

25 February 2016



Demonstrating Financial Resilience Consultation Response
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Sutton and East Surrey Water plc
London Road
Redhill
Surrey RH1 1LJ
Telephone 01737 772000
Facsimile 01737 766807
Website www.waterplc.com
Email sesw@waterplc.com

Dear Sir/Madam

Further Consultation on Demonstrating Financial Resilience

Sutton and East Surrey Water welcomes your further consultation on how companies should demonstrate their longer term financial resilience and appreciate the changes you have made to your initial proposals in response to the significant concerns they generated. The dialogue that has taken place with companies following your initial proposals and the modifications that have subsequently been made evidence the value of such consultations.

We support your revised proposal of anchoring a company's approach to demonstrating longer term financial resilience on the new requirements of the UK Corporate Governance Code and the FRC's associated guidance. The Boards of all "Premium Listed" companies are exploring ways of demonstrating their compliance with these new requirements, and generally accepted practice will emerge through reporting cycles. In-line with the welcome renewed emphasis on Boards taking ownership of a company's current performance and future plans, our Board will be giving due consideration to how it demonstrates compliance with the Code and the associated FRC guidance. This latest statement on your expectations of management in this context is a helpful input into a Board's assessment.

It would, however, be more helpful to have clarity around your expectations on appropriate assurance. "Third party assurance" is included in the schematic at Appendix 1 of your consultation document, but is not explicitly referred to in the main body of your paper. Clearly the information all Premium Listed companies include in their Long Term Viability Statements will be subject to assurance, and examples of how this has been interpreted have already been published, which will form a benchmark for all companies considering their own future statements. If you have particular examples of assurance in mind from those already published, companies will take these into account in considering their own arrangements.

Yours faithfully

John Chadwick
Finance and Regulation Director

