford their bill, and in particular, if the £50 government contribution was not retained post 2020. The WFCP were very supportive of the response from our Board and the proposed package of affordability measures.

Affordability is closely linked to vulnerability and is also an important part of the plan. As a Board we have been directly involved in incident management, where service disruption to customers can have acute vulnerability impacts. This oversight has ensured the prioritisation of service provision and response, and the establishment of partnerships with key organisations such as the British Red Cross and MIND.

Partnership working with third parties such as these, and those involved in social housing and other utility providers, is viewed by the Board as key to success in this area, and in line with our commitment to supporting the wider SW community. The Board has ensured that our engagement and delivery strategy in this area is well integrated with third parties to ensure maximum reach and effectiveness. The Board's own local links and engagement are important catalysts to this work and foster effective partnering.

We have had the highest levels of customer acceptability we have ever seen of our plan, with 88% of South West Water customers finding our proposed PR19 plan acceptable and 92% of Bournemouth Water customers finding our proposed PR19 plan acceptable. South West Water customer acceptance reduces to 80% when the bill is £50 higher (i.e. assumes the £50 is not retained post 2020).

For those customers not finding their bill affordable and are classified as being in water poverty (water bill makes up more than 5% of their disposable income) affordability support measures will be used so that the bill is considered affordable.

The Board's direct involvement in this area of the plan, our learning from recent events, the oversight by the WFCP, our testing with customers, and underlying expert assurance of data and analysis, enables the Board to be confident that our business plan is affordable for all customers, including in the long term and including appropriate assistance for those struggling, or at risk of struggling to pay, or because of vulnerable circumstances, have difficulty accessing our services.

Outcomes

Through extensive customer and stakeholder engagement, and involving oversight and challenge from our WFCP, we have developed outcomes and commitments which reflect customers' preferences and willingness to pay (WTP) whilst being consistent with relevant environmental and quality regulators obligations and statutory requirements.

We have considered the measures of success, performance commitments and ODIs to meet these outcomes and confirmed that these can be recorded and measured consistently, and we have established this process within our existing governance and assurance process to ensure that data and analysis are robust:

- The most extensive customer research and engagement programme ever undertaken has resulted in over 900 data points used to validate the values customers place on our services. Independent assurance reports and peer reviews have been provided to enable our Board to place reliance on the data being used to drive the cost benefit analysis used to develop stretching performance targets post 2020 in the areas that matter most to customers
- The Board has attended ODI workshops with our WFCP where significant challenges were made about forecast performance to 2020 and targets to 2025. All challenges were effectively responded to. The Board also attended various customer focus groups during the development and testing of ODIs
- Proposed ODIs have been rigorously reviewed by the Board with sector leading performance targeted in many areas. Strong incentives have been proposed to ensure focus is given to the delivery of priority areas for customers. This has included the ambitious Board commitments to:
 - Reduce leakage levels by 15% by 2025 at no extra cost to customers
 - Address water poverty for our customers by 2025
 - Eradicate serious pollutions to the environment.
- We are confident our targets are stretching by comparison with our past performance, and sector benchmarks, and will demand continuing innovation and focus to ensure delivery.

We have received independent supporting statements from specific regulators for our outcomes and commitments and endorsement from the WFCP that our outcomes, PCs and ODIs are based on and reflect our high quality engagement with customers.

We have paid attention not only to developing stretching future commitments and incentives, but also to maintaining a robust framework for ensuring continued success in delivery and sharing the benefits with customers.

The Board has provided extensive oversight and scrutiny of performance against promises made to customers in our PR14 business plan. Performance is reported to Board every month through our integrated governance and assurance framework.

Our Board led customer focused culture, and focus on performance, has helped ensure the business delivers our stretching promises and performance commitments made to customers. This governance framework and continuous review of performance and actions to address performance to target improvements where required, will be retained post 2020 and give confidence our commitments will be delivered.

The transparent reporting of performance through the WaterShare scorecard and the independent WaterShare Panel review and scrutiny of our performance has also ensured focus on delivering for customers is reinforced. During the annual in-period licence adjustment our process and engagement with customers and the WaterShare Panel on decisions for the sharing of outperformance have enhanced the focus on delivering our outcomes.

Our WaterShare framework and mechanism is being enhanced for PR19 with the introduction of a customer share ownership scheme giving customers extra power to hold us to account and have a greater say in the business.

Our direct involvement in this area of the plan, the extensive and robust customer engagement, independent challenge and technical assurance received, and careful comparison against our past performance and external benchmarks, has enabled the Board to be confident that **our business plan will deliver – and that the Board will monitor delivery of outcomes for customers and performance commitments. Our outcomes, performance commitments and outcome delivery incentives are grounded in what customers have told us and reflect their preferences for stretching levels of performance. Our internal governance and assurance framework, supplemented by independent WaterShare+ Panel provides a robust and reliable approach to accurate and transparent reporting of our performance commitments, ODIs and projections of performance.**

Resilience

The Board oversees a well established fully integrated risk and assurance governance framework that has delivered a consistently reliable and resilient service for our customers. This helps us to live up to our values of 'trusted' and 'responsible' in the way we provide service to our customers.

