



2017/18

**Risks, Strengths and Weaknesses
Statement**

southwestwater.co.uk
bournemouthwater.co.uk

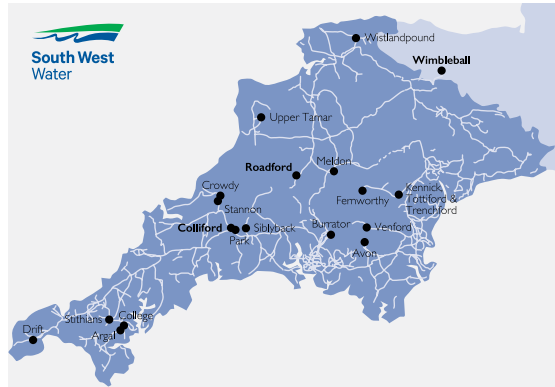
WELCOME

Welcome to South West Water

We are South West Water

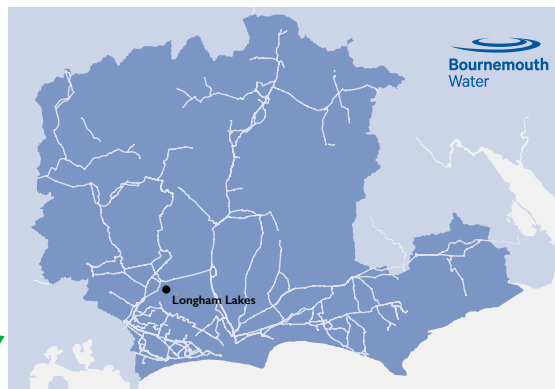
South West Water is the combined entity covering the original South West Water and Bournemouth Water areas, following the merger of the two companies in 2016. Both identities have been retained by the Company in their original operating areas and there are separate customer and stakeholder commitments for 2015-20 in each area.

We recognise the importance of customers and other stakeholders understanding what they can expect from us and being able to place trust and confidence in the data, information and publications we provide.



South West Water

We provide water and wastewater services to a population of c. 1.7 million in Cornwall, Devon and parts of Dorset and Somerset.



Bournemouth Water

We provide water services to a population of c. 0.5 million in areas of Dorset, Hampshire and Wiltshire. Bournemouth Water was acquired by Pennon Group Plc in April 2015 and from 1 April 2016 has been integrated with South West Water.

c. 2.2m

total population served

18,176km

of drinking water mains network

c. 1.0m

customers

16,034km

wastewater mains network*

23

raw water reservoirs

900

wastewater pumping stations*

653

wastewater treatment works*

144

bathing waters and 24 shellfish waters*

* South West Water region only



RISKS, STRENGTHS AND WEAKNESSES

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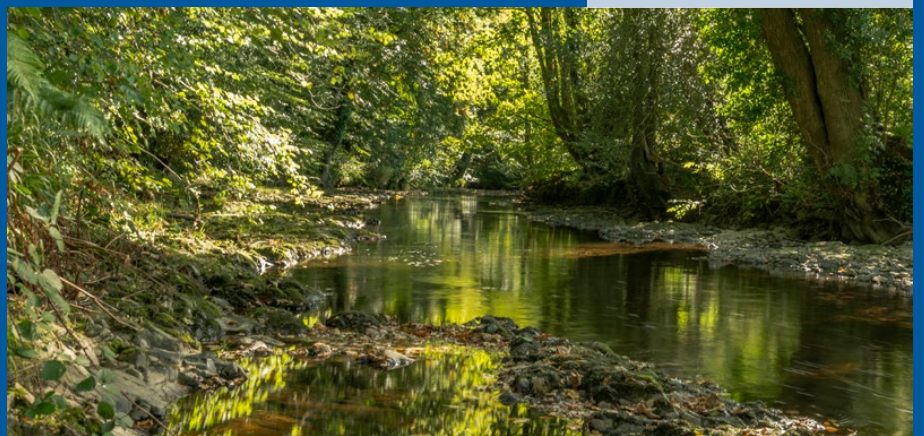
The Executive summary
Read more on page 02



Engagement and findings
Read more on pages 08 and 09



Statement of risks, strengths and weaknesses
Read more on pages 12 to 14



Executive summary

South West Water recognises how important it is for all our customers and stakeholders to have trust and confidence in the information it reports on the services it provides.

We recognise how important it is to report information accurately and transparently to our customers and stakeholders. We publish information about our performance to help everyone understand how we are doing, and how we are delivering water and wastewater services in our region.

It is important to us that all our customers and stakeholders have trust and confidence in the information we provide.

Following our Risks, Strengths and Weaknesses exercise undertaken in January 2017, we have carried out a further review to determine:

- if we have addressed the actions arising from the initial review in January 2017
- to continue to understand how we can further improve the information we publish, ensuring the information provided is what customers and stakeholders want and in a format that is helpful, accurate and easily understood.

This exercise has also been undertaken as a result of Ofwat's Company Monitoring Framework assessment.

In carrying out this exercise, we have reviewed internal and external sources of information and have conducted specific customer and stakeholder engagement through an online survey and focus groups to identify areas of strength and weakness.

The results of this exercise have identified where we can improve the information we publish over the coming year. A culture of quality and continuous improvement is embedded in the business and will support this objective.

The Company operates within a risk-based framework in all it does. All key risks are recorded in a comprehensive risk register, controls and mitigations identified and risks reviewed at appropriate intervals. South West Water's principal risks are published annually in the Annual Report and Financial Statements.

The Board of South West Water has considered the findings of this exercise, particularly noting the process whereby we have consulted with a broad range of our customers and stakeholders to understand their opinions on the information we already publish.

