

Bringing Water to Life

Annual Performance Report and
Regulatory Reporting 2025



Inside this report

Welcome to SES Water's Annual Performance Report and Regulatory Reporting 2025

The Annual Performance Report and Regulatory Reporting provides our customers and other stakeholders with clear and transparent information on our performance in 2024/25, including the progress we have made to deliver our customer pledges.

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Ownership

On 10 January 2024, Pennon Group plc acquired 100% of the issued capital of Sutton and East Surrey Group Holding ("SES"), the holding company of Sutton and East Surrey Water plc.

On 14 June 2024, the Competition and Markets Authority published its clearance of the merger of SES Water with South West Water ("SBB"). However, for the period covered by this Annual Performance Report, SES Water is managed separately from SBB and SBB's performance is reported in its own report.

How to use this report

Throughout this report we make reference to different resources both online and within the document. The following key reflects the symbolism of content throughout:

External links

In the interactive PDF these links are clickable

Page reference

Pages where you can find more information on a related subject

Find out more about SES Water:

seswater.co.uk



Welcome to SES Water

Bringing Water to Life

Supporting the lives of people and the places they love for generations to come.

We supply high quality drinking water to more than 700,000 people in parts of Surrey, Kent and south London. Our supply area is 322 square miles extending from Morden and South Croydon in the north to Gatwick Airport in the south and from Cobham, Leatherhead and Dorking in the west to Edenbridge in the east.

Groundwater supplies provide 86% of our water, with 14% being extracted from our reservoir at Bough Beech near Edenbridge.

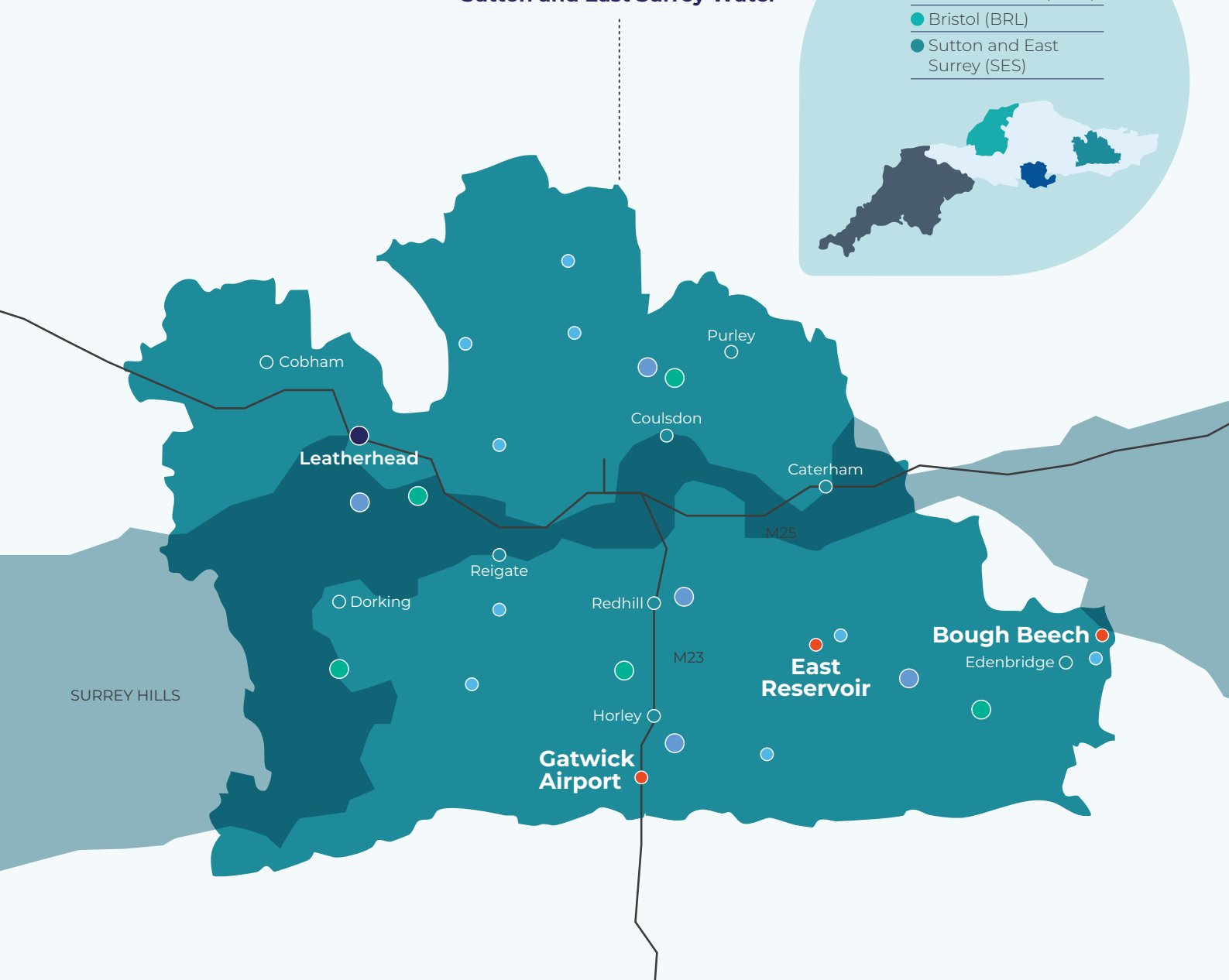
We maintain over 2,100 miles of water mains and have seven treatment works, 34 pumping stations and 31 operational service reservoirs and water towers.

