

# Statement of Risks, Strengths, Weaknesses and Final Assurance Plan

**Severn Trent Water**

February 2020

WONDERFUL ON TAP



# 1. About this document

## About us

At Severn Trent we are responsible for providing water and wastewater services to over 4.4 million customers in the Midlands area. We strive to achieve the highest quality standards in everything we do. Whether it is the quality of our drinking water or the regulatory performance information we publish on our website, we want to make sure that our customers can trust us to deliver what matters to them most.

## Transparency is key to trust

We are now in the final year of the PR14 business plan in which we shared our plans to deliver outstanding customer experience, and the best value service, and we are already implementing our PR19 plans which were given fast track status by Ofwat. This document sets out the potential risks that could affect our regulatory reporting and what governance and assurance we will put into place to ensure that we provide robust, transparent regulatory data that our customers and stakeholders trust.

The quality of the regulatory information we publish is important because it helps to give our customers and other stakeholders' confidence that we're being open and honest. We strive to demonstrate how we are listening to customers and delivering what they want.

To help to secure this confidence, we use assurance to thoroughly test information we publish in a manner that is independent and verifiable. Our Board oversees this process through our established governance and assurance framework.

### What is assurance?

We perform 'assurance' to check that the information we provide is robust, accurate and complete. Examples of assurance may include checking that a spreadsheet has no formula errors, that a customer call has been recorded accurately on our systems or consulting with our customer challenge group on our plans for vulnerable customers. You can read more about the levels of assurance we apply in chapter 4

## Ofwat's AMP6 Company Monitoring Framework

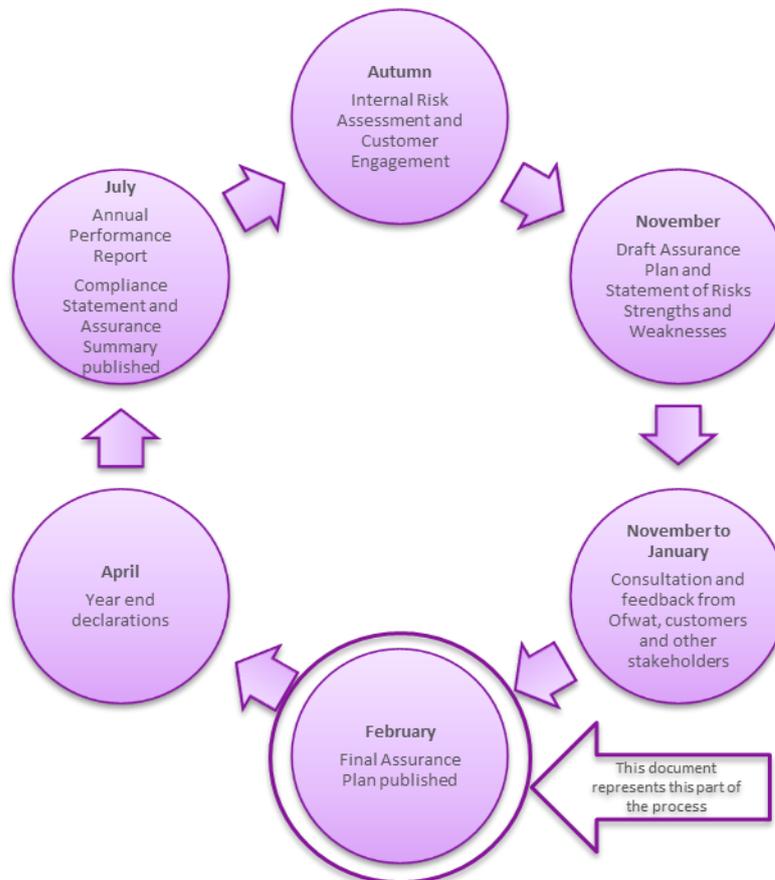
Under the CMF, we publish assurance and compliance documents throughout the year. By doing this, we make sure that our regulatory publications can be trusted by our customers and our stakeholders. Fig 1 below shows what steps we take to meet the requirements and when the documents are published. Ofwat confirmed last year that the CMF will cease to be used after AMP6 but we intend to continue following the framework until new guidance is provided by the regulator.

## Understanding your views

In November 2019, we published our [statement of risks, strengths and weaknesses and our draft assurance plan](#) for consultation. In addition to publishing this document on our website, we proactively contacted our key stakeholders to let them know we wanted to hear their views. As a result, we have considered the feedback

received and wider industry trends to produce this document – our final assurance plan. This plan covers the 2019/20 regulatory reporting year and considers requirements for 2020/21 onwards.

**Fig 1. The Company Monitoring Framework cycle**



This document contains the following information:

- A glossary to ensure you can understand any abbreviations used in this document.
- Information on our governance and assurance framework, which covers our Board arrangements and the different levels of assurance we apply.
- An overview of our internal compliance assessment framework – Licence to Operate, which helps us determine our greatest areas of risk.
- Details of the customer and stakeholder engagement we undertook to produce our initial draft assurance plan and the feedback we received from our November consultation.
- Our areas of risk and final assurance plan, which incorporates both our internal assessment and external engagement

## Changes this year

### Completion of realignment of boundaries

In July 2018, we realigned the boundaries of the two regulated water companies within the Severn Trent Plc group – Severn Trent Water and Dee Valley Water – to better match the boundaries between England and Wales. Severn Trent Water now serves customers in England, while our new company - Hafren Dyfrdwy, serves customers in Wales. This realignment has been successfully implemented and while the boundaries have been

separated, employees across Severn Trent Water and Hafren Dyfrdwy are culturally aligned with a shared purpose and values.

### New Values and Purpose

Over the last five years our vision was to be the most trusted water and waste company in England by 2020 and we are really proud to have achieved recognition as a pathfinder with the Purposeful Company Task Force; an initiative that seeks to transform British business with purposeful companies, committed to creating long term value through serving the needs of society. We have been busy working across the Severn Trent family to help shape and create our new values and purpose in readiness for AMP7.

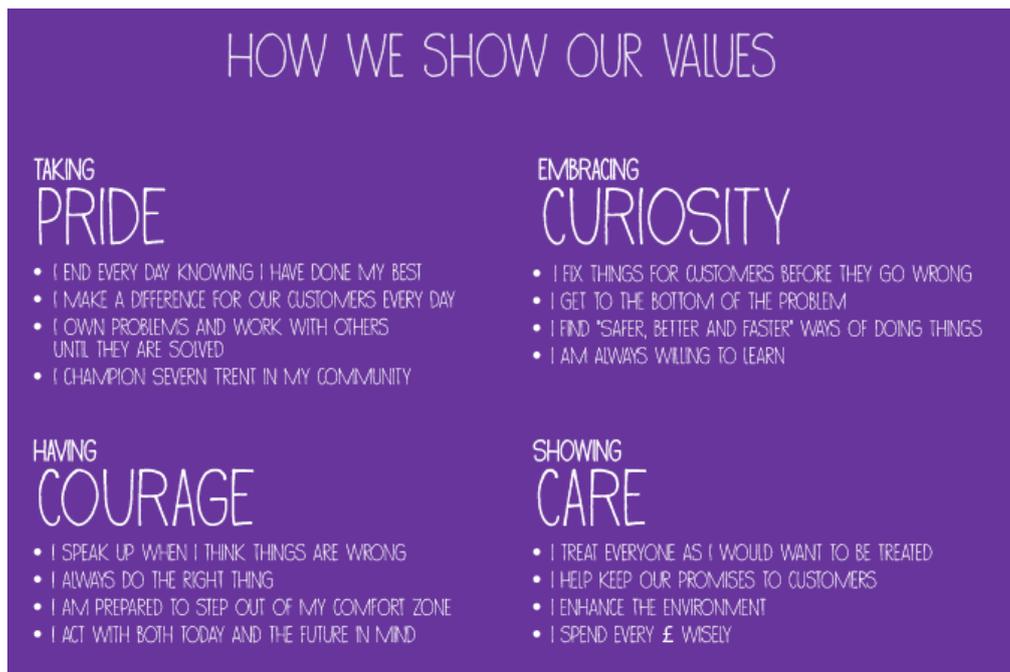
Hundreds of employees from across the business have since been involved in the process of refreshing our purpose and values to take us into the next phase; and we have stripped it right back to two elements. Our new purpose is 'Taking care of one of life's essentials'. We make sure that people can go about their everyday lives seamlessly. We give them the shower that wakes them up, the first cup of coffee at work. We take away all their wastewater when they're finished, recycling it back to the environment, and we even convert some waste into energy that we can use again. We take care of all of that for them – both today and for the future.

