

Tariffs and charges for the period April 2015 – March 2016

Board Statement of Assurance

Introduction

Sembcorp Bournemouth Water's Board recognises the importance to the regulatory process of providing reliable, accurate and complete information, and also understands that it is under a duty to comply with legal and regulatory requirements in accordance with the terms of the Water Industry Acts 1991, 1999 and 2003, 2014 and in relation to its licence to operate.

The Board considers that in preparing the tariffs and Charges Schemes for the billing period 2015/16:

- The company has used appropriate methodologies which have been supported by reasonable judgement
- The company has appropriate systems and processes in place to make sure that the data and information contained in the charges scheme, and additional information is accurate.
- There are sufficient systems of internal control to enable the company to meet its obligations for the provision of information to Ofwat and compliance with its duties.

For 2015/16 a revised tariff structure will be implemented. This is the result of a review of the company's tariff structures with the key objectives of ensuring that tariffs for each price control are cost-reflective and comply with Licence Condition E and Competition Law. It should be noted that the work did not identify any issues of material concern with the previous tariff structure but the new structure has been designed with market opening in 2017 in mind.

Throughout the tariff review process senior managers have liaised with CCWater and the PR14 Customer Engagement Planning Forum. CCWater has been kept fully apprised of the Charges Scheme proposals, modelled incidence impacts and proposed communications with customers and any comments or concerns have been incorporated in to the company's tariff planning.

Assurance processes

All of the company's regulated business activities are managed by processes which have been accredited to ISO9001, ISO14001 and OHAS18000. A programme of internal audit takes place, together with external audit, as part of the continuing accreditation. A culture of quality and continuous improvement is embedded in the business.

The results of both internal and external audits, where any material or relevant non-conformances are found, are reported to the Board's Audit Committee. Actions to correct non-conformances are taken in a timely and suitable manner by the appropriate manager and monitored by the Compliance Manager. The Compliance Manager has a reporting line to Director of Retail and Corporate Services and the autonomy to liaise directly with the Managing Director. To help ensure that the company operates in an open manner and

meets its obligation the Compliance Manager also has a 'dotted line' to the chairman of the Audit Committee.

The Board comprises five non-executive directors, three of whom are independent, and two executive directors. The Audit Committee comprises two independent non-executive directors, with the company's independent Chairman acting as an alternate member. The Managing Director and Finance Director are usually in attendance at Audit Committee meetings. The Committee has met four times in the last 12 months. The company's ownership by Sembcorp Utilities further strengthens systems of governance and financial control as a result of the Group's strong approach to these matters.

The 2015/16 tariff development process has been reported on by the independent Reporter and by the company's Auditor. This process involves extensive audit and review of the data, including consistency checks no longer required by Ofwat. In addition two independent tariffs specialists have been commissioned to assist the company to ensure that tariffs are cost-reflective, compliant with Condition E and the December 2014 Final Determination of Prices.

The Regulation Manager has liaised with the financial Auditors and the Reporter and independent tariffs specialists to discuss and plan the assurance process for this submission. SBW has elected to retain Auditor and Reporter involvement in the process for assuring the charges for 2015/16 at the same level of involvement as previous years. The Executive Directors have been kept fully informed of progress and of potential incidence impacts of changes to the tariff structure.

The Auditor and Reporter and two independent tariffs specialists have provided statements of assurance to the Board in relation to the work undertaken concerning the tariff development and modelling processes.

As a result of the assurance work:

- The Board is satisfied that, to the best of its knowledge the company complies with its legal obligations (including competition law) relating to the charges set out in its Charges Schemes.
- The Board has assessed the effects the new charges have on customers' bills for a range of different customer types. No customer will receive a bill increase greater than 5%, and in fact anticipates that on a like-for-like basis no customer will receive a bill increase.
- The Board is also is satisfied that the impact assessments and handling and communication strategies are appropriate.

On behalf of the Board



Roger Harrington
Managing Director
16 January 2015