

APPENDIX 1A – BOARD ASSURANCE STATEMENT (SES)

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.

We have a well-established risk management, monitoring and control systems and processes described in the Company's Strategic Report which can be found in our 2024 Annual Report, available on our website.

The evidence presented by the Company to demonstrate that the approach to calculating connection and requisition charges has changed in line with the latest Ofwat charging rules.

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 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 SES'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 and are used to 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 New Connections and Developer Services Charging Arrangements for 2025/26

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. Policies and procedures relating to the development of tariffs and charges are regularly updated.
- 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 the Consumer Council for Water (CCWater) and other stakeholders. As a part of its engagement with CCWater, SES discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCWater representatives.
- SES has robust processes in place to annually review policies which are contained within the Charges Schedules. For 2025/26, no changes to these policies are planned.

Board Statement

The SES Board has overseen the development of the SES New Connections and Developer Services Charging Arrangements for 2025/26.

SES Board considers the process that SES has gone through in setting the 2025/26 New Connections and Developer Services Charging Arrangements for SES 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 charges, SES Board can confirm:

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

SES Board has carefully considered whether:

- the New Connections and Developer Services charges schedules are consistent with SES's legal obligations in relation to New Connections Charging Rules.
- 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, including CCWater, 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%. In all scenarios the change to the new developer worked examples are above 10%, due to a number of factors including recognition of higher costs at PR24, the removal of income offset, the increase in network reinforcement expenditure and lower volumes of activity resulting in an increase in costs in order to recover overheads correctly.

Charges have also been updated to reflect the removal of income offset as required by Ofwat's new connection charging rules for agreements after 1 April 2025, except where these were in place prior to 1 April 2024. Environment incentive charges have been introduced as per Ofwat's new connection charging arrangement rules.

The impact on individual developments varies according to the services they require, reflecting the greater granularity. The handling strategy is the granularity in the charging arrangement documents and engagement with developers, such as through the developer market engagement sessions.

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