We then have four new values:

- Taking Pride
- Having courage
- Embracing curiosity
- Showing care



These are 'how' we go about delivering our purpose. They're the principles that guide our behaviour. They're what makes us Severn Trent.



This understanding and recognition of social purpose has never been more important - our purpose connects us with our customers and communities, inspires our people and reinforces that in the long-term we all share the same interests. We believe that transforming our services and driving growth will lead to mutual benefit for all, with performance that delivers benefits to one group while also delivering for others. The interests of our stakeholders are often interlinked, with many of our employees also being our customers.

Our purpose and values have been created to be relevant across the whole of the Severn Trent Group. They are not solely for Severn Trent Water. They apply across our other regulated business, Hafren Dyfdrwy and our non-regulatory businesses. They reflect our culture and were co-created with employees from all areas of the business. Our recent employee engagement survey shows strong alignment between ST and HDs culture too, with HD's employee engagement score at 8 out of 10 while ST's is 8.1 / 10 - placing both Hafren Dyfdrwy and Severn Trent Water well within the upper quartile of utility companies globally.

**Fast Track Status**

After submitting an innovative and customer focussed business plan that set out what we intend to do for our customers in the next five year period (2020-2025) and beyond, we're delighted that Ofwat ranked our plan in the top 3 in England and we were granted fast track status.

We've set a strong focus on social purpose in our plans, with some of our commitments including:

- Offering our customers a real reduction in bills of more than 5% meaning that we will continue to remain one of the lowest average combined bills in England
- We are investing £6.4bn in investment over the next five years
- We are helping customers who are struggling to pay their bills
- We are committing to an 8% reduction in all sewer flooding and a 15% reduction in leakage
- Every primary school in the region will have the opportunity to take part in an educational experience roadshow about water
- We have created a community dividend which will be given to local communities and committed to using 1% of company profits for community schemes

**Sustainability Report**

We understand that our customers and investors want visibility of how we are taking responsibility when it comes to social and environmental areas, and our first sustainability report will be published later this year. We feel that the value of sustainability reporting is significant as it enables us to be transparent about the risks and opportunities we face. The dedicated sustainability report, published alongside our ARA will provide further detail and more case studies to really bring our approach to life.

### Appointment of new Chair

We announced last year that Andy Duff would be standing down as Chair after a phenomenal nine years in post. We are delighted to confirm that Christine Hodgson will replace Andy Duff as our new Chair and has already joined the Board to start learning about Severn Trent before formally taking post as Chair in April 2020.

Christine had previously been Chair at Capgemini UK and was the Global Head of Corporate Social Responsibility. She has a fantastic focus on some of the things that really matter to us like social purpose and business leadership, together with finance and technology.

Christine has recently completed her induction process, which included:



November-December 2019	Individual meetings with Non-Executive Directors
November-December 2019	Individual meetings with Executive Committee
December 2019	Sessions on Internal Audit and Risk Management
December 2019	Briefing on the Remuneration Committee to gain an overview of how our Remuneration Policy ensures a clear link between performance and pay for executives. Meeting with Remuneration advisers, PwC
	Sessions on:
December 2019	<ul style="list-style-type: none"> <li>Water Distribution – including site visit to Edgbaston Distribution Works</li> </ul>
December 2019	<ul style="list-style-type: none"> <li>Water Treatment – including site visit to Church Wilne Water Treatment Works</li> </ul>
January 2020	<ul style="list-style-type: none"> <li>Wastewater – including site visit to Spenal Sewage Treatment Works</li> </ul>
January 2020	<ul style="list-style-type: none"> <li>Sewerage Network – including site visit to Barnhurst Works</li> </ul>
January 2020	<ul style="list-style-type: none"> <li>Business Services – including site visits to Coleshill and Minworth</li> </ul>
January 2020	Meetings with advisors, including corporate lawyers, HSF, and external auditors, Deloitte
February 2020	Visits to our key, strategic capital projects, including Birmingham Resilience Programme, Frankley and EVA schemes
January-February 2020	Meetings with key stakeholders, including Ofwat, DWI, Defra, EA, CCW

## 2. Glossary

To help to explain all the terms in this document, we've included the table below.

Term	Definition
AIM	Abstraction Incentive Mechanism - AIM encourages water companies to reduce the environmental impact of abstracting water at environmentally sensitive sites when water is scarce.
AMP	Asset Management Period – this refers to Ofwat's 5 year planning period. For example, we are currently in AMP6. AMP7 will start in April 2020.
APR	Annual Performance Report – includes information about whether we've achieved our performance commitments in a given year, and our financial performance – based on the accounting conventions in Ofwat's regulatory accounting guidelines.
ARA	Annual Report and Accounts – includes our annual financial statements based on International Financial Reporting Standards
Assurance	A process that challenges the validity of our data and methodology.
CCWater	Consumer Council for Water – the statutory consumer representative body for the water industry.
Compliance	Our team in Severn Trent that monitors compliance with our statutory and regulatory duties in our appointed business.
ERM	Enterprise Risk Management – our system of identifying and managing risks within Severn Trent Plc.
HD	Hafren Dyfrdwy Cyfyngedig – the regulated water company within Severn Trent Plc whose area of appointment covers North East and mid-Wales.
Internal Audit	Reporting directly to the Severn Trent Plc Audit Committee, the Internal Audit team provides independent assessment of the effectiveness of our processes, controls and risk mitigation strategies.
K Factor	K Factor is the price limit that companies can in increase or decrease prices charged to customers. This is reviewed and determined by Ofwat.
MOSL	The market operator for England's competitive non-household market.
NAV	New appointments and variations - Companies which provide a water and/or sewerage service to customers in an area which was previously provided by an incumbent provider. Hafren Dyfrdwy is a NAV as it provides water and waste services in an area previously supplied by Dee Valley Water and Severn Trent.
ODI	Outcome Delivery Incentives are individual performance measures, which have a financial reward or penalty attached to them. They are a sub component of our performance commitments (below).
Ofwat	The Water Services Regulation Authority – the statutory economic regulator for the water industry.
PC	Performance Commitment – the level of performance we've committed to deliver either annually or during the five-year period covered by business plans.
PR19	Price Review 2019 - Every five years we publish our proposals for the next five year period. Ofwat reviews this and decides whether our plans are suitable in a determination process.
RACI	Responsible, Accountable, Consulted, Informed – a RACI details who is responsible for managing a duty or obligation, who is accountable and who should be consulted or informed of any changes
RORE	Return on Regulated Equity – the percentage amount that we are allowed to give back to our investors, which is agreed as part of Ofwat's price limits.

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SLA	Service Level Agreements – we have timescales and minimum levels of performance in place both internally and with our contractors
ST	Severn Trent Water Limited – the regulated water company within Severn Trent Plc whose area of appointment covers the Midlands, and the subject of this document.
ST Plc Severn Trent Plc	– the parent company and ultimate controller of Severn Trent Water and Hafren Dyfrdwy.
Third Party Auditor/ Assure Assurer	An independent audit company or organisation that performs audit or assurance services.
Water Forum	Our Customer Challenge Group (CCG), which includes independent experts, CCWater, our regulators including the Environment Agency, Natural England and other regional stakeholders.

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## 3. Effective governance led by our Board

At Severn Trent, we have a well-established governance framework, which is led by our Board. Our Board are fully committed to Ofwat's principles for Board leadership, transparency and governance with its emphasis on the importance of strong leadership and the special responsibilities attached to regulated monopoly companies, who provide an essential public service. We target ourselves against Ofwat's 2019 Board leadership principles<sup>1</sup> and will continue to build upon these into the next AMP.

### 3.1. Our purpose, values and culture

Our Board recognises the importance of its role in setting the tone for Severn Trent Water's culture and making sure that it is embedded throughout. Our code of conduct, 'Doing the Right Thing'<sup>2</sup>, sets out clear guidance on the standards of behaviour that we expect from everyone who works for, and with, Severn Trent Water. This code of conduct also extends across our supply chain (contractors and sub-contractors). These values embody the principles by which the Company operates and provide a consistent framework for responsible business practices. The supporting policies codify how to identify and deal with suspected wrongdoing, fraud or malpractice; how to ensure that the highest standards of safety are maintained; and how to apply good ethics and sound judgment.