Depending on where you live, your wastewater services are provided by either Thames Water or Southern Water.

Key

- Town
- City
- Place of interest
- Major water treatment works
- Pumping station
- Water tower

Sutton and East Surrey Water



Our operations at a glance

Delivering for our customers and tackling climate change

We know that water companies have a vital role today and every day, providing customers with safe and clean drinking water, and protecting our region's rivers the highest standard.

We have set stretching performance commitments against our outcomes which are subject to significant Board, customer, regulator and wider stakeholder scrutiny. Progress against these commitments has been summarised in each section of this report.

Key



Environment



Resilience



Customers

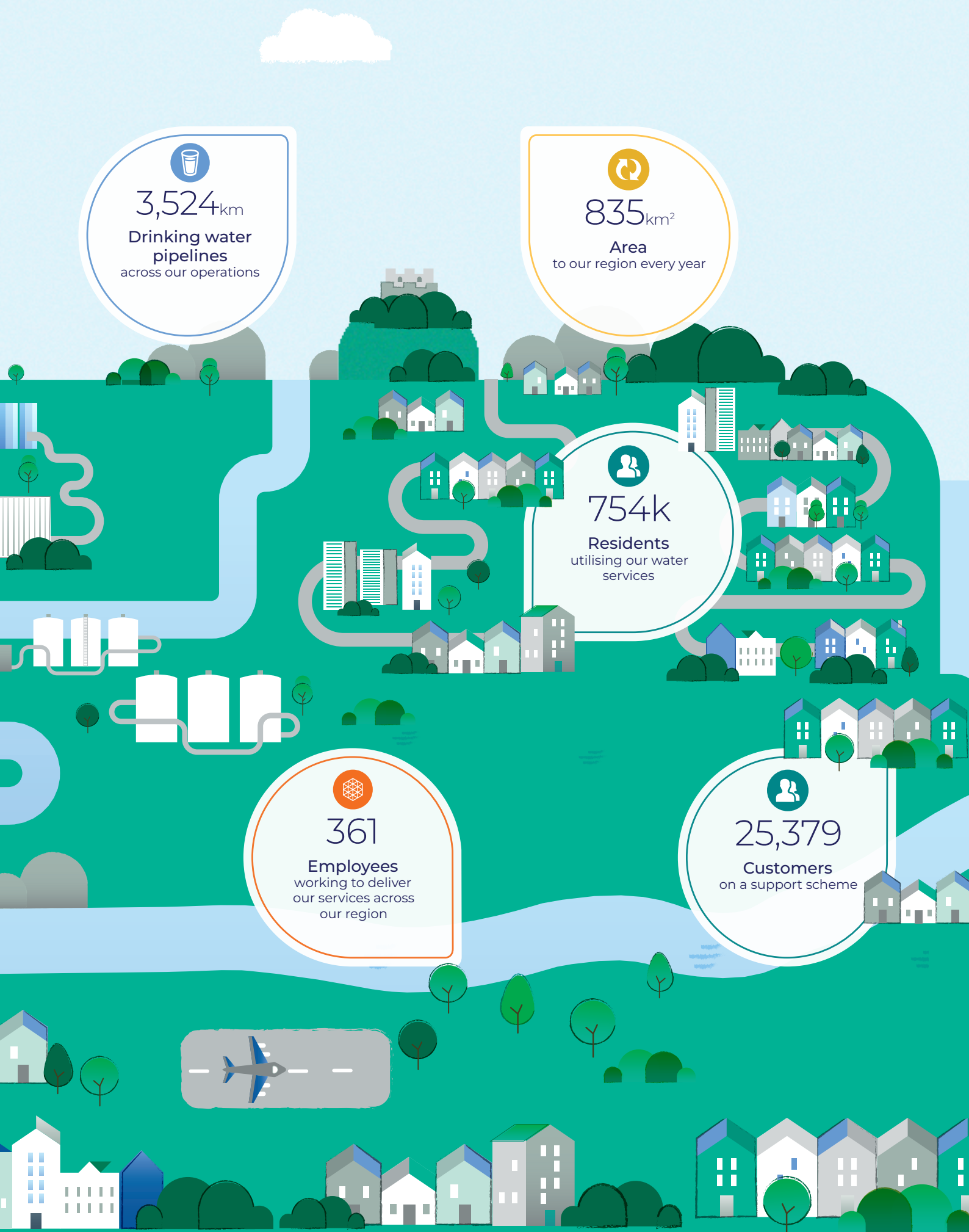


Community



Clean water





CEO's review



I am pleased to share my Chief Executive's review for 2024/25, the key highlights across the year and as we look to conclude the K7 (2020 -2025) five-year delivery period.

As a group focused on UK Water, there has never been a more important time to deliver for customers today, and to invest for the future. Our brilliant colleagues who live and work in the regions have stepped up to the challenges, and I couldn't be prouder. It hasn't always been easy with the media and political spotlight firmly on the sector, and we haven't always got it right. When you look after critical infrastructure, sometime things can and do go wrong, and the focus has to be on how quickly you respond, learn the lessons and how you support customers. We have focused on all three – using our size and scale to deploy teams and resources from across the Group to support in an incident, and enhancing customer promise payments, because it's the right thing to do. I'd particularly like to recognise the kindness and patience that customers and businesses showed to colleagues last year working around the clock to restore water services impacted by a valve failure at Cheam Water Supply Works and the highly unusual road collapse above a water main in Godstone.

Our customer and community roadshows are always a personal highlight for me, as I get to speak to thousands of customers regularly. From questions about hosepipe bans, bonuses, dividends, bills and everything in between, they are always challenging conversations. For me, it's all about building trust and changing views one conversation at a time.

We have a fantastic customer panel as part of WaterShare+, with panel members representing the views of customers from across all regions, and we were delighted to welcome SES's customer and environmental panel to join the panel. They are really good at holding my executive team and I to account for making sure we are walking in our customers' shoes, and I am grateful for their time.

As we have grown, more and more customers have benefited from what we do, whether that's giving customers a stake and a say in our business through WaterShare+, or because we have invested in their financial resilience. That has been the most immediate benefit of our acquisition of SES, which was given the green light by the CMA in June 2024, following a fast-track review. We committed to retain separate reporting, and in addition will waive the small company premium allowance that previously would have charged to customers as part of PR24.

"Our customer and community roadshows are always a personal highlight for me, as I get to speak to thousands of customers regularly."