It is satisfied that the action plan and assurance methods employed seek to provide improved transparency and confidence in our processes, with the overall aim of ensuring customers and stakeholders can trust and value South West Water and the information it provides.



Name & Position	Signed
Sir John Parker Chairman	
Chris Loughlin Pennon Group Chief Executive	
Susan Davy Pennon Group Chief Financial Officer	
Stephen Bird Managing Director	
Louise Rowe Finance Director	
Gill Rider Non-executive Director	
Martin Angle Non-executive Director	
Neil Cooper Non-executive Director	
Martin Hagen Non-executive Director	
Lord Taylor of Goss Moor Non-executive Director	

The information South West Water publishes and its assurance processes

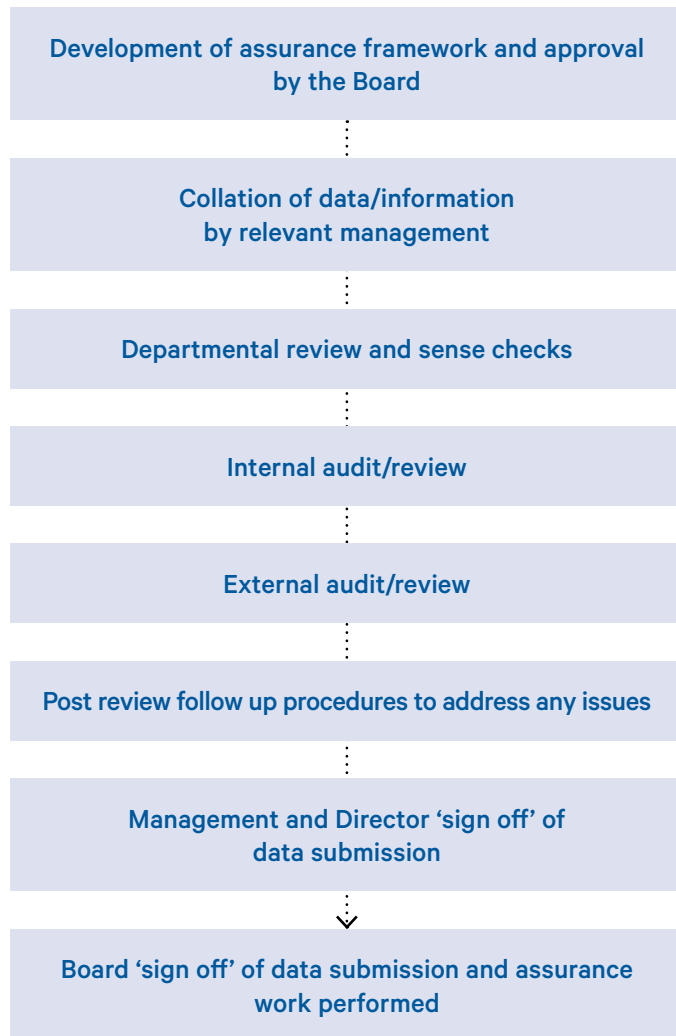
South West Water publishes information which ensures it meets its statutory, licence and regulatory obligations but also provides information to customers on the Company's activities, how the Company is performing and most importantly, how customers can get help when they need it.

Information is published primarily on our website but also through a broad range of communications channels to reach our diverse customer base. Such channels include customer bills, annual newsletters and e-newsletters for customers who have subscribed.

Underpinning the information published by the Company are robust risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis, and appropriate mitigation is in place to suit the level of risk (see diagram on page 04).

Our risk and assurance framework remain unchanged from our previous review of our risks, strengths and weaknesses in January 2017. The methodology for identification and mitigation of risk is similar at individual business unit and corporate levels.

Our assurance process



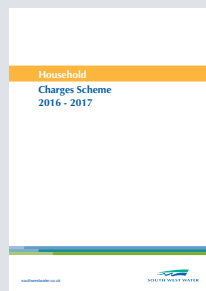
Examples of information we publish



Annual Performance Report



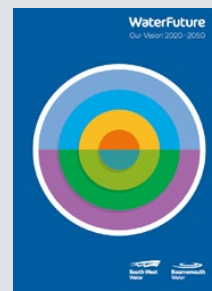
Annual Report and Financial Statements



Charges Schemes



2014 Price Review Business Plan



Our Vision 2020-2050

The information South West Water publishes and its assurance processes continued

Our integrated assurance approach ensures an appropriate level of assurance is applied and identified using a risk-based approach dependent on the assessed risk and complexity of assurance requirements.

In any significant area or project where assurance is required over submitted data, information certificates will be prepared by those responsible to confirm that the submission is robust and all material issues have been addressed.

Independent internal review is used to ensure that processes are robust and adhered to. External review and audit processes are used whenever significant data is provided to an external audience. All our published information is subject to independent assurance to the level we determine is appropriate to provide confidence to our customers and stakeholders that our information is accurate, reliable and complete no matter how complex it is.

We have established robust feedback processes to ensure that issues or queries raised during the internal and external assurance processes are followed up so that any changes or remedial work is completed as appropriate. This ensures that our reported service performance data is robust, transparent and legitimate.

We have well established formal management systems and processes for all activities within our regulated business. These systems are independently certified to the International Standards Organisations' ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems), ISO 50001 (Energy Management Systems) and ISO 27001 (Information Security Management Systems) standards.

These ensure the efficiency, quality and safety of all we do. A programme of internal audit takes place, together with external audit, as part of continued certification and annual assurance. The Company uses the services of an independent external team to audit non-financial data and to report to the Company on their findings.