Our Board is responsible for establishing Severn Trent Water's purpose, vision and strategy, and satisfying itself that its culture is aligned. Our purpose - 'Taking care of one of life's essentials' - reflects 'why' we do what we do. Our strategy provides us with 'what' we do. But the 'how' we deliver our purpose and strategy is what differentiates us and that is driven by our culture, values and behaviours.

During the year, our Board spent time deepening its understanding of the Company's culture even further, through a dedicated Company purpose and culture session that focused on the results of the all employee survey 'QUEST' and other forms of employee engagement. Our Board considered the results of the survey and discussed the Company's approach to addressing areas of employee focus.

Additionally, our Board routinely interacts with employees as part of their site visit programme. These direct interactions with employees, specifically in relation to culture, allow our Board to understand first-hand the key issues identified by our workforce, and provide an opportunity to feedback specific insights.

Our Board continually monitors, assesses and reinforces our values and culture to satisfy itself that the behaviours throughout the business are aligned with the Company's purpose. Where misalignment is identified by our Board, appropriate corrective action is taken. Additional detail can be found in the Severn Trent Plc Annual Report.

### 3.2 A standalone regulated company

Our Board is supported by the Severn Trent Plc Governance Framework, which is set out below. The Governance Framework comprises the Board, Executive Committee and their respective Committees.

In line with the 2016 UK Corporate Governance Code, the Board delegates certain roles and responsibilities to its various Committees. The Committees assist the Board by fulfilling their roles and responsibilities, focusing on their specific activities, reporting to the Board on decisions and actions taken, and making any necessary recommendations to the Board in line with its Terms of Reference. The Board regularly reviews the Terms of

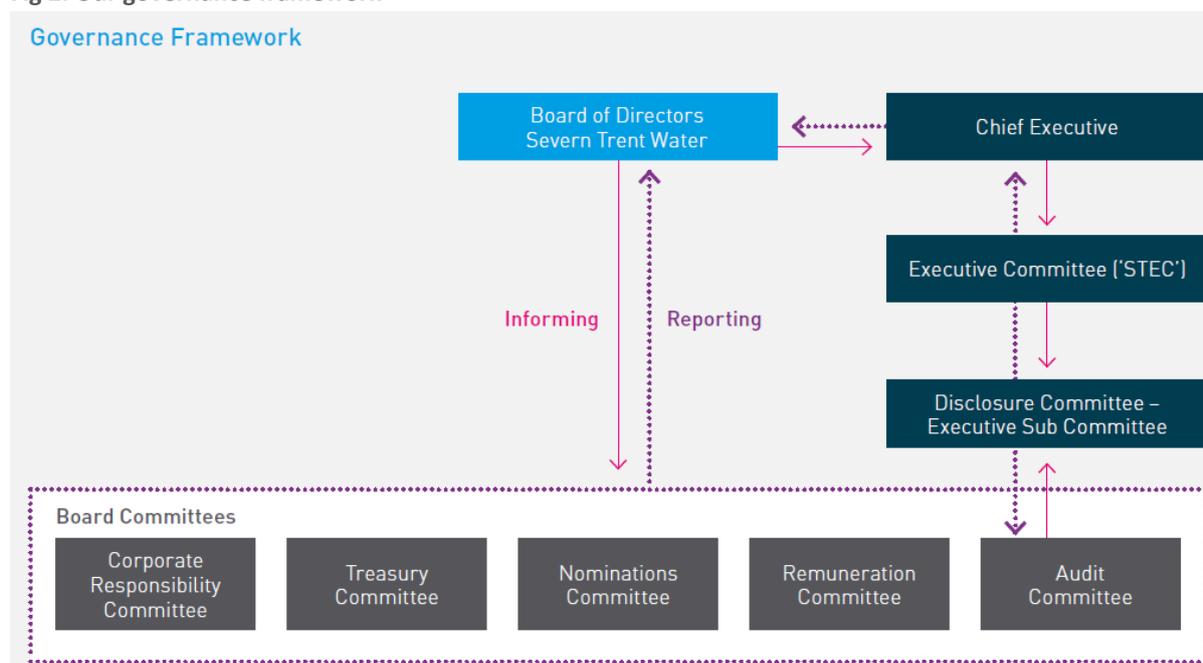
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<sup>1</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/Board-leadership-transparency-and-governance-principles-2019-updated-July-2019.pdf>

<sup>2</sup> <https://www.severntrent.com/about-us/corporate-governance/code-of-conduct/>

Reference of each Committee. The Governance Framework is also subject to periodic review to ensure that it remains appropriate.

**Fig 2. Our governance framework**



### Management of Conflicts of Interest

Severn Trent Plc has a Conflicts of Interest policy in place for all Group companies, including Severn Trent Water. Our Board considers potential conflicts at the outset of every meeting and formally reviews the authorisation of any potential conflicts of interest every six months. Additionally, the Audit Committee conduct an annual review of individual Director conflict authorisations as recorded in our Conflicts of Interest Register. The Conflicts of Interest Register sets out any actual or potential conflict of interest situations which a Director has disclosed to the Board in line with their statutory duties.

## 3.3 Board leadership and transparency

### Group Structure

Severn Trent Water is the principal operating subsidiary of the FTSE 100 Company Severn Trent Plc, which means we operate at the high standards expected of a publicly listed company. As such we publish the Severn Trent Water Annual Report and Accounts (ARA) every year.

We believe we are prudent in how we manage financial risk and even-handed in the way we share the returns from our outperformance with customers and shareholders; we pay our taxes in full and on time; we pay dividends and Executive salaries that are reasonable and sustainable and linked to the delivery of outcomes to customers; and we avoid complex offshore financial vehicles.

Severn Trent Plc publishes its own ARA and a history of our dividend payments for Severn Trent Plc going back to 1990 is available on the Severn Trent Plc website. Severn Trent Plc's dividend policy is disclosed in its ARA to ensure clarity about how our investors are rewarded based on our performance through the Group's activities. We also include full details of our of executive pay policy, the subcategories of the bonus scheme (customer outcomes, asset health, and environmental and social outcomes), our principal risks and details of how often our committees meet are contained within the ARA.

We believe in and align ourselves to the principles set out in Ofwat's 'back in balance' publication<sup>3</sup> that stressed the need for water companies to be transparent about these topics. We acknowledge that these areas are important to our customers given the continuing debate around renationalisation and executive pay. We supported the leadership principles to be embedded as part of our licence; these requirements are befitting of our role providing one of life's essentials.

### **Risk Management**

Risk is all about uncertainty which, we recognise, can manifest itself as both negative and positive impacts. Our goal is to minimise the threats and maximise the opportunities for the benefit of our customers, shareholders, employees, supply partners and the environment. Our approach to risk reflects our status as a regulated utility providing one of life's essentials and operating as part of the Critical National Infrastructure for the UK. The nature of the business is such that there are some significant inherent risks. We have a strong control framework in place to enable us to understand and manage these risks in accordance with our risk tolerance and appetite.

Our Board has overall accountability for ensuring that risk is effectively managed across the Company. The Board's mandate includes defining risk appetite and monitoring risk exposure to ensure significant risks are aligned with the overall strategy of the Company. On behalf of the Board, the Audit Committee assesses the effectiveness of the ERM process and internal controls to identify, assess, mitigate and manage risk. The Executive Committee reviews strategic objectives and assesses the level of risk taken in achieving these objectives. This 'top down' risk process helps to ensure the 'bottom up' ERM process, described below, is aligned to current strategy and objectives. The management of risk is embedded in our everyday business activities. We manage risks within the overall Governance Framework which includes clear accountabilities, delegated authority limits and reward policies. These are designed to provide employees with a holistic view of effective risk management.

We use an established ERM process to assess and manage our significant risks. The process is controlled by the central ERM team and underpinned by standardised tools and methodology to ensure consistency. ERM Champions and co-ordinators operate throughout the business, with support and challenge from the ERM team, continually identifying and assessing risks in their business units and reporting on a quarterly basis. Criteria are used to consider the likelihood of occurrence and potential financial and reputational impacts. The potential causes and subsequent impact of the risks are documented to enable mitigating controls to be assessed. This assessment allows us to put in place effective strategies to remediate defective controls or implement additional controls. Business units' information is combined to form a consolidated view of risk - with risks being prioritised. Our significant risks form our risk profile, which is reported to the Executive Committee for review and challenge. This is reported to the Audit Committee and Board half-yearly. The report provides an assessment of the effectiveness of controls over each risk and an action plan to improve controls where necessary.