Our approach to resilience for PR19 plan is developed within this framework. This Board led risk management approach incorporates both 'top down' and 'bottom up' processes, ensuring a common understanding of the risks and opportunities that the business is exposed to now and in the longer term. Actions and mitigations are scrutinised by the Board to understand any potential detrimental impact to the achievement of providing a reliable and resilient service to customers.

In addition to the oversight of internal assessment of risks, the Board commissioned two independent assessments of our operational, corporate and financial resilience. The results of the independent assessments were consistent with our own resilient assessment that our systems and services are resilient.

The Board regularly requires the business to stress test systems and processes which have helped identify areas where resilience could be improved. These improvements were also consistent with the independent resilience assessments.

As a result, the Board has overseen the development of a resilient service improvement initiative aimed at addressing known risks where the resilience of our systems and processes could be improved further. One of the work streams included under this resilience improvement initiative is an ambitious collaboration with Exeter University to develop an innovation centre for water, waste and environmental resilience. This, along with our partnership with UTC and apprenticeship scheme, will ensure we retain and develop a highly skilled workforce with appropriate infrastructure and systems to deliver a resilient service for the long term.

South West Water's plan reflects a number of measures designed to mitigate the most significant risks to long-term resilience in respect of all aspects of the company's business. These measures reflect options assessed via our risk assessment framework and developed through the Investment Manager process to be the best value for money over the long term. They reflect customer engagement throughout the process, including with the WFCP and interactive and interactive online videos encouraging customers to think about how long term resilience of the water supply could be achieved and paid for.

The WFCP has scrutinised our proposals for developing our outcomes, including that of resilience, to ensure they reflect customer priorities as understood from engagement. A 'Legislative, Resilience and Environment Sub Group' of the WFCP was established including representation from South West Water and key partner agencies (such as the EA and NE) to consider and scrutinise plans to in respect of both legislative and regulatory compliance as well as in respect of long term resilience and stretching performance commitment levels.

Board members themselves attended customer focus groups and workshops to ascertain first hand customer views on resilience. In addition, the Board's involvement in the Freeze and Thaw incident following Storm Emma provided valuable insight into the resilience of our service under the most extreme circumstances. Board review of customer feedback from surveys with those communities most impacted by the incident has been invaluable in helping to shape and inform our plans for the future and specific community resilience improvement projects.

This direct involvement in this area of the plan has enabled the Board to be confident that **our business plan has been informed by:**

- **A robust and systematic assessment of the resilience of our system and services**
- **Customers' views about managing resilience**
- **A comprehensive and objective assessment of interventions to manage resilience in customers' long term interests.**

Cost assessment

The Board customer driven culture focused on cost and service efficiency is central to the development of our business plan.

Following the assessment of our cost base as efficient in PR14, the Board has continued its drive on efficiency to keep bills as low as possible for customers. The Board led the merger and subsequent integration of Bournemouth Water realising significant synergies across each element of the business delivering significant benefits for our customers.

Detailed analysis from independent econometricians supports the Board assertion that the benefits derived from the merger alone creates a better comparator and reinforces our position at the forefront of the industry efficiency.

The cost focus embedded into our business has delivered significant totex efficiencies forecasting c. £300m of totex outperformance by 2020. This focus will continue and all costs proposed for inclusion in the plan have been rigorously challenged by the Board. A stretch target of 1% per annum on operating costs and 5% on capital costs have been included in our plan to further push the cost efficiency benchmark for the industry, aligned with the commitment and outcome of our econometric reviews.

The cost estimates, projections and data proposed within the plan have been based on historical trend data and future cost models, as well as estimates on future price rises and impacts.

Independent cost consultants have also been commissioned by the Board to provide assurance over costs included for capital and operating solutions considered for inclusion in the plan. Material and/or large investment and expenditure have been externally assured. We have worked independently of other companies and competitors.

All cost estimates, projections and submitted data tables have been subject to independent external assurance commensurate with the risk relating to the data.

These costs have then been included in the detailed cost benefit appraisal to derive the optimum package of expenditure to deliver customer preferences for services in the most efficient manner. This has also been tested with our WFCP, Drinking Water Inspectorate and the Environment Agency.

Our largest single investment, the new first of its kind ceramic membrane water treatment works in Plymouth is nearing successful completion. Regular updates have been provided to Board throughout the construction and commissioning of this investment. The successful delivery provides the Board with the confidence to propose further roll out this technology to two further new water treatment works in our PR19 business plan.

This direct involvement in this area of the plan has enabled the Board to be confident **that the expenditure forecasts included in our plan are robust and efficient. In addition the Board is confident that:**

- **Large investment proposals are robust and deliverable**
- **A proper assessment of options has taken place.**

The proposed option is the best one for customers.

