



BOARD ASSURANCE STATEMENT 2021/22

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 2021/22.

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:

- In the opinion of the Board, SWW has in place a well-established and effective set of policies and processes covered by a 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 and Senior Managers 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 (CCW) and other stakeholders
- as a part of its engagement with CCW, SWW discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCW representatives
- SWW has robust processes in place to annually review policies which are contained within the Charges Schemes. For 2021/22, 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 through review, challenge and scrutiny at the Pennon Board and Pennon Tariffs Sub-Committee, in the development of 2021/22 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 notes that there are no significant bill increase that exceed 5%
- considered the systems and processes in place to ensure that the charges published are accurate
- 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
- considered the changes between indicative and final wholesale charges. As highlighted at indicative stage, there remained two outstanding areas of assumptions which have been updated for final charges. These were:
 - update to CPIH applied to allowed revenue following publication on 16 December, after the date of indicative charge publication
 - consumption volume, customer numbers and other related assumptions where significant uncertainty existed and continues to exist in relation to the ongoing COVID-19 pandemic.
- considered the movements between indicatives and final charges as being expected, although do not result in significant bill impacts for customers.



Directors Statement

The Board considers that in preparing and approving the wholesale charges and charges schemes SWW has, using the best information available at the current time, applied the processes, procedures, governance and internal systems of control described above.

The Board notes that key assumptions used to prepare charges schemes are subject to a greater degree of uncertainty than is usual due to the COVID-19 pandemic.






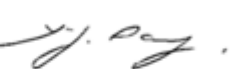
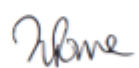
Due to the strong governance and assurance processes applied during the development of the final wholesale and household charges, SWW Board can confirm:

- 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 although notes that there are no significant bill increases which exceed 5%
- the appropriate engagement was carried out with relevant stakeholders, including CCW, 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
- it has carefully considered the changes between indicative and final wholesale charges.

SWW Board considers the process that SWW has gone through in setting the 2021/22 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.



South West Water

NAME & POSITION	SIGNED
Gill Rider Pennon Group Plc and South West Water Chair	
Neil Cooper Pennon Group and South West Water Senior Independent Director (Non- Executive)	
Iain Evans Pennon Group and South West Water Non-Executive Director	
Claire Ighodaro CBE Pennon Group and South West Water Non-Executive Director	
Jon Butterworth MBE Pennon Group and South West Water Non-Executive Director	
Susan Davy Pennon Group and South West Water Chief Executive Officer	
Louise Rowe South West Water Finance Director	
Paul Boote Pennon Group Finance Director	