To further enhance our ERM information, we report 'risk flightpaths'. These demonstrate the level of risk we face and the timeline for the key risk mitigation steps to manage the risk to the target position. The flightpaths help to facilitate a more thorough review of the target risk positions, consider risk appetite and assess whether actions are on target with the correct prioritisation in place. In addition, individual risks and specific risk topics are also discussed by the Board during the year.

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<sup>3</sup> <https://www.ofwat.gov.uk/publication/putting-sector-balance-position-statement-pr19-business-plans/>

### 3.4 Board structure and effectiveness

Our Board's role is to ensure the long term-success of Severn Trent Water. Maintaining the highest standards of governance is integral to the effective delivery of our strategy and ensuring that our Board take decisions that create sustainable long-term value for the mutual benefit of our shareholders, customers, employees and the communities we serve. The operation of our Board is supported by the collective experience of the Directors and the diverse skills and experience they possess. Details of the experience of our Board can be found in the ARA and on our website<sup>4</sup>.

Our Board's collective experience enables it to reach decisions in a focused and balanced way, supported by independent thought and constructive debate between our Directors. Trust and mutual respect are the cornerstones of relationships between our Directors, with a Board dynamic that supports open and honest conversations to ensure decisions are taken for the benefit of the Company in full consideration of the impact on all stakeholders. Responsibility to all of our stakeholders for the approval and delivery of the Company's strategy and for creating and overseeing the framework to support its delivery sits with our Board.

Six members of our Board and Board Committees are independent Non-Executive Directors and there is a clear division of responsibilities between the roles of Chair and CEO. To allow these responsibilities to be discharged effectively, our Chair and CEO maintain regular dialogue outside the Boardroom, to ensure an effective flow of information.

The requirements of our Board are clearly documented in the Severn Trent Water Articles of Association, Schedule of Matters Reserved to the Board and Charter of Expectations.

#### Board appointments and induction

Any new appointments to our Board result from a formal, rigorous and transparent procedure, responsibility for which is delegated to the Plc Nominations Committee (although decisions on appointments are a matter reserved to our Board). Further information can be found in the Severn Trent Plc ARA<sup>5</sup>.

We develop a detailed, tailored induction for each new Non-Executive Director. This includes one-to-one meetings with the Chair and each of the existing Non-Executive Directors. They have one-to-one meetings with the CEO, CFO and the Company Secretary along with other members of the executive team. They also meet members of the operational teams and visit our key operational sites and capital projects to ensure they get a first-hand understanding of the water and wastewater businesses. New directors receive a briefing on the key duties of being a Director of a regulated water company.

Our new Chair has recently completed her tailored induction (detailed timetable is in section 1), which included the following elements/details:

- Ofwat pre-appointment process.
- Our business and how we are regulated, including performance.
- Our non-regulated business, including performance.
- Strategy.
- Key operations and processes including an immersive, practical journey through the water and waste cycles.
- Key stakeholder relationships; all new Board members meet our key stakeholders as part of their comprehensive, tailored induction. For example, meetings are held with the EA, DWI and CCW as part of this process, including performance discussions and relevant metrics.

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<sup>4</sup> <https://www.severntrent.com/about-us/corporate-governance/the-board/severn-trent-board/>

<sup>5</sup> <https://www.severntrent.com/investors/annual-reports/2019-annual-report/>

- Customer delivery.
- Capital delivery and commercial.
- How the business is financed and financial performance.
- Our people and how we work, including health, safety and wellbeing, talent and succession, Trade Unions and an overview of our Remuneration policy.
- Risk and audit, including the risk profile and our approach to risk.
- Face-to-face meetings with key senior colleagues.
- Directors' duties.
- Governance matters and Company policies.

We continually enhance our Board's induction process, in full consideration of feedback from new appointees and the Board effectiveness evaluation.

### **Board effectiveness**

The effectiveness of our Board is reviewed at least annually, and the 2019/20 evaluation is currently underway and the findings will be presented to the Board in March. It is conducted by the Chair with support from the Company Secretary through a series of one-to-one meetings in January and February 2020.

The last annual evaluation carried out in 2019 concluded that our Board, its Committee Chairs and Committees were effective and that all Directors were considered to have demonstrated considerable commitment and time to their roles, well in excess of that required by the Charter of Expectations notwithstanding any other positions held by them outside of Severn Trent Water.

The Board noted that PR19 approval and submission had been particularly well managed and that the use of additional Board Committee meetings and briefing papers had ensured that this topic had not distracted the Board from considering other strategic issues and operational performance oversight.

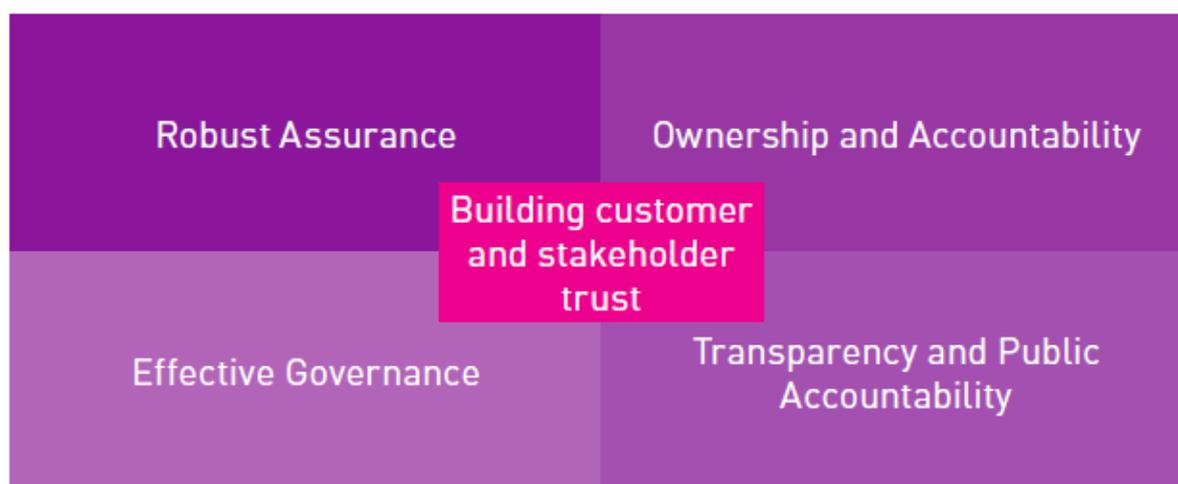
One of the other success factors of the PR19 submission was the ability of the Board to verify the statements it was required to make directly against assurance evidence provided to it. As a result, the Group Compliance and Assurance team have continued this approach by providing a forward plan of other regulatory submissions in advance with any required Board assurance statements. With each statement we have noted the evidence that will be provided so that Board could satisfy itself that the statement can be endorsed. This approach enables the Audit Committee to scrutinise the approach and intended assurance with sufficient time to adjust the approach if needed.

## 4. Our Assurance Framework

To support our Governance Framework, we also have an established, rigorous and robust assurance and performance reporting framework. The assurance processes we use come from best practice identified across many organisations and industries ensuring that managers, senior managers and Directors are responsible for delivering high quality data. Our assurance plan for this financial year, 2019/20, builds on the high standard processes we have developed and implemented in previous years to provide accurate data.

Our established framework is underpinned by four main principles (as shown below) which, while providing consistency and clarity for our people, allow the flexibility for our assurance processes to build and evolve with our Company and the environment we operate in.

Fig 3. Our assurance principles



- **Robust assurance** – we operate a three-lines of assurance model, targeted at areas of greatest risk.
- **Ownership and accountability** – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- **Effective governance** – provided by our Board, Audit Committee, Executive Disclosure Committee and Executive Committee with additional challenge provided by our Water Forum.
- **Transparency and public accountability** – we publicly report on our performance and hold ourselves to account where we do not meet our commitments.