Risk and return

The plan has been designed to be ambitious and challenging in achieving the priority outcomes. Detailed plans have been established to achieve each of the commitments and these have been subject to challenge by the Board and Executive level in addition to audit by the technical auditor. The technical auditor has identified key risk areas which have been subject to additional Board scrutiny.

In 2013, the Board pledged to transparently report performance and to fairly share the risk and return fairly between customers and investors. This remains a core value of the Board.

The Board oversees a well established fully integrated risk and assurance governance framework that has delivered a reliable and resilient service for our customers. All aspects of the risk and return package are reviewed and scrutinised by the Board as part of this framework.

The Board's oversight has enabled outperformance on all elements of the risk and return package even when unexpected events occur. The Board regularly review scenarios, assessing potential risks and mitigating impacts.

In PR14, the Board created the WaterShare mechanism and framework as an innovative way of fairly sharing the benefits of risk and reward between customers and shareholders. Alongside a Board pledge to keep bill rises below inflation this has been a huge success in providing a backstop protection for customers.

After further engagement with customers we are applying the principles of WaterShare to include Bournemouth Water customers for the first time and also an unprecedented move of converting into the option of a 'stake' in the business aligned with an equity investor. This will provide even greater alignment between customer and shareholder interests and sharing of risk and return.

Customers have been engaged on all elements of the proposed risk and return package and show strong support for the proposed package. The establishment of a sharing mechanism for outperformance on the cost of embedded debt further enhances customers' views and acceptance of the proposed risk and return package.

The Board has also attended customer focus groups and workshops to hear feedback first hand and customer views on the risk and return package.

Detailed analysis of financial scenarios which have been reviewed by Board, confirm the operational, corporate and financial resilience of our business and PR19 plans. This assertion is reaffirmed by independent expert analysis.

This direct involvement in this area of the plan has enabled **the Board to be confident that the Board has well established process that identifies risks associated with delivering the plan and also the mitigating activities and management plans to reduce the risks to acceptable levels agreed with our customers.**

Financeability

Ensuring the financeability of the business is a strategic priority for the Board. The Board continually review the financial stability and viability of the business to ensure there is adequate funding headroom and protection for customers.

The Board has considered the key financial ratios and financeability of the overall business plan, balanced with customer affordability considerations. The Board has tested the financeability and affordability under different scenarios, identifying key risks and testing against ranges of possible outturns on cost and revenue drivers, operational performance, and the impact of regulatory incentives including ODIs.

The Board's approach is to attract and secure finance for the business at the minimum cost to our customers, including the balance between equity and debt, cost recovery assumptions and other factors.

The direct involvement the Board has had in this area of the plan has enabled the Board to be confident that **the business plan is financeable on both the notional and actual capital structure and that the plan protects customer interests in both the short and the long term. The Board has taken the following specific steps to assess the financeability of the plan**

- **What are the key risks (and potential cost and revenue impacts)?**
- **What are the different scenarios possible post 2020?**
- **What are the impacts of regulatory incentives including ODIs?**
- **Is the plan affordable for customers?**

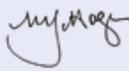
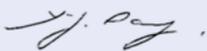
In every potential scenario considered, the mitigation in place supports the statement that the plan is financeable and affordable for customers, giving adequate protection for customers in the short and long term.

Summary assurance

In the opinion of the South West Water Board, there are sufficient systems of internal control and governance and assurance processes in place which enable us to present this plan, giving our assurance that it:

- Delivers outcomes for customers and the environment grounded in customer engagement and proposes a reasonable and appropriate balance of risks and rewards
- Is reflective of excellent customer engagement with customers and has been endorsed by our WFCP
- Ensures in all material respects that:
 - We meet our statutory obligations
 - The plan contains accurate projections and estimates and is cost efficient.
- The plan is financeable on both the notional and actual capital structure and protects customer interests in both the short and long term
- Delivers against the four key themes of PR19 (customer service, affordable bills, long-term resilience and innovation).

Furthermore, we believe that our plan embodies an increased level of stretch in our performance, delivering greater value for customers, adding to our resilience, and requiring our sustained attention to cost control, innovation and customer participation. Given the comprehensive work underlying our plan, positive customer engagement, extensive internal and external assurance, our own direct involvement in the plan and realistic assessment of our own track record, together with the measures we have proposed to support those struggling with bills or in vulnerable circumstances, we believe this plan is deliverable and affordable for all.

Name & Position	Signed
Sir John Parker Chairman	
Chris Loughlin Pennon Group Chief Executive	
Stephen Bird Managing Director	
Louise Rowe Finance Director	
Martin Angle Non-Executive Director	
Neil Cooper Non-Executive Director	
Martin Hagen Non-Executive Director	
Gill Rider Non-Executive Director	
Lord Taylor of Goss Moor Non-Executive Director	
Jon Butterworth Non-Executive Director	
Susan Davy Pennon Group Chief Financial Officer	



South West
Water



Bournemouth
Water

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