

BOARD ASSURANCE STATEMENT 2019/20

The South West Water Board of Directors (SWW Board) has overseen the development of both South West Water (SWW) and Bournemouth Water's (BW) charges for 2019/20.

The charges detailed in both companies' Wholesale Charges Schedules and End-User Charges Schemes are compliant with SWW's legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules and Charges Scheme Rules. The governance and assurance processes which have been applied to the development of these charges are summarised below:

- the SWW Board has in place a well-established and effective set of policies and processes covered by our robust Quality Management System. Policies and procedures relating to the development of tariffs and charges are regularly updated, and charges have been developed in accordance with the company's quality assurance processes
- the SWW Board (comprising of Executive and Non-Executive Directors) has been fully engaged with the process of developing the tariffs and charges
- SWW has a Tariffs Steering Group which is attended by a subset of the Executive Management Team, Senior Managers, and the Risk and Compliance Manager and discusses relevant policies, strategies and governance approach. The Tariffs Steering Group reports into and makes recommendations to the SWW Board. SWW also has a Tariffs Working Group which supports the activities of the Tariffs Steering Group
- additional internal scrutiny is provided through Pennon Board and Pennon Tariffs Sub-Committee, Pennon's Legal Department, and internal audit processes
- as well as internal assurance, external technical assurance is secured on both inputs into the tariff model and the tariff model itself, providing SWW Board confidence the tariffs model is fit for purpose. SWW Board has reviewed the reports the independent third parties and internal assurance team prepared to present their findings on their review and confirms there are no material issues
- at appropriate stages in the development of tariffs and charges, SWW engages with the Consumer Council for Water (CCWater) and other stakeholders
- as a part of its engagement with CCWater, SWW discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCWater representatives. As SWW proposes to reflect out- and underperformance payments for SWW customers in 2019/20 tariffs, the impact of the application of these payments has also been discussed with CCWater
- SWW has robust processes in place to annually review policies which are contained within the Charges Schemes. For 2019/20, no material changes to these policies are planned
- the Charges Schemes are also subject to internal review and sign off by the appropriate senior manager

Reflecting Ofwat's requirements and thorough review, challenge and scrutiny at the Pennon Board and Pennon Tariffs Sub-Committee, in the development of 2019/20 charges SWW Board has:

- received board reports from the relevant business areas outlining the approach and progress in developing charges and highlighting any material issues
- been given access as required to relevant senior managers to verify information;
- been presented with the findings of internal and external assurance activities;
- considered SWW's legal obligations related to wholesale charges and the charges set out in its end-user charges schemes;
- considered the effects of the proposed charges on customers and understands that some of the bill increases resulting from the 2019/20 wholesale charges exceed 5%, and SWW was therefore required to carry out a detailed impact assessment of those bill increases. The Board has reviewed the impact assessments that have been prepared to analyse the bill impacts, and the strategies for handling those impacts.
- considered the systems and processes in place to ensure that the charges published are accurate; and
- considered the stakeholder engagement that has been carried out in relation to the setting of these charges and how the feedback received on indicative charging proposals was reflected in the final charges; and
- considered the changes between indicative and final wholesale charges and considered there to be no significant differences.

Directors Statement

Due to the strong governance and assurance processes applied during the development of the final wholesale and household charges, SWW Board can confirm:

- in their opinion, the wholesale and end-user charges, charges schedules and charges schemes are consistent with SWW's legal obligations in relation to wholesale and end-user charges;
- it has carefully considered the impact of the new charges on customer bills for different customer groups and where a small number of individual end bill increases exceed 5%, approved the impact assessments and handling strategies developed;
- the appropriate engagement was carried out with relevant stakeholders, including CCWater, in a timely and effective manner, and is satisfied with this engagement and feedback in developing the final charges;

- it has satisfied itself that appropriate systems and processes are in place to ensure that the charges are accurate; and
- it has carefully considered the changes between indicative and final wholesale charges and in their opinion there are no significant differences.

SWW Board considers the process that SWW has gone through in setting the 2019/20 wholesale and end-user charges for both SWW and BW is sufficient to ensure that in all material aspects the wholesale Charges Schedules and End-User Charges Schemes comply with the relevant legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules and Charges Scheme Rules.

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	
Iain Evans Non-Executive Director	
Susan Davy Pennon Group Chief Financial Officer	