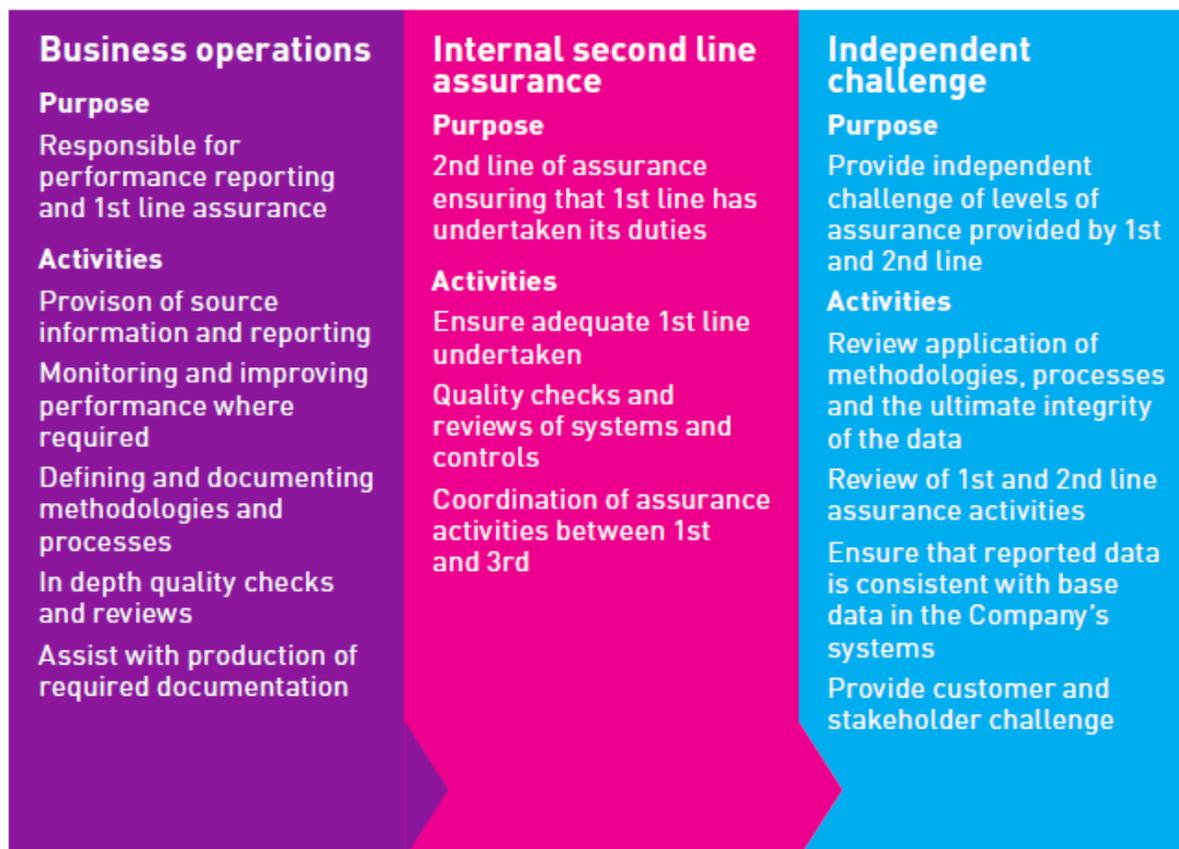
### 4.1 Robust Assurance

To ensure we're applying an effective programme of assurance, while balancing value for money, we operate a three lines of assurance model.

We target this model using a risk-based approach which considers areas that we know are of prime importance to our customers and regulators or may have a significant financial value, alongside the likelihood of reporting issues. Areas that are higher risk receive the full three lines of assurance while other areas, where the risk is lower, may be targeted with first or second line only.

This approach ensures we can continually reassess our assurance activity as risk is reduced in certain areas, where mature and stable process exist, and increased where new risks are emerging, resulting in a proportionate assurance spend.

Fig 4. Our three lines of assurance



First line activities are embedded within the teams that are responsible for reporting the performance so that staff, with the right expertise, are conducting in depth quality checks at the time the data is produced.

Second line activities are then conducted by a separate team that does not report into the same senior manager as the first line to ensure a level of independent checking is conducted. For elements of our APR, additional second line reviews are undertaken within the same directorate to ensure that we maintain a strong level of expertise and understanding of the source data.

Third line activities are conducted by a number of different providers depending on the specialisation required. Generally the expertise can be divided into the following categories:

- **Engineering/technical** - where assurance requires an expert engineering / water industry technical background.
- **Regulatory** - where challenge is required around the methodology used and assumptions against our regulatory requirements.
- **Data integrity and consistency** – understanding the flow of data from source through to our final publications ensuring no data transposition errors are made.
- **Financial** - used for areas requiring specific financial expertise, such as pensions and tax.

- **Model integrity** - where a complex financial model is used and requires specialist external expertise to test and challenge.

We use a combination of assurance providers for third line activity. The majority of our assurance is provided by the following providers:

- **Jacobs** - typically review non-financial operational performance processes and data. Also responsible for cost allocation activities and financial reporting processes.
- **Deloitte** – our financial auditors who mainly examine our statutory accounts.
- **Internal Audit** - used for financial data, process and other ad-hoc assurance.

## 4.2 Ownership and Accountability

We have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided through our 'licence to operate' process (described in detail in section 6), which every year assigns ownership of all of our statutory and legal obligations in our appointed business to managers, senior managers and directors.

These managers are responsible for ensuring compliance with our duties and raising potential risks or issues of non-compliance. Any areas that are noted as non-compliant are disclosed by the Board as departures in its annual compliance statement following review, scrutiny and remedial action by our senior leadership team and our Disclosure and Audit Committees.

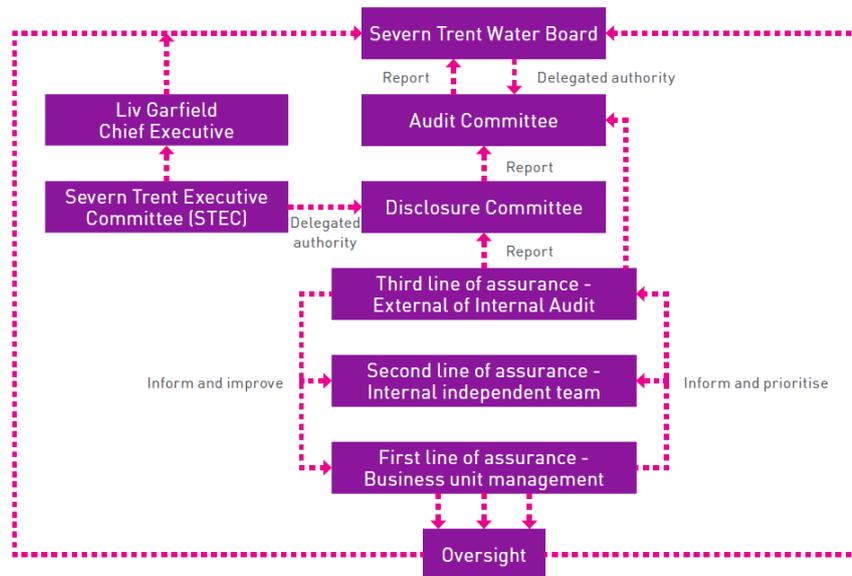
Overall accountability for the preparation and production of the APR (which includes reporting of performance against performance commitments and associated Outcome Delivery Incentives - ODIs) rests with the Chief Financial Officer. The outcome of the assurance undertaken is reviewed by the Severn Trent Plc Audit Committee (the 'Audit Committee') on behalf of the Severn Trent Plc Board.

## 4.3 Effective Governance

As the principal operating subsidiary of a FTSE100 company we have a strong history of well-established governance and internal controls to fully meet our statutory requirements under the Companies Act 2006, the UK Corporate Governance Code, the UKLA Listing Rules, Disclosure Guidance and Transparency Rules, and the Company's annual and continuing regulatory reporting. Additional challenge is provided by the Water Forum who challenge us to evidence how the voice of the customer has been considered in our decision making processes.

We have a well-established, rigorous and robust assurance and performance reporting framework. The figure below shows how this framework interacts with our governance framework to ensure that all levels of the business have oversight of our assurance process.

Fig 5. How assurance interacts with governance



We use this model for our regulatory returns so that we, and our customers, have a level of assurance that our submissions have been well prepared and accurate. The effectiveness of the controls over reporting are monitored by the Audit Committee, which receives regular reports of the testing conducted by the External Auditors.

#### 4.4 Transparency and public accountability

As a public service we want to be transparent about how we balance the needs of our customers, our strategic plans as a business and a fair return for our investors.

We evolve and update our reporting to make sure that it not only complies with our regulatory obligations but also responds to our customers' and stakeholders' feedback. We have simplified our customer version of our APR and hold ourselves to account where we do not meet our commitments.

We also include details on Executive pay and how Severn Trent Plc pays dividend payments in the Severn Trent Plc ARA.

