

BOARD ASSURANCE STATEMENT

New Connections and Developer Services Charges

Sutton & East Surrey Water (SES)

This Board Assurance Statement is provided in relation to the setting of wholesale charges for the 2026/27 charging year for Sutton & East Surrey Water.

It outlines the governance, assurance, and compliance processes undertaken to ensure that the charges have been developed in accordance with all relevant legal and regulatory requirements.

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 our 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 New Connections and Developer Services Charging Arrangements

Assurance activities in respect of New Connections and Developer Services Charging Arrangements 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 judgements used.

Our external assurance provider performed a set of procedures mutually agreed between Sutton & East Surrey 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 Sutton & East Surrey 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 charging rules
- checking that the revenues from the model outputs are in line with the approved business plan.

The external assurance provider's procedures are agreed-upon procedures and reported to the Board with no material issues raised that would represent material risk of the tariffs being non-compliant.

Assurance activities in setting New Connections and Developer Services Charging Arrangements for 2026/27

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

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

SES 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.

- SES 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.
- SES has a Developer Services 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 SES Board confidence the tariffs model is fit for purpose. The reports from the independent third parties and the internal assurance team are available to the SES Board and confirm there are no material issues.
- at appropriate stages in the development of tariffs and charges, SES engages with external stakeholders.
- SES has robust processes in place to annually review policies which are contained within the Charges Schedules. For 2026/27, 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.

Board Statement

The SES Board has overseen the development of the Sutton & East Surrey Water (SES) New Connections and Developer Services Charging Arrangements for 2026/27.

SES Board considers the process that SES has gone through in setting the 2026/27 New Connections and Developer Services Charging Arrangements is sufficient to ensure that in all material aspects the charges comply with the relevant legal and statutory obligations and have been developed in accordance with Ofwat's New Connections Charging Rules.

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

- it has satisfied itself that appropriate systems and processes are in place to ensure that the charges are accurate.
- the New Connections and Developer Services charges schedules are consistent with SES's legal obligations in relation to New Connections Charging Rules.

SES Board has carefully considered whether

- the impacts of the new charges on customer bills for different developer customer groups require impact assessments and handling strategies to be developed.
- appropriate engagement was carried out with relevant stakeholders in a timely and effective manner.

The SES Board has assessed the effects of the new charges on customers' bills for a range of different types of development, it approves the impact assessments and handling strategies developed in instances where bill increases for particular types of new developments exceed 10%. This meets the Ofwat charging principles.

There are no significant changes to the structure of charges. Environmental incentive charges have been reduced to account for a lower uptake than expected during 2025/26.

The impact on individual developments varies according to the services they require, reflecting the greater granularity. Only scenario 1 exceeds 10% which is due to an increase in non-construction costs.

The handling strategy is the granularity in the charging arrangement documents and engagement with developers, such as through the regular key account meetings with large developers, SLPs and NAVs.

For SES the tether ratios for the standard scenarios are below the maximum set out by Ofwat.

Name	David Sproul	Iain Evans CBE	Andrea Blance	Jon Butterworth MBE	Dorothy Burwell	Lorraine Woodhouse	Andrew Haines	Laura Flowerdew	Andrew Garard
Position	Chair	Independent Non-Executive Directors						Chief Financial Officer	Group General Counsel and Company Secretary
Signed									