



BOARD ASSURANCE STATEMENT FOR INDICATIVE WHOLESALE CHARGES 2024/25

Our approach to assurance

The Board acts as the main governing body for the purpose of oversight for the company's regulated business. Our approach to governance is an integral part of our culture, guiding how we do business and create value for our stakeholders.

We publish information which ensures we not only meet our statutory, licence and regulatory obligations but also provide information to customers on the Company's activities, how the Company is performing and most importantly, how customers can get help when they need it.

Underpinning the information we publish are robust risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis, and appropriate mitigation is in place to suit the level of risk.

We have a mature integrated risk management framework which is fully embedded into our governance structures and embodies our values of being 'trusted' and 'responsible' in the way we carry out our business. Details of this integrated assurance approach is published each year in our assurance plan.

Our integrated assurance approach includes our three lines of defence:

- Management - review, quality control and sign off
- Policy setting and compliance checking – adequate policies, internal audit, and business management systems
- External scrutiny – external audit and other assurance providers.

Our risk and assurance framework remains largely unchanged from our previous review of our risks, strengths and weaknesses and the methodology for identification and mitigation of risk remains fit for purpose at individual business unit and corporate levels.

Assurance activities in respect of Wholesale tariffs & charges

Assurance activities in respect of Wholesale tariffs & charges follow our integrated assurance approach with three lines of defence.

The calculation of the tariffs and charges within this structure, which comply with the constraints in place, utilises a model developed by an external specialist.



Internally there is a robust process of sign off for all variable inputs into the model and for forecasts and expert judgements used.

Our external assurance provider performed a set of procedures mutually agreed between South West Water and the provider, reflective of risks which may result in tariffs and charges not meeting the constraints discussed above. These focused on:

- identifying whether inputs to South West Water's model agree to underlying sources
- replicating key calculations to ensure the model is operating correctly
- checking that the tariffs and charges comply with key constraints and guidelines
- checking that the revenues and margins from the model outputs are in line with the approved business plan.

The external assurance provider's procedures are the agreed-upon procedures and reported to the Board and will confirm that there were 'no issues identified that would present concerns that would represent material risk of the tariffs being non-compliant'.

Assurance activities in setting Wholesale charges for 2024/25

The charges as presented have been developed using the extent of known information, to be compliant with SWW's legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

The governance and assurance processes which have been applied to the development of these charges are summarised below:

- SWW 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.
- SWW has a Tariffs Steering Group which is attended by a subset of the Executive Management Team, Senior Managers and discusses relevant policies, strategies, and governance approach.
- SWW has a Tariffs Working Group which is attended by Senior Managers and relevant personnel to design, model and manage the tariff process.
- 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 Schedules. For 2024/25, no changes to these policies are planned.
- the separate price controls applying to Bristol Water have separate tariff calculations and maintain policies and tariff rules consistent with those controls and the application in previous years.
- a number of Progressive Charge tariff trials and implementation options are being explored for 2024/25. These tariff changes and trial options are included for consultation in the wholesale charges schemes.

Board Statement

The Pennon Group Board of Directors (Pennon Board) has overseen the development of both South West Water (SWW), Bournemouth Water (BW) and Bristol Water (BRL) indicative wholesale charges for 2024/25.

Pennon Board considers the process that SWW has gone through in setting the 2024/25 indicative wholesale tariffs for both SWW, BRL and BW is sufficient to ensure that in all material aspects the wholesale charges comply with the relevant legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

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

- it has satisfied itself that appropriate systems and processes are in place to ensure that the charges are accurate.

To the extent that uncertainty will remain around consumption, inflation, the cost of living and the wider economy, charges have been developed using best endeavours and known information, Pennon Board has carefully considered whether:

- the wholesale charges schedules are consistent with SWW's legal obligations in relation to wholesale charges;
- the impacts of the new charges on customer bills for different customer groups require impact assessments and handling strategies to be developed;
- appropriate engagement was carried out with relevant stakeholders, including CCWater, in a timely and effective manner.



There are some bill impacts >5% which are being driven by CPIH and contractually agreed RPI rates (no mitigation required). These primarily affect Water Only customers. These impacts will be managed through customer engagement and support can be provided through water efficiency programs and social tariffs.

Further review of handling strategies and engagement with CCW will be developed between indicative and final tariffs to ensure every possible support is available to our customers.

Name	Gill Rider	Neil Cooper	Iain Evans CBE	Claire Ighodaro CBE	Jon Butterworth MBE	Dorothy Burwell	Loraine Woodhouse	Susan Davy	Paul Boote
Position	Chair	Independent Non-Executive Directors						Chief Executive	Finance Director
Signed									