## 5. Customer and stakeholder engagement

To understand which areas matter most to our customers and stakeholders, we used our established engagement methods to inform this plan.

### 5.1 Customer engagement – our journey

We have continued throughout AMP6 to build our customer engagement. In the initial years of the AMP we ran targeted focus groups to understand which areas customers wanted us to target in our assurance plan. The key messages we received were that typically our customers rely on us to ensure we are producing accurate information, particularly with the introduction of customer ODIs where the information we produce can have a direct impact on their bills. In terms of assurance more generally however, they were largely not aware of it nor had a strong interest in it.

Following this feedback, while developing our PR19 plan, we opted to include our engagement alongside the wider customer engagement programme we undertook for our business plan - ensuring that we targeted assurance at the areas of importance expressed by our customers such as the business plan itself, charges and our wider regulatory reporting, such as the APR and ARA. During this time we introduced Tap Chat (explained more in section 6.1.4).

Last year, we opted for focus groups with an emphasis on how customers felt about the boundary realignment of Severn Trent and Hafren Dyfrdwy, particularly in the three geographical areas most impacted by the change i.e. Powys, Wrexham and Chester. As such we conducted three targeted focus groups in these areas and asked customers to rate which areas they felt were important for us to target with assurance. In addition to ensuring that any activities impacted by the boundary realignment were assured, the following areas were identified by customers:

- Charges
- ODIs
- Annual Performance Report
- CCWater Report
- Water Resources Management Plan

Given the consistency of messages we have continued to see throughout all of our engagement, this year we have opted to ensure that the previous areas identified from customers are included in our assurance plan while also using regular engagement throughout the year with our customers on a wide range of topics. Our key measures of customer satisfaction are described below:

#### 5.1.1 Quarterly trust tracker

This year we have continued our quarterly customer tracker, which is conducted by an independent market research company (Future Thinking). The survey comprises of 1,000 STW customers online every quarter and asks them about a number of factors including levels of trust, customer experience, best value service, environment and communications.

#### 5.1.2 UKCSI (UK Customer Satisfaction Index)

UKCSI is the Institute of Customer Service's national measure of customer satisfaction. It provides insights into the state and direction of customer satisfaction at a national level, across 13 key sectors and for individual organisations. It provides a unique and independent way of measuring the current customer satisfaction of UK customers, as well as trends over time.

The UK CSI survey focuses on customers' actual experiences of organisations where respondents are asked to rate their experience of individual organisations they have dealt with in the previous three months. To do this they score a series of metrics on a scale from 1 to 10. These metrics relate to professionalism, quality and efficiency, ease of doing business, timeliness, problem solving and complaint handling. The metrics reflect the priorities that consumers rate as the most important elements of the customer experience, according to Institute of Customer Service research. The Institute of Customer Service runs a large online survey of consumers twice a year and the results are based on 39,000 survey responses. Each response is a completed online questionnaire relating to the customer experience with a specific organisation. These responses are provided by 10,759 individual customers across the UK. The respondents are representative of the UK adult population, according to region, age and gender.

### 5.1.3

#### **SIM (Service Incentive Mechanism) / CMEX (Customer Measure of Experience)**

SIM aimed to capture the views of those customers who have had dealings with us, not only through the main contact centre but to any part of the business or with our contractors. It was intended to capture views on how the contact was handled and was a common measure implemented by Ofwat for all water companies in England and Wales to create comparative satisfaction data. An annual score produced by four waves of customer satisfaction surveys took place at intervals throughout the year. The surveys were based on contact data that the company provides to an independent market researcher (BMG). On the back of every wave, we conducted in-depth analysis to understand any pinch points in our processes and where improvements could be made to enhance the customer's experience. Over the lifetime of SIM, we have made changes to improve our position although we were disappointed with our final ranking at the end of SIM's lifecycle.

For the next AMP, SIM is being replaced with CMEX, which aims to be a broader measure of customer satisfaction than the original SIM measure. Our supply chain is also included in the CMEX measure meaning that we will be able to have visibility of how our customers perceive the services provided, and level of trust that customers place with us and our extended supply chain. We are part of Ofwat's working group and are already conducting pilot surveys in preparation for the changeover. Again, similar to SIM, we are already conducting in-depth insight analysis into the customer feedback we received to enable us to address common complaints.

### 5.1.4 Tap Chat

Tap Chat is an instant feedback and survey tool that we introduced as part of our business plan research and continue to use for our business as usual engagement activities. It is an inclusive online community panel where members are proactively invited to shape the future of Severn Trent's water services. Members participate in discussions, surveys and fun activities, all to enable us to learn about what matters most to them. Summaries of Tap Chat discussions are regularly provided to our executive team and we're keen to find better ways to feed back to the Tap Chat community so that they can see how their views are used. This is something we will look to improve over the coming year.

### 5.1.5 Regular engagement

We passionately believe in engaging with our customers to understand the issues that matter to them in the information we produce and address any concerns that they may have. Throughout the year we continue to use our established channels of customer engagement:

- regular meetings with our statutory customer representative (CCWater),

- ongoing customer research, including instant feedback mechanisms,
- ongoing analysis of customer sentiment including root cause analysis of customer complaints through all channels (telephone, social media, email and written).

We are committed to engaging with our customers throughout the AMP using a range of survey types through our existing tools; Pipe Up (Qualtrics SMS Surveys), Qualtrics Research Campaign Surveys (SMS and Email based), Qualaroo (website surveys), Tap Chat and our quarterly customer tracker. We have implemented a new tool, Sprinklr, which will greatly enhance our ability to gain insight from our social media platforms (primarily Twitter and Facebook). We will also continue to use customer focus groups and other bespoke survey methods on ad-hoc basis to consult on specific issues where required. Our future goal is survey through the customer's channel of choice to help us achieve the best response rate from a broad range of people.

## 5.2 Stakeholder engagement

Our regulatory stakeholders' views are very important to us and we utilise the following channels to gain feedback from them:

- regular meetings and correspondence with our regulators (Ofwat, EA, DWI);
- regular meetings and events with broader stakeholders (for example, partnership working on flooding issues and other stakeholder forums);
- ongoing investor engagement, and annual announcements of interim and preliminary results.

### 5.2.1 Ofwat

We continue to pursue a positive and engaging relationship with Ofwat through regular meetings and correspondence. We have a dedicated Ofwat inbox to help address any queries or customer concerns directly with Ofwat.

Under its last assessment (January 2019) in the Company Monitoring Framework, Ofwat continued to assess us as requiring 'targeted' assurance with two areas (outcomes and cost assessment) noted as having 'minor concerns'. We have already worked to remedy the issues raised in our APR19 publications and will look at further ways we can address the themes noted in Ofwat's assessment:

- **Data quality.** Ofwat noted that a number of queries were raised against our cost assessment tables that on occasion meant data had to be restated.
- **Data Commentary and explanation of variance.** Ofwat have historically identified where we failed to adequately explain variances in our data. We have continued to build on this feedback to meet and exceed requirements moving forward.
- **Company performance statement.** Last year Ofwat asked all companies to provide a performance statement, setting out how the company is delivering for the stakeholders that rely on its services and how its aspirations have been shaped in the APR. In APR19, we included this statement upfront in our APR publication and will continue to do so in APR20.

Going forward, we welcome the opportunity to input into Ofwat's new quality and assurance framework. We believe that the CMF has been given companies a great starting point for ensuring the data we produce and publish is of a suitable high quality. We will continue to focus on this into the next AMP.

### 5.2.2 Other stakeholders

We have continued to develop our open and honest conversations with a number of our environmental regulators including the EA and DWI. Any queries or concerns can be discussed directly, and where relevant,

can help shape our targeted assurance programme. We have reviewed our licence to operate and governance frameworks to ensure that our environmental regulatory and statutory obligations receive the appropriate oversight. As a result of this review we have included more environmental obligations in our licence to operate to capture oversight at a more granular level and have increased the number of reports receiving scrutiny at our Disclosure Committee.

As we look to AMP7 and the changing regulatory environment, we are reviewing how we interact with our regulators to ensure that we are able to understand common themes in the types of enquiries or casework we receive and can build this into our governance and assurance frameworks. We will also look to assess environmental data e.g. environmental performance assessment data and Pollution Incident Reduction Plan (PIRP) data against the risk-based assurance framework over the next year.

## 6. Our internal assessment – licence to operate

As well as ensuring we account for our customers' views, we use the wealth of expertise within the business to assess all our statutory and regulatory obligations relating to provision of water and wastewater. We call this assessment 'licence to operate' and it has been operating in Severn Trent for four years.