Overall, it means that SES has ended the K7 period in a resilient position, operationally and financially, and as we have reshaped the business to put more resources into front line services, with streamlined support functions and as we have focused everyone on delivering on our four strategic priorities – based on customer feedback about what matters most. Of note is SES's high quality water pledge, all day and every day, as measured by the Compliance Risk Index, ending the period as the industry's top performer as assessed in the Drinking Water Inspector's Annual Report. There have also been improvements in leakage and mains repairs. Over the period, SES has focused on affordability and vulnerability for customers today and for those in the future, welcoming 5,000 children and adults to our purpose built 'Flow Zone' educational centre at Bough Beech reservoir and through ongoing in school activities and community talks. At the same time, more customers than before have been supported on one of our support or social tariffs.

That said, there are areas of focus, and whilst the one-off supply interruptions and unplanned outages have impacted performance, there's more to be done to deliver consistently and in improving customer service. Having received a good business plan for K8 ("2025 to 2030"), SES is well positioned as we look ahead, with customers seeing a more resilient business, and lower bills in real terms.

I'd like to finish where I started. Everyone who works at SES Water is fiercely proud of our heritage in the water sector and I want to personally thank of all our brilliant colleagues who are passionate about delivering for our customers and stakeholders every day. I announced on 11 July 2025 that I would be retiring in due course from my roles as Chief Executive Officer of Pennon Group, South West Water and Sutton and East Surrey Water; it has been an honour to spend more than 18 years with the business and over 30 years in the water sector, and totally fulfilling to serve in the role of Chief Executive Officer. As a long-term resident in the South West of England, in one of our regions, I have been proud to lead the extraordinary teams South West Water and Sutton and East Surrey, whether in the offices, at reservoirs, on the road or in depots and look forward to seeing the business go from strength to strength as it delivers on its plans for the future.



Introduction

Driving positive change

As we look back on the year, it has been one of transition for both SES Water and across the wider water sector.

During our first full year operating as part of the Pennon Group we have embarked on a programme of business transformation that will set us up to deliver record levels of investment over the next five years, drive positive change and deliver improved outcomes for our customers, the environment and wider society.

There has been significant focus on integrating SES Water into the wider group and aligning our purpose, vision and values to set us up for the future. It is a time of great opportunity as we pool our collective experience and knowledge, while leveraging the many benefits that come with being part of a larger organisation. We are bringing our people together to centralise expertise and maximise our skills, while our customers have already been invited to become shareholders through our WaterShare+ scheme, that reinvests outperformance directly with customers.

This has also been a year in which many of the foundations, underpinning effective regulation, have been under review, with a new Government, new legislation and a renewed focus on the sector. The Water (Special Measures) Act, passed in February has been an important first step, strengthening the power of water industry regulators, with Ofwat now consulting on the supporting rules. We have responded and await the outcome. As a principle, we always strive to ensure we maintain constructive working relationships with government and our regulators. It is what the public expects from us. However, to effectively regulate a transforming sector, we recognise that regulation should also reset. As a sector providing critical national infrastructure, we do believe we should be governed in the same way as other utilities, making a strong case for a more investable, resilient and predictable sector, and in unlocking long-term capital at fair rates. We stand ready to implement what is required and continue to contribute to the independent Water Commission's review of water.

Our focus remains on delivering for our customers, enhancing the environment and building trust. We continue to listen and act on what our customers tell us, engaging locally and being open and honest about our performance.

Delivering our five pledges

Our business plan for 2020 to 2025 had one simple objective; to deliver more of what matters for customers, we made five pledges to customers to improve our service across the five-year period.

The 2024/25 reporting year marked the end of the price review period 2020-2025 (PR19). The progress we have made over the last five years has been significant and we have cemented our position as one of the industry's leading performers in the areas that matter most to our customers.

High quality water all day, every day

The quality of our drinking water has been consistently high, as measured by the Compliance Risk Index (CRI), and we have finished the five-year period as the industry's top performer in the Drinking Water Inspector's Annual Report.

A service that is fit now and for the future

We have also continued to outperform against our leakage target, reducing the amount of water lost through leaks by almost 16% over the last five years, making us one of the industry's sector leading performers in the area and putting us in a strong position as we start the next price review period where we are committed to delivering further reductions as part of our long-term plan to secure our water resources.