South West Water's Board recognises the importance of meeting the Company's statutory, licence and regulatory obligations and believes that the Company is aware of and adequately understands these obligations and has met them in all material respects as a diligent company.

1st Line of defence

Management

performance reviews
local quality control
'sense checking'
annual certification and 'sign off' of submitted data.

2nd Line of defence

Policy setting and compliance checking

business management systems
internal audits
policies and culture (e.g. whistle blowing)
QA and ISO internal reviews
risk & compliance internal reviews.

3rd Line of defence

External scrutiny

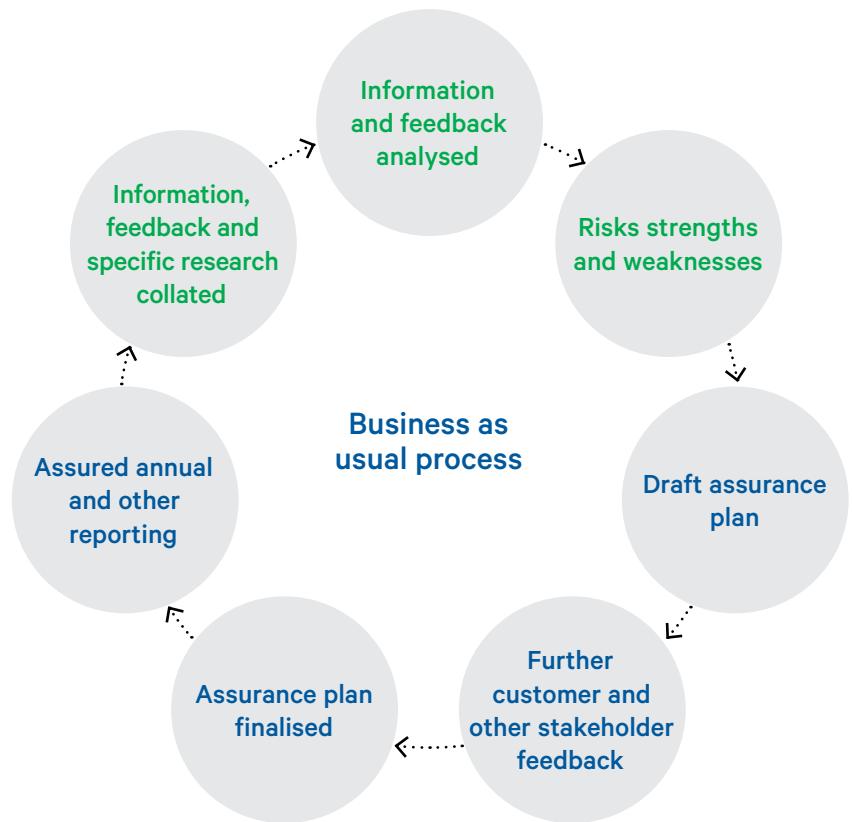
group independent internal audit
financial audit
technical audit
quality regulators (including ISO external reviews)
business management systems external audits
other external assurance providers.

Identification of South West Water’s risks, strengths and weaknesses

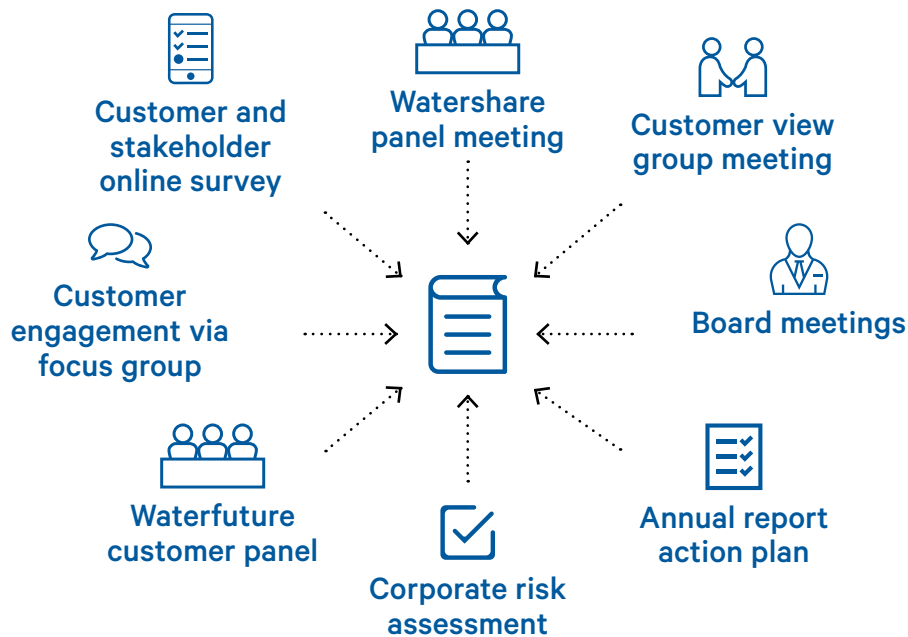
Following Ofwat’s assessment of the Company through its Company Monitoring Framework, this section describes how we have identified our risks, strengths and weaknesses in providing information that our customers and stakeholders want and will trust, enabling us to target areas for improvement. It builds on and incorporates the feedback received from the Risks, Strengths and Weaknesses exercise carried out in January 2017. This statement combines the risks, strengths and weaknesses of Bournemouth Water and South West Water into a single document.

The Risks, Strengths and Weaknesses exercise is an additional assessment to the identification of operating risks which are inherent in our business activities, and the associated mitigation measures which we discuss in our Annual Report and Financial Statements.