### 6.1 The process

Over the past four years we have continuously reviewed the process to improve it by using new technology such as SharePoint to track the assessments and approvals from all levels of management. We monitor over 1500 obligations. Licence to operate is a two stage process that operates through the mid and year-end of the annual regulatory cycle.

#### 6.1.1 Mid-year risk assessment

In September we ask our responsible managers to complete a risk assessment of their regulatory and statutory obligations. This involves assessing the following five categories as either low, medium low, medium high or high risk, which we use to indicate likelihood:

- **Purpose** – Does the responsible manager understand the purpose of the duty and what their obligations are?
- **Process** – Has the responsible manager ensured that there is an adequate process in place to comply with our obligation and is this documented?
- **RACI** – Is it clear which employees are responsible for which part of the process?
- **Competency** – Are there enough employees suitably trained and is there a clear skill matrix defined?
- **Controls** – Are there measures in place to monitor performance and is regular quality checking undertaken?

Once this assessment has been completed, the Group Compliance team assess the impact of noncompliance in this area using six factors:

- **Customer service impact** – What would be the impact on customers of non-compliance?
- **Competition compliance** – Does the duty or obligation interact with competition law?
- **Impact on the environment** – could we damage the environment if we didn't comply with this obligation?
- **Health and Safety** – could someone be hurt as a result of non-compliance?
- **Market confidence** – would investors lose confidence in the business?
- **Financial impact** – could non-compliance result in financial fines?

By combining the likelihood assessment with the impact assessment we are able to understand the areas of compliance risk that require either management action or our assurance plan needs to target. This allows us the opportunity to put action plans in place prior to our year-end reporting of performance. For further verification, we also review these risks against our ERM register to ensure there has been a consistent assessment of risk across the two processes.

#### 6.1.2 Year-end declarations

Prior to publication of our annual regulatory reporting we ask our responsible managers to declare whether they have been compliant or non-compliant with their obligations. If they have been non-compliant, we ask

them to complete a 'departures' form, which details what issue has occurred during the reporting year and what action will be taken to prevent it in future.

All departures are then reviewed by the accountable senior manager and director who will assess the level of materiality. Some departures, while representing an instance of non-compliance with process may not be material or for example it may be within the stated confidence of the measure. All departure assessments are tracked on the departures form to ensure that we maintain a visible audit trail of all areas of potential noncompliance.

Departures that are assessed to have a material impact are included in our annual Compliance Statement, which is published in July alongside our regulatory reporting. This document is reviewed and scrutinised by our Disclosure Committee and Audit Committee before it is endorsed by our Board for prior to publication-ensuring that all levels of the business are made aware of any significant risks or issues.

## 6.2 Changes in 2019/20

This year we added new obligations to our 'licence to operate' process to respond to changes in our operating model within Severn Trent Water and our statutory obligations:

- Added a further level of granular environmental legislation into licence to operate including ISO Environmental standards, Clean Air Act and Control of Pollutions Regulations.
- Introduced a conflict of interest declaration for all responsible and accountable managers whereby managers who may have responsibility for both appointed and non-appointed activity; or between appointed entities have a responsibility to ensure they are transparent about any potential conflicts in their role. This gives us the ability to target these roles with further training, guidance and mitigation as needed.

For the next AMP we are already looking to make further streamlining improvements to the licence to operate process by using technology improvements to transition to a live monitoring system for compliance, including visibility of improvement plans.

## 6.3 2019/20 risk assessment outcome

In this year's licence to operate assessment, the following areas were noted as either high or medium high risk in order of risk identified:

- **PR14 performance commitments** - in recognition of the potential impact our performance commitments have on our customers, the environment and market confidence, our customer ODIs continue to feature in our assurance plans as part of the Annual Performance Report. Customer ODIs remain a high priority for our stakeholders and customers because:
  - our performance commitments reflect the areas of service that our customers have told us are most important to them – we have an obligation to accurately report if we are meeting our commitments;
  - our investors can make decisions as to whether to invest in our company based on the performance data we provide – we have a fiduciary duty to accurately report how we are performing; and
  - we are just one of three companies that are able to apply some of the financial incentives during the 2019-20 period – if we are to make decisions that impact our customers' bills, we must have confidence that it is on the basis of high quality information.

- Our performance commitments receive assurance using a risk-based approach, whereby measures identified with greater financial, regulatory or customer importance are targeted with a greater level of assurance.
- **PR19 Performance commitments** – in the next AMP, the PR14 obligations will expire and be replaced with the new PR19 performance commitments. Now that we have received the outcome of the final determination and know the performance commitments for the next five years, we are ensuring that we can fulfil and accurately report on them. This year we're using the same process that we use for our performance commitment data in 'shadow' i.e. half year and full year audits to ensure we get a snapshot of risk areas prior to year-end.
- **Cost allocation / RAG 5** – Cost allocation activities within our finance team are part of our established third line assurance annual processes. While we have made a big improvement in this area, we are still on a journey of continuous improvement following the boundary realignment of our two appointed entities to ensure that our processes are thoroughly documented within both the Severn Trent Water and Hafren Dyfrdwy; and other non-appointed businesses within the Severn Trent family.
- **Licence Conditions E1 and M1** – these licence conditions were implemented in January 2019 and relate to the provision of information in Ofwat's designated 'new markets' i.e. bio-resources, water resources, demand management and leakage services. Our existing policies such as 'doing the right thing' and our 'level playing field' do cover these obligations, however, we need to ensure that we have suitable processes in place to document where we receive an information request relating to these markets ensuring we have a sufficient audit trail to demonstrate our compliance.
- **Water quality obligations** – We are currently in the process of making improvements to our drinking water safety plan to ensure that all of our required risk assessments are completed on time and to suitable standard.

Where appropriate, action plans have been put in place to address these areas and reduce the level of risk associated.

Our internal group compliance and assurance team also provides further oversight of our assurance plan to ensure that we include areas that may not necessarily score high on our internal risk assessment, however we know are or could be, subject to regulatory change or emphasis such as the requirement to have a board assurance statement by our regulators, customers or other stakeholders. This includes:

- **Annual Performance Report including sections 1, 2, 3 and 4** – This report is the principal way that we will document our annual performance and hold ourselves publicly to account. The report is divided into the following sections:
  - Section 1: Regulatory financial reporting
  - Section 2: Price review & other segmental reporting
  - Section 3: Performance summary
  - Section 4: Additional regulatory information

The report will include inputs from other areas covered by this Assurance plan (e.g. financial accounts) and require some forecasts of performance. It is important that we present information in a fair and balanced way that is accessible to our broad range of customers and stakeholders.

In addition, some of our PCs have a financial reward or penalty associated so customer bills will be directly affected by our performance.

- **Annual Report and Accounts** - We have a statutory obligation to ensure that our financial accounts are prepared in accordance with the relevant financial reporting framework and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company.

- **Annual Report to CCWater** - CCWater are the statutory customer representative body for our industry and a member of our Water Forum. We want to ensure the information we provide on a quarterly and annual basis is accurate. The majority of this data is directly from our PCs reporting.
- **Charges including draft wholesale charges, final charges and access prices** - We want to make sure that what we charge our customers is correct. We have established assurance processes to ensure we are within our revenue cap and compliant with Ofwat's charging rules. The charges process is split into two parts:
  - Draft - Since the non-household retail market opened, we have been required to publish draft wholesale charges in October to give retailers early sight of charges for the next financial year. Access prices are also reviewed at this stage.
  - Final - In January, companies are required to publish all of their proposed charges for the next financial year i.e. non-household and household, retail and wholesale and non-primary charges.
- **Freeze thaw action plan** - In March 2018 we experienced challenging weather conditions across our network. We acknowledged that our response could have been better and following receipt of a letter from Ofwat, we put together a formal action plan for improvement. While most of the plan has been completed, there remains a small number of actions that are being tracked by our Internal Audit team.
- **End of AMP6 reconciliation** - We provide a set of data spreadsheets to Ofwat on an annual basis so that it can calculate the in- year ODI reward / penalty and reconcile our past performance with our forecasted targets. Following Ofwat's review, we acknowledged that a small number of errors were made in similar submissions previously which had been missed by our second line assurance process.
- **Market information (bio-resources and water resources)** - To help these markets grow successfully, it is important that customers and potential market participants can trust our costs are accurate in these areas for activities such as demand management, treatment, transport and other 'search costs'. We will support these new market areas and ensure our data is accurate and has had a third line review before publication.
- **Market Performance Standards (MPS) and Operational Performance Standards (OPS)** - On a monthly basis, we are required to submit several key performance indicators to the market operator, MOSL, which then publishes the information on its website. This information is used by retailers, Ofwat and MOSL to ensure that wholesalers are delivering a competitive and fair service to all customers in the market. Failure to meet OPS and MPS SLAs will also result in a financial penalty.
- **New Connections charges** – Our developer services customers want the ability to accurately predict what their costs will be when they build and connect a property to our network. Therefore, it's important then we publish our annual charges for new connections that they are accurate, easy to understand and cost reflective. Furthermore, new connections charges are subject to competition law and is an area of focus for Ofwat. To ensure we meet these requirements, we have put in place a comprehensive set of assurance checks, in line with the process already used for our company wide Charges Scheme process (i.e. third line assurance).
- **Environment Agency submissions** – Following the case raised against Southern Water, we wanted to ensure that we undertook a review of our compliance against similar obligations in our own company. As a result, we have added a further governance review of EA submissions by our Disclosure Committee.
- **Drought plan and other drought obligations:** The Water Act 2003 made it a statutory requirement for water companies to produce and maintain a Drought Plan. We update these plans every five years. Our Drought Plan sets out how we will manage our resources and supply system in dry years, to maintain our service our customers. We published a draft drought plan in 2018 but following Beast from the East we will seek to incorporate learnings from this event in our final publication in Spring 2020.