Fair prices help and when you need it

As the cost-of-living challenges have continued to mount, we have helped more people than ever to pay their bills and access our services. There are currently 26,000 customers being supported on one of our support or social tariffs.

Support a thriving environment that we can all rely upon

Maintaining our local focus, we have worked actively within in our communities on shared causes and collaborated to deliver environmental improvements in the catchments we rely upon for our customers' water supplies.

Excellent service, whenever and however you need it

We have also continued to work hard to engage with our customers and the bill payers of tomorrow, expanding the reach of our education programme to its highest numbers this year. We have met more than 5,000 children and adults at our purpose built 'Flow Zone' educational centre at Bough Beech reservoir and through the delivery of in-school activities and community talks.

Operations

The year has brought some operational challenges that have demonstrated how one or two events can have a significant impact on annual performance metrics.

Our customers typically experience some of the lowest levels of supply interruptions in the industry, with water supplies being lost for less than four minutes per property, on average, since 2021/22. However, in December 2024, a valve failure at Cheam Water Supply Works, our largest drinking water production site supplying over 71,000 properties, saw 6,000 households without water, some for up to 72 hours. Our rapid incident response, which benefited from support from our wider Pennon Group colleagues, saw us quickly mobilise bottled water stations and visit vulnerable customers with emergency water supplies and we received praise from customers for our handling of the incident.

"Good financial and operational performance to set us up for the new regulatory period."

However, the failure at Cheam, together with a road collapse above a water main in Godstone, resulted in supply interruptions increasing to more than 26 minutes lost per household across the year and we missed our supply interruptions performance target by some margin. Without these two isolated incidents, supply interruptions across our network would have been less than one minute per household and the temporary loss of capacity at Cheam also meant our unplanned outage was higher than our target for the year.

We are disappointed that we have ended the five-year period with performance that does not reflect the high level of resilience typically seen across our network but are confident that our long-term performance improvement will continue over the next five years.

Record levels of investment

The Pennon Group has confirmed plans to deliver what matters most to its customers and communities with its largest ever investment programme between 2025 and 2030. The expenditure allowance for SES Water's operating expenditure totals £367m over the five-year period to improve water quality and resilience, achieve net zero and enhance nature and biodiversity.

SES Water is the only water company whose customers will see their bills reduce (in real terms) by 2030, as it delivers a more efficient service and realises the benefits of being part of the wider Pennon Group. Those who are struggling to pay will be supported through a £200m affordability package that includes our Water Support and WaterSure schemes.

We operate in one of the driest yet most populated parts of the country and projected housing growth alongside climate change is putting increasing pressure on our water supplies. Our strategy to secure our long-term water resources is focused on continuing to drive down leakage, targeting a further 12.7% reduction over the next five years. We will also renew our approach to working with customers to help them reduce consumption, rolling out smart meters that will transform the service we can provide, enabling businesses and households to use water efficiently while also detecting more leaks and wastage.

This is an area where we are benefiting from Pennon's position in the market so we can deliver this critical programme more efficiently for customers.

Our use of smart technology and artificial intelligence will continue to extend across our operations allowing us to monitor, control and intervene from source to tap to optimise our performance. Using this technology enables us to react more rapidly to issues, while also helping us to predict what might occur so we can take a more proactive approach and avert service disruption. We are using this to better understand the condition of our pipes so we can repair and replace those most likely to leak and burst.

Our already embedded approach to innovation, combined with the opportunities that integration within Pennon brings, means we are well placed to deliver our next ambitious business plan. We will be embedding the green first approach to investment championed by our colleagues at South West Water, identifying opportunities to use catchment management and partnership working to deliver improved water quality in our aquifers, rivers and streams and enhance the management of our water resources in catchments including the Eden and the Mole. We will continue to increase biodiversity on our own sites and other areas where we work, building on our biodiversity benchmark accreditations to deliver measurable biodiversity gains over the long term.

Reforming for the future

The water sector has continued to operate under intense public scrutiny, however we are confident that the increase in investment together with well implemented reform, as recommended by the Cunliffe Commission in its recent independent review, marks a turning point for our sector.