The Risks, Strengths and Weaknesses exercise forms part of an ongoing process of continual improvement concerning information we provide which is run by the Risk and Compliance team.



Information sources



There are many sources of information on which to base the assessment of our risks, strengths and weaknesses and we have used all of these to form our Risks, Strengths and Weaknesses Statement. Information and feedback comes from both internal and external sources throughout the year, and we proactively seek customer feedback. Improvement is a continuous process at South West Water and feedback received from all sources is used to strengthen our processes and information provision.

The key sources of information are detailed below.

Corporate risk assessment

The Company maintains a corporate risk register which is regularly reviewed by Executive Management and the Board. On an annual basis South West Water reports its principal risks within its Annual Report and Financial Statements (available online at southwestwater.co.uk/report2017). This report describes the principal risks along with how they are being managed or mitigated in line with the Board's risk appetite. Bournemouth Water has been incorporated into this risk assessment process.

Consistent with the previous year, in 2016/17 we have identified principal risks in the following categories:

- law, regulation and finance
- market and economic conditions
- operating performance
- business systems and capital investment delivery.

Specific risk assessment processes consider the risks concerning the information we provide to our stakeholders whether as part of annual reporting or at other times. These risk assessments ensure that appropriate levels of assurance are obtained in respect of this information. The Audit Committee oversees these assessments and assurance performed against these risks.

Annual reporting action plans

We report annually on our performance information through our Annual Performance Report and 2017 our summary Annual Performance Report (available online at southwestwater.co.uk/report2017) so that our customers can understand how we are performing, and so Ofwat can have confidence we are delivering on our regulatory commitments to customers. This is a key activity which demonstrates transparency.

Performance reporting is a continual process of improvement as we use the data to make management decisions on a daily basis, as well as for informing monthly reports to the Board.

The improvement opportunities arising from the annual performance audits in 2017 are summarised as follows:

1. data process improvements:
 - a. appropriate scheduling of work relating to near simultaneous submissions
 - b. strengthening of South West Water's version control procedures
2. continued focus on South West Water's action plans and initiatives to improve sewer flooding performance to ensure the improvements in performance continue.
3. a number of other improvement opportunities to internal process such as in areas of staff engagement and volunteering days.

Information sources continued

Customers and stakeholders

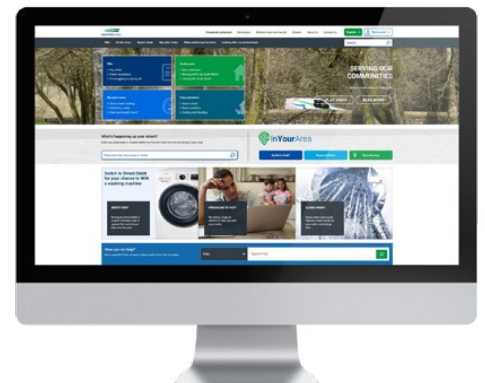
We have a wide variety of regular communication channels with our customers and stakeholders:

- monthly customer tracking surveys in both South West Water and Bournemouth Water areas
- review of customer calls as part of quarterly SIM survey and ongoing quality control processes
- daily communication through South West Water's local contact centre and social media, analysed for trends and hot topics
- regular meetings with regulators: Ofwat, Drinking Water Inspectorate and Environment Agency; and the Consumer Council for Water, the statutory customer representative group
- regular meetings with the Company's independent Customer Challenge Groups: WaterFuture Customer Panel (covering both South West Water and Bournemouth Water), WaterShare Panel for South West Water, and Customer View Group for Bournemouth Water (all meeting minutes are available on our websites)
- ongoing targeted customer research, for example in the development of water poverty initiatives or service improvements through co-creation workshops
- investor engagement through interim and preliminary results announcements and shareholder meetings available on our website.

South West Water uses the feedback received from customers and stakeholders to improve the information provided.

To supplement the feedback received from customers and stakeholders through our regular communications channels and to provide greater detail to this Risks, Strengths and Weaknesses Statement, we have carried out specific research with customers and stakeholders who use and rely on our information, to find out their views about our current approaches, and where they felt our strengths and weaknesses lay.

Key customers and stakeholders



Engagement and findings

Understanding the opinions and requirements of South West Water's stakeholders and customers is vital to ensure that information provided is relevant, understandable and easy to access.

Engagement of customers

South West Water has been tracking customers' perceptions and satisfaction with various areas of its operation for several years including whether the information they receive is about right, and if how they receive it is their preferred method. The Company also tracks whether customers understand its objectives and whether they think it is delivering against them. With the merger of Bournemouth Water the same survey was introduced into the Bournemouth area.

More recently we have carried out two focus groups using Turquoise Thinking (a leading Market Research company in the South West) which included a cross section of customers.

Following feedback from customers in the exercise undertaken in January 2017 that they would prefer a shorter, customer friendly version of our Annual Performance Report, the new summary Annual Performance Report drafted for 2017 was tested with customers to seek their views on whether the document meets their requirements.

The groups discussed whether they would, and how they would, look for information that is provided by water companies in terms of their annual reports. They discussed what they liked, what they didn't like and what they are interested in reading. The groups discussed how they would like to be engaged on the issues they raised.

Engagement of other stakeholders

For the purposes of undertaking stakeholder engagement for the Risks, Strengths and Weaknesses exercise, South West Water issued an online survey to a stakeholder group including regulators and to all the members of our three Customer Challenge Groups – WaterFuture Customer Panel, Bournemouth Water's Customer View Group and South West Water's WaterShare Panel.