- **Water Resources Management Plan** – Our draft Water Resource Management Plan was published in January 2018 and was open to consultation with all our customers and other stakeholders. This year we published the final plan that required a signed Board assurance statement to be published alongside it. Given the complexity and strategic importance of managing our water resources, we wanted to make that our final publication was subject to third line review.

How we have targeted these areas with assurance is described in section 7.

## 7. Areas of risks and our final assurance plan for 2019/20 and beyond

Following both our external and internal engagement we believe the following areas should be categorised as either high or medium high risk and therefore should be subject to a greater level of assurance, which is detailed in the table below. The table below also considers whether these activities will continue beyond this year.

Risk Area	What assurance will we be doing?	New in 2019/20?	2021-2025 Plans
<b>Annual Performance Report (APR) including our PR14 Performance Commitments</b>	<ul style="list-style-type: none"> <li>On an annual basis all performance data is subject to assurance. In addition, using a risk based approach, some of our measures are also subject to half year assurance to get early sight of any potential risk areas, which we can address prior to year-end.</li> <li>For sections 1 and 2 of the APR, the data and methodology is subject to three lines of assurance with our financial auditor performing third line assurance.</li> <li>For section 3 and 4 of the APR, the data and methodology is assessed and subject to our three lines of assurance model based on risk with our regulatory technical auditor or Internal Audit performing third line assurance as appropriate.</li> <li>The Water Forum are also updated annually by the Audit Committee chair about the outcome of our assurance processes and any performance concerns in a given year</li> </ul>	Established process	Established APR process will continue and evolve to include the PR19 Performance Commitments
<b>PR19 Performance Commitments</b>	<ul style="list-style-type: none"> <li>The data and methodology is assessed and subject to our risk based three lines of assurance. Our regulatory technical auditor performs the third line assurance as appropriate in parallel with our PR14 performance commitments.</li> </ul>	Process established in 2018/19	Process will be incorporated into APR
<b>Cost allocation / RAG5</b>	<ul style="list-style-type: none"> <li>Cost allocation data and methodology is subject to three lines of assurance with our regulatory technical auditor performing third line assurance.</li> <li>Focus on the boundary realignment and non-appointed businesses.</li> <li>Our updated RAG5 compliance Framework will be subject to three lines of assurance with an external auditor completing third line assurance.</li> </ul>	Established process	Established process will continue and Internal Audit will undertake annual assurance of the

<b>Licence Conditions E1 and M1</b>	<ul style="list-style-type: none"> <li>Data and methodology subject to second line assurance with third line process assurance undertaken by Internal Audit on any new areas.</li> </ul>	Process established in 2019/20	RAG5 Compliance Framework Established process will continue and will be refined to take account of evolving regulatory requirements
<b>Water quality obligations</b>	<ul style="list-style-type: none"> <li>Where data is provided to DWI as part of our Performance Commitments, the data and methodology is subject to three lines of assurance with our regulatory technical auditor performing third line assurance. Other areas, including our safety plan, are assessed and subject to our three lines of assurance model based on risk with our regulatory technical auditor performing third line assurance as appropriate.</li> <li>Submissions reviewed at Disclosure Committee.</li> </ul>	Established process updated for 2019/20	Established process will continue and will be refined to take account of evolving regulatory requirements
<b>Annual Report and Accounts (ARA)</b>	<ul style="list-style-type: none"> <li>The methodology and data is subject to three lines of assurance with our financial auditor performing third line assurance.</li> <li>The Methodology and data of our RORE calculations is subject to three lines of assurance with our regulatory technical auditor performing third line assurance.</li> </ul>	Established process	Established process will continue and will be refined to take account of evolving regulatory requirements
<b>Annual Report to CCWater</b>	<ul style="list-style-type: none"> <li>Where information is derived from performance commitment data, assurance is as noted above.</li> <li>Where information is not derived from performance commitment data, second line assurance is performed.</li> </ul>	Established process	Established process will continue and will be refined to take account of

<b>Charges including access prices</b>	<ul style="list-style-type: none"> <li>The methodology is subject to three lines of assurance with our regulatory technical auditor performing third line assurance.</li> <li>Model assurance undertaken by specialists, Numeritas.</li> <li>An assurance statement signed by our Board demonstrating Board oversight and scrutiny.</li> <li>Engagement with customers and CCWater to ensure bill impacts are understood (particular where these are greater than 5%).</li> </ul>	Established process	evolving regulatory requirements
<b>Freeze thaw action plan</b>	<ul style="list-style-type: none"> <li>Completion of remaining actions are tracked by Internal Audit.</li> </ul>	Established in 2018/19	Established process will continue and will be refined to take account of evolving regulatory requirements
<b>End of AMP6 reconciliation</b>	<ul style="list-style-type: none"> <li>The data and methodology is assessed and subject to our three lines of assurance model based on risk with third line assurance undertaken as appropriate.</li> </ul>	Process established in 2019/20	Activity due to be completed in 2020/21.
<b>Market information (bio-resources and water resources)</b>	<ul style="list-style-type: none"> <li>The data and methodology is assessed and subject to our three lines of assurance model based on risk with our regulatory technical auditor performing third line assurance as appropriate.</li> </ul>	Established process	AMP6 reconciliation will not continue into AMP7
<b>Market Performance Standards (MPS) and Operational</b>	<ul style="list-style-type: none"> <li>Data and procedures are subject to three lines of assurance with Internal Audit performing third line assurance on OPS.</li> <li>Performance reviewed on a quarterly basis at Disclosure Committee.</li> </ul>	Established process	Established process will continue and will be refined to take account of evolving regulatory requirements

**Performance Standards (OPS)**

**New connections charging**

- The data and methodology is subject to three lines of assurance with our regulatory technical auditor performing third line assurance.
- An assurance statement signed by our Board demonstrating Board oversight and scrutiny.
- Engagement with developer services customers.

Established process

evolving regulatory requirements

Established process will continue and will be refined to take account of evolving regulatory requirements

**Environment Agency submissions**

- Where data is provided to the Environment Agency as part of our Performance Commitments, the data and methodology is subject to three lines of assurance with our regulatory technical auditor performing third line assurance. Other areas are assessed and subject to our risk based three lines of assurance with our regulatory technical auditor performing third line assurance as appropriate.
- Submissions reviewed at Disclosure Committee.

Established process updated for 2019/20

Established process will continue and will be refined to take account of evolving regulatory requirements

**Drought plan and other drought obligations**

- The data and methodology is risk assessed and subject to our three lines of assurance model based on risk with our regulatory technical auditor performing third line assurance as appropriate.

Established process

Process will continue with next review cycle

**Water Resources Management Plan**

- The data and methodology is assessed and subject to our three lines of assurance model based on risk with our regulatory technical auditor performing third line assurance as appropriate.
- An assurance statement signed by our Board demonstrating Board oversight and scrutiny.
- Independent challenge from external stakeholders - Environment Agency and Natural England.

Established process

Process will continue with next review cycle

**WONDERFUL ON TAP**

