

## **BOARD ASSURANCE STATEMENT 2026-27**

### **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 SES 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 SES Board acts as the main governing body for the purpose of oversight for the companies' regulated businesses. 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 in respect of charges 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 review and 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 SES 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 the tariff models 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 and margins 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 Wholesale charges 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 Wholesale Charging Rules.

The governance and assurance processes applied to the development of these charges are summarised below.

### Compliance with Legal Obligations

- Charges have been prepared in accordance with the Water Industry Act 1991 and the Wholesale Charging Rules issued by Ofwat.
- The group 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
- A comprehensive review of legal obligations has been undertaken by management, confirming compliance with each relevant obligation.

### Bill Movements and mitigation

- External consultants were engaged to assist with the analysis and evaluation of the charge structures
- Our existing suite of domestic support measures will continue to be proactively applied to ensure affordability and prevent water poverty in our region.

### Appropriate systems and processes

- The Group 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.
- Independent external assurance is commissioned to assess the robustness of our tariff-setting processes and to identify any potential deficiencies or areas for improvement.
- The separate price controls applying to Bristol Water and Sutton and East Surrey have separate tariff calculations. Calculations, modelling and assurance have been integrated with South West Water ensuring consistency of approach and governance across all regions.

### Engagement with Stakeholders

- At appropriate stages in the development of tariffs and charges, SES engages with the Consumer Council for Water (CCW) and other stakeholders. As a part of its engagement with CCW, SES discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCW representatives.
- Where significant changes to primary wholesale charges are proposed, a Statement of Significant Changes is published alongside the final charges to inform stakeholders.

### Board Approval

- The Group has a Tariff Steering Group which is attended by a subset of the Executive Management Team and Senior Managers, it discusses relevant policies, strategies and governance approach.
- As well as internal assurance, external technical assurance is secured on both inputs into the tariff model and the tariff model itself, providing the Board confidence the tariff model is fit for purpose. The reports from the independent third parties are available to the Board and confirm there are no material issues.

### Significant Changes from indicatives

- The Board has been presented with all significant changes from indicative wholesale charges and have considered the cause of these changes and why they were not anticipated in the indicative tariffs.

## Board Assurance Statement

The SES Board has overseen the development of the SES charges for 2026/27.

The Board considers the process that SES has gone through in setting the 2026/27 tariffs 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, the SES 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 the consumption, future inflation, the cost of living and the wider economy, charges have been developed using best endeavours and known information, SES Board has carefully considered whether:

- the published wholesale charges comply with all legal obligations in relation to wholesale charges; and
- it has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%; and
- the Company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges; and
- where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, the Board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated.

Due to the PR24 Final Determination revenue movements and CPIH (3.6%), most customers will see an increase >5%. Our existing suite of domestic support options will continue to be proactively applied to ensure all customers are supported and water poverty is not an issue in the region. For Non-household customers we will continue to work with Retailers to support commercial customers with water efficiency initiatives. A customer communications plan has also been developed to ensure customers understand the benefits arising from our investment programme, which is driving the increased bills, and to ensure they are able to access support if required.

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									