The survey was to gain feedback on the following areas:

- the awareness level of several company publications
- if there are any risks, strengths and weaknesses with the information published through the Company's main publications
- if there are any current concerns about information the Company reports
- the relative importance each stakeholder places on the information the Company publishes
- how each stakeholder uses the information the Company publishes and how important it is to them
- if stakeholders would value information presented in a different way, would like further information, or feel that any of the information is not required.

How we've used this feedback

The feedback we've received from customers and stakeholders through the online survey and focus groups has been compiled into a report by Turquoise Thinking. This has enabled us to identify areas for further improvement.

This feedback, alongside the other sources of information previously identified, has informed South West Water's risks, strengths and weaknesses and further details are provided in the next section.

Results – customer and other stakeholder feedback

Feedback is summarised as follows:

Strengths:

- customers like the clarity of the information we publish that is aimed at them - it is clear, easy to understand and concise
- the majority of respondents felt the Board and corporate governance structure was clear
- the majority continue to believe the information currently published is precise enough for their needs
- the majority also continue to feel that the information published is about right.

Risks and weaknesses:

- customers assume that the company publishes information but don't regularly look for it, however they assume it will be available if they need it
- there may be too much information for the vast majority of customers and sometimes it is not accessible for all
- website difficult to navigate to access information
- concern the information might distort reality to make the company look better
- regulatory reports are sometimes inconsistent in the level of detail provided
- a greater desire to see information presented in a different way.

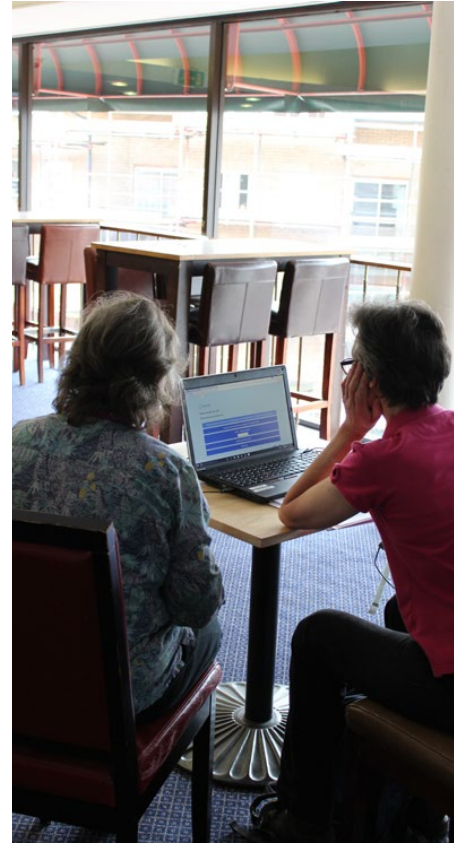
Engagement and findings continued

Results – focus groups

As a part of our Risks, Strengths and Weaknesses exercise in January 2017, we tested with customers their views on our Annual Performance report. The feedback provided said they would like a customer summary (3-5 pages maximum) which is aimed at customers rather than shareholders or other businesses and this should be reflected in the content and the language used. Following this feedback from customers, we published a summary version of our Annual Performance Report in July 2017 aimed at customers. Through two focus groups, we tested the summary Annual Performance Report with a cross section of customers to obtain their views on whether the new document meets their requirements and identify further opportunities for improvement.

The report from Turquoise Thinking noted the following points:

- the customers were happy with the length of the document, it is not overwhelming
- the document was clearly laid out
- customers liked that it detailed areas where the company needed to improve and it is clear what the company is doing to improve performance
- there is still some industry jargon in the document which wasn't easily understood
- the table was still not easy to understand and may provide too much detail for customers
- customers would like to have a contact number on the document, it included an address but no telephone number
- the comparisons to other companies was clear but not everyone valued the information.



Strengths



(The summary Annual Performance Report) It's easy to read, it's quite simple.

Focus group attendee



c.70% of customers believe that the Company is trustworthy.

Customer tracking survey



There have been benefits from the merger with South West Water.

Customer View Group Chair

Risks



(On technical language) I'll have to google something like that to find out what it is.

Focus group attendee



In the most recent survey, 11% of Bournemouth Water customers would prefer to receive information by email but only 4% currently do.

Customer tracking survey



The reports are too long so I don't think customers would read them.

Online survey respondent

Weaknesses



Regulatory reports are sometimes inconsistent in the level of detail provided.

Online survey respondent



Customers want more information on price changes and how their money is spent.

Customer tracking survey



Just under half of customers say they understand the Company's role and objectives.

Customer tracking survey

Previous actions

In response to the specific areas identified in our January 2017 Risks, Strengths and Weaknesses exercise we committed to the following actions. Below we provide an update on addressing those actions

