

# statement by the board

## introduction

The Board of Sembcorp Bournemouth Water recognises the importance of meeting all of the company's statutory, licence and regulatory obligations. We believe that we are aware of and adequately understand these obligations and that we have met them in all non-trivial respects as a diligent company. We also recognise that in making this statement we have regard for data collected throughout the year upon which we draw conclusions about the company's performance, and that the accuracy, reliability and completeness of the data is extremely important.

We believe the company has a good understanding of customer views and expectations. However the company will continue to work in a number of ways to better understand these, including in-depth analysis of the root causes of dissatisfaction and correcting them, together with proactively seeking views through such means as focus groups and surveys and acting on the responses.

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 non-conformances are found which are not trivial, are reported to the Board's Audit Committee. We have taken action to ensure that where any significant deficiencies in the company's quality assurance system have been identified, the action needed to make the necessary improvement to processes is completed on a timely basis. The Quality Coordinator has a reporting line to the Managing Director. To help ensure that the company operates in an open manner and meets its obligation the Quality Coordinator also has a 'dotted' reporting line to the chairman of the Audit Committee.

All data which is used to assess and make judgements about the company's performance in respect of duties monitored and enforced by Ofwat are collated by our Regulation Manager for reporting to the management and directors. Data regarding the quality of drinking water is collated and reported by our Water Quality Manager and data regarding environmental performance by the Operations Manager.

The company has continued to use the services of an independent external team under an experienced and qualified engineer (formerly known as the 'Reporter') to audit non-financial data and to report to the company on their findings, broadly following a similar pattern to previous years. The company operates within a risk based framework in all it does. All identified hazards are recorded in a comprehensive risk register, controls identified, and risks reviewed at appropriate intervals. All risks have an identified owner and the key risks, together with progress on any actions to improve the control of risks are regularly reported to the Audit Committee. A risk based approach has been adopted towards ensuring the robustness of data used to assess regulatory performance and compliance.

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 our independent Chairman acting as an alternate

member of the Audit Committee. The Managing Director and Finance Director are usually in attendance at Audit Committee meetings. The Audit Committee has met five times during the year.

The company has a policy in place to ensure that if any employee becomes aware of any activity which might be contrary to what he or she believes to be the company's intentions, or in breach of the law, or of the company's published Conduct and Ethics policy, or any inappropriate or improper behaviour, this can be reported confidentially to any executive director or to the Chairman of the Audit Committee. Any incidents involving whistle-blowing are required to be reported to the Audit Committee. The whistle-blowing policy has been made available to all staff and is included in the staff handbook.

Following review of the company's performance and this report by the executive directors, the Audit Committee with the two executive directors met on 31 May 2012 and reviewed this Risk & Compliance Statement and supporting information. The independent consultant employed to audit company data and performance attended this meeting and gave detailed feedback on the outcome of his work during the process. The full Board then met on 1 June 2012 and received the report from the Audit Committee on the processes adopted in reviewing performance.

All directors then made a verbal declaration that

- so far as they are aware there is no relevant audit information of which the company's auditor or Reporter are unaware, and
- they consider that they have taken all appropriate steps they ought to have taken as a director to make themselves aware of any relevant audit information and establish that the company's auditor and Reporter are aware of the information.

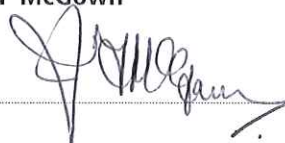
These declarations were placed in the minutes of the 1 June 2012 Board meeting.

As a result of the actions and processes described above, we confirm that the directors are satisfied that the company has sufficient processes and systems of internal control to fully meet its obligations.

## Signed on behalf of the Board

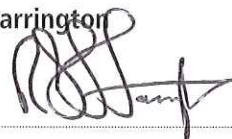
Chairman,

**J F McGown**



Managing Director,

**R I Harrington**



Date

10<sup>th</sup> July 2012