<p>Issue</p> <p>Articulation of Board and corporate governance</p>	<p>Action</p> <p>Refine provision of clear information in annual reporting and on website</p>	<p>Comment</p> <p>The Board and corporate governance sections in the annual report and website have been updated. The majority of respondents in the online surveys said the structure is clear but improvement is needed on the website to navigate to this area.</p>
<p>Issue</p> <p>Reporting of Outcome Delivery Incentives (ODIs) performance</p>	<p>Action</p> <p>Refine reporting for 2016/17 performance to ensure clarity</p>	<p>Comment</p> <p>Following the feedback received from customers and stakeholders a summary of our Annual Performance Report was published in July 2017 which includes reporting against our ODIs. We have tested this document with customers for this risks, strengths and weaknesses exercise and will incorporate customer feedback in next year's publication.</p>
<p>Issue</p> <p>Reporting of the WaterShare Scorecard</p>	<p>Action</p> <p>Redesign of the scorecard ensuring clarity</p>	<p>Comment</p> <p>In our redesign of the WaterShare scorecard it is clear that customers still do not understand what it means. To mitigate the risk of introducing mistrust in the mechanism, we are looking at other ways to communicate with customers the benefits of the WaterShare mechanism.</p>
<p>Issue</p> <p>Non-household retail market opening</p>	<p>Action</p> <p>Exit from the non-household retail market following active 'shadow operation' and transparency of external assurance reports</p>	<p>Comment</p> <p>We have successfully exited the non-household retail market and continue to build our experience of the operation of the market as a wholesaler.</p>
<p>Issue</p> <p>Customer understanding of information provided</p>	<p>Action</p> <p>Work to ensure reporting is as understandable as possible (avoiding jargon) and is suitable for all relevant users</p>	<p>Comment</p> <p>As detailed above, in July 2017 we published our summary Annual Performance Report aimed at customers and we will continue to ensure that information that is aimed at customers is understandable.</p>
<p>Issue</p> <p>Our websites</p>	<p>Action</p> <p>Relaunch South West Water's website and realign Bournemouth Water's website.</p>	<p>Comment</p> <p>We have relaunched the website for South West Water and are currently running a survey on the website to identify further areas for improvement. We have updated Bournemouth Water's website to reflect changes following the merger with South West Water</p>

Updates to our Risks, Strengths and Weaknesses

In updating our Risks, Strengths and Weaknesses Statement we have identified a key change to the following risk:

Non-household retail market opening

This risk has been updated to reflect the change in focus from the opening of the non-household retail market to learning and gaining further knowledge on how the market operates from a wholesaler perspective.

The remaining risks, strengths and weaknesses we identified in our review in January 2017 are still valid but we have updated the details to reflect the current position.

We have also identified additional strengths and risks as a part of our review. A summary of these additions can be found below with further details in the following Risks, Strengths and Weaknesses sections.

Openness and transparency in reporting our performance to customers – Strength

Following the positive feedback from customers on our summary Annual Performance Report, we recognise the strength in the openness and transparency of our performance reporting to customers.

Reporting under the consistency measures methodologies – Risk

We believe there is an additional risk that customers may not understand our performance as a result of the changes in reporting through the consistency measure methodologies and there may be a perception that service levels have improved or deteriorated when the only change has been to the way performance is calculated.

Provision of price review information to customers – Risk

We recognise the proposed price review framework provides us with further opportunities to engage with customers and stakeholders but we also believe that due to the amount of information the company is required to engage with customers on, there may be an overload of information for customers.

Strengths

In conducting this exercise, we have identified the following strengths:

Focus on customer and stakeholder priorities

South West Water continually seeks to demonstrate its commitment to stakeholders and customers, for example through:

- recognition of the affordability challenge facing many customers and maintaining the price differential for customers within the original Bournemouth Water area
- the 2015-20 business planning process, which involved significant customer and other stakeholder engagement, achieving 'enhanced' business plan status
- the unique WaterShare framework developed within the 2015-20 business plan, which includes a pledge to 'share the net benefits of success fairly between customers and investors'
- a customer satisfaction tracking survey which measures customer and stakeholder levels of awareness, engagement, data collection and information provision
- continued excellent customer satisfaction and performance in the Bournemouth Water area.

Strong governance structure

Pennon Group and South West Water's Board structure (incorporating Bournemouth Water) is designed to ensure both strong and efficient oversight at group level as well as enabling an independent South West Water Board. South West Water has its own Non-executive Directors, preserving the regulatory ring fence and operating in accordance with the UK Corporate Governance Code.

This governance oversight includes monthly review of South West Water's performance at South West Water Executive Management Board and South West Water Board level.

Further explanation is provided annually within the South West Water Annual Report and Financial Statements and the structure has been updated on both our website and the Annual Report to ensure our governance structure is clear.

Robust integrated assurance approach and transparent risk management process

South West Water has a robust and thorough approach to assurance across all key published data and submissions, which involves thorough risk assessment procedures and various differing levels of assurance (both internal and external) dependent on the assessed risk and complexity of the assurance requirement. These procedures are consistent across South West Water and Bournemouth Water areas.

Engagement and transparency of performance reporting with our WaterShare Panel and customer view group

Throughout 2015/16 and 2016/17 the independent WaterShare Panel in the South West Water area and the independent Customer View Group in the Bournemouth Water area have reviewed and scrutinised performance against the final determinations, business plans and other company performance measures. Both the WaterShare Panel and Customer View Group have access to the Company's independent assurance providers to offer an independent opinion on South West Water's processes, performance and assurance arrangements.

Openness and transparency in reporting our performance to customers

Following feedback from customers in January 2017, we published a summary version of our Annual Performance Report aimed at customers. We recently tested the report in two focus groups and through the feedback provided we recognise the strength in the openness and transparency of our performance reporting to customers. Through the focus groups, customers were positive that the document was clear and easy to understand and noted on areas that could be improved further. These improvements will be incorporated into the summary Annual Performance Report in 2018 and will be considered in other publications aimed at customers.

Embracing change

South West Water embraces change and actively engages to ensure that it adapts appropriately to those changes. Where possible it contributes to ensuring the changes made are beneficial to stakeholders of South West Water and the water industry as a whole.

An example of embracing change is where we fully embraced the introduction of the outcomes framework at the 2014 Price Review, setting ourselves challenging targets with a balance of rewards and penalties, and monitored through our unique WaterShare framework.

We also fully embraced the opening of the non-household retail market from 1 April 2017 participating extensively in consultations and planning for changes in business processes well in advance of the market opening. South West Water engaged Deloitte in 2015 to provide external independent assurance over the programme until the market opened.

Risks



The following risks have been identified through our risk assessment process:

Non-household retail market opening

The non-household retail market opened in April 2017 when South West Water exited the market. Our focus is now on gaining a greater understanding and building knowledge of how the market operates from a wholesaler perspective.

As the water industry opens new markets, we have identified that there is an increasing risk of non-compliance with some service level metrics. We continue to ensure we are fully compliant with both the market code and spirit of the market code and continue to apply our Integrated Assurance Framework for all areas, including those that relate to the market.

Customer understanding of information provided

The feedback received from customers through the recent engagement and from the engagement undertaken in January 2017 highlights that for some customers, the length of the Annual Performance Report may prevent them from reading these reports and the use of industry jargon means these reports are not always accessible or understandable for customers. There is a risk that not only will customers not understand the information we publish, but it would create mistrust in the information – the opposite of what we are trying to achieve in being open and transparent.

There is also a risk that if customers do not receive information in their preferred format they will not read or use it. On the whole customers assume that we publish this information but only look at it when it is relevant to them.

Reporting under the consistency measures methodologies

We have identified a risk that when we report our performance using the methodologies under new consistency measures framework, customers may understand the revised reporting to mean there has been an improvement or deterioration in service and this may create mistrust in the information provided or in previous information published. To mitigate this risk, we will need to ensure it is clear to customers and other stakeholders that only the method of reporting has changed and there has been no change in the service levels they have received.

Provision of price review information to customers

With Ofwat having published their draft methodology consultation in July 2017, we recognise there are opportunities to further engage with our customers and stakeholders as we develop our business plans for the next price review. However, we have also identified a risk that with the level of engagement expected with customers this may be an overload of information and as a result customers may not fully engage with the process of developing the business plan.

Weaknesses

Within the context of an audit report detailing no material issues and our approach to continuous improvement, South West Water has identified through this exercise the following areas of potential weakness where improvements can be made:

Reporting of the WaterShare Performance Scorecard

Customers have provided feedback through the focus groups held in January that they don't understand the WaterShare scorecard.

We have looked to redesign the scorecard and explain what it means with customers as we want to make sure they fully understand the benefits of the WaterShare framework however, it was clear that the scorecard is still not understandable. In order for customers to have trust and confidence in the framework and its outcomes, we are looking at other ways to explain what the framework means for customers, however in 2017 details of high level WaterShare performance was published in our annual Waterlevel.

Our websites

South West Water recognises that websites are increasingly important and are for many the first port of call for customers and other stakeholders seeking information about us. This information sought includes our roles and objectives and information on price changes and how customers' money is spent.

Feedback also shows that customers have a growing desire for more visually engaging information and more generally for contact and interaction at the pace and manner of their own preference.

We have recently updated our website and have a survey currently in place to obtain customer views on the changes to further identify how the website can be improved.

Articulation of Board governance structure

South West Water regards its strong board governance structure as one of the Company's strengths. Ofwat noted in its annual Company Monitoring Framework assessment that it is content recent changes to South West Water's corporate governance structure are compliant with Ofwat's board leadership, transparency and governance principles. However, Ofwat considered that South West Water had not set out a sufficiently clear explanation to enable all stakeholders to understand how it meets Ofwat's principles.

We have therefore updated both our website and our Annual Performance Report to clearly set out our board governance structure.

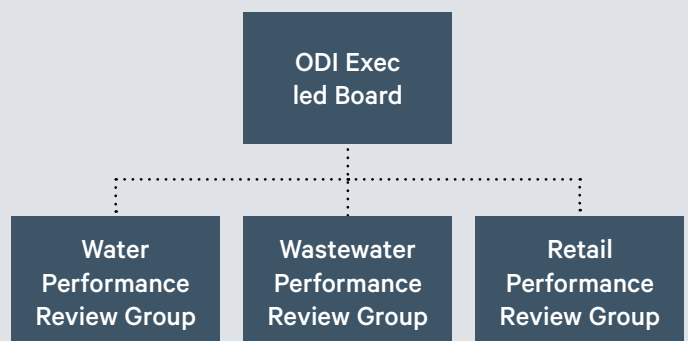
Reporting of ODI performance to customers

Customers have also said that they find Outcome Delivery Incentive (ODI) performance reporting confusing. This is through the language used, use of industry jargon (e.g. deadband) and concepts such as rewards/penalties not adequately explained, and how the information is presented (e.g. it is not always clear from the graphics if a target has been met).

Through the summary Annual Performance Report aimed at customers, we have set out our performance against our ODIs. While customers have noted through the recent focus groups the improvement in performance reporting, they have also highlighted areas that could be further improved.

South West Water has a strong governance structure in place to review and challenge the Company's ODI performance. Performance Review Groups (as shown below) meet monthly identifying how improvements can be made to meet customers' priorities.

Overall ODI performance is reviewed by the ODI Board which also meets monthly and reports to South West Water's Executive Management. This governance process ensures that performance against customers' priorities through the ODIs are reviewed and challenged at all levels of the organisation.



WHAT'S NEXT

Actions and commitments

We are proud of our areas of strength but also recognise areas of risks and weaknesses where more can be done to ensure our customers and stakeholders have trust and confidence in the information we publish.

In response to the specific areas identified we have committed to the following actions:

<p>Issue Provision of price review information to customers</p>	<p>Action Ensure the information and engagement with customers regarding the price review is understandable in terms of language and level of detail</p>	<p>When September 2018</p>
<p>Issue Reporting of Outcome Delivery Incentives (ODIs) performance</p>	<p>Action Taking into account feedback from customers in the recent focus groups, further refine our summary Annual Performance Report</p>	<p>When July 2018</p>
<p>Issue Reporting of the WaterShare Scorecard</p>	<p>Action Further develop communications with customers to ensure clarity on the benefits of the WaterShare mechanism</p>	<p>When September 2018</p>
<p>Issue Customer understanding of performance reported against consistency measure methodologies</p>	<p>Action Ensure communication around performance reported against the new consistency measures is clear in terms of no change to service</p>	<p>When 2019/20</p>
<p>Issue Customer understanding of information provided</p>	<p>Action Continue to work to ensure reporting is as understandable as possible (avoiding jargon) and is suitable for all relevant users</p>	<p>When July 2018</p>
<p>Issue Our websites</p>	<p>Action Relaunch Bournemouth Water's website and update South West Water's following feedback from customer survey</p>	<p>When September 2018</p>

We will track these actions and provide an update for our customers and stakeholders through the next Risks, Strengths and Weaknesses exercise.

WHAT'S NEXT

Next Steps And Feedback

This document forms part of South West Water's wider, ongoing engagement and assurance activities with customers, stakeholders and regulators. In addition to our ongoing daily engagement, South West Water's next planned activities are shown in the calendar below.

Based on feedback from our stakeholders and proposed actions set out in this document we will review and publish our Draft Assurance Plan for further consultation. This will expand on the areas where this review and engagement process has identified weaknesses and therefore opportunities for improvement. Those risks we know we must manage closely will be overseen by our Risk and Compliance team.

The next phase of the consultation will start in October 2017, but if you would like to provide feedback on this document at any time, we would be happy to receive it. You can send any comments to riskandcompliance@southwestwater.co.uk.

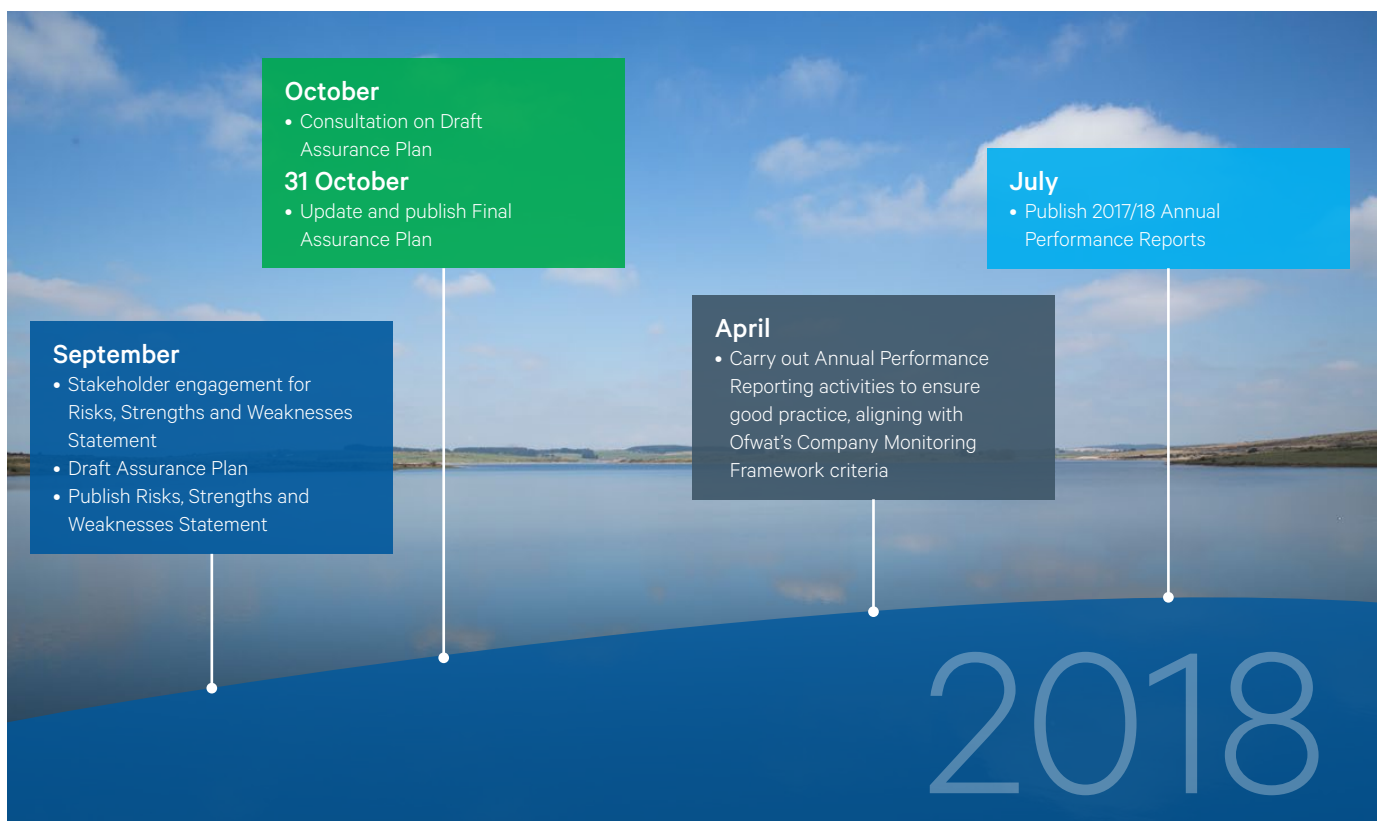
Draft Assurance Plan consultation commences in October 2017

Send any comments to:

riskandcompliance@southwestwater.co.uk

Annual Performance Reports:

southwestwater.co.uk/report2017



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