The Government has also rightly recognised the vital role that the water industry needs to play in boosting growth and our position in the heart South East England means that we are critical to this. We look forward to working with colleagues and stakeholders across the region to develop a more integrated plan to secure the water needed for customers, industry and the environment in the future and creating more value for people and places.

“SES Water's operating expenditure totals £367m over the five-year period to improve water quality and resilience, achieve net zero and enhance nature and biodiversity.”



Business model and strategy

Our purpose

Harnessing the potential of water to enhance nature and improve lives.

We take pride in being a local company with a long heritage, and our customers have told us they value their water being supplied by a local company whose employees have comprehensive knowledge of our supply area. To do this, our business model is reliant on a number of key resources and relationships that enable us to meet our obligations.

For the benefit of our stakeholders



Customers

Our high-quality services support households and businesses in the regions we serve.



Shareholders and investors

Our strong business model ensures shareholders and investors get a fair return.



Regulators and stakeholders

Our engagement with regulators and key stakeholders ensures transparency in our business approach.



People

Our employees are highly valued and are integral to our success. Their health and safety is paramount.



Suppliers and contractors

The relationships we have with our suppliers and contractors are fair and deliver many regional economic benefits.

Our resources and relationships



Trusted customer & community experience

Customers

We are delivering our customers' priorities through our Business Plan pledges, including providing a reliable and resilient service, supporting our vulnerable customers and making sure our bills are fair and affordable.

Top quality water supplies

Water treatment and distribution

We take water from our reservoirs, river and groundwater sources and transport it to our treatment works, where it is treated to a high standard using a number of processes. Once the water is clean, safe and reliable we transport this to customers' homes and businesses through our c.26,000km of water pipes.

Resilient water resources through healthy catchments

Water resources

Ensuring an available and sufficient supply of raw water is key to ensuring a continuous supply to customers. Our operations play a vital part in maintaining the level of river flows and their ecological health – from the level of water we release from our reservoirs into rivers, to the level we abstract and take to our treatment plants.

The strengths we rely on

The best people

The talent, commitment and hard work of our people are the foundation of our success. As a responsible employer, we are focused on employee retention, training and development, productivity and, above all, an unwavering commitment to health, safety and wellbeing.

Effective governance

A strong governance framework provides oversight and support to the Company including robust decision-making and performance management processes.

High-quality assets

We invest in the construction of world-class facilities and plants that use state-of-the-art technology. We engage the best people to maintain and operate our assets, to ensure we always maximise returns.

Efficient financing

The strength of our proposition, and investor confidence in our performance and reputation, means that we are well funded with efficient long-term financing.

Environmental stewardship

We invest in the maintenance and improvement of our services, operations and assets and constantly seek more sustainable ways of working to protect, enhance and reduce our impact on the natural environment.

Strong relationships with our suppliers

We work closely with our suppliers and take the steps necessary to ensure their performance meets our expectations. We expect them to uphold our standards, align with our policies, protect human rights and promote good working conditions.

Well-managed risk

Comprehensive and fully embedded risk management processes assist us in identifying and managing risks and opportunities to deliver the Company's strategy and objectives.

Strong reputation and customer service record

High levels of employee engagement and accreditation as best place to work.

A stake and a say

Our unique WaterShare+ framework offers customers a greater stake and a say through Pennon share ownership or bill reductions, alongside a dedicated customer AGM.

Our Board pledges to 2025

As part of our business plan to 2025, SES Water included five Board pledges.

- ① **High quality water all day, every day**
- ② **Fair prices and help when you need it**
- ③ **A service that is fit now and for the future**
- ④ **Excellent services whenever and however you need it**
- ⑤ **Support a thriving environment we can all rely upon**

Our outcomes and other performance

Protecting places

Environment



[Read more on pages 125-142](#)

Supporting people

Clean, safe and reliable supply of drinking water



[Read more on pages 125-142](#)

Available and sufficient resources



[Read more on pages 125-142](#)

Responsive to our customers



[Read more on pages 125-142](#)

Benefiting the community



[Read more on pages 125-142](#)

See also

Investing in our people

[Read more on pages 26-29](#)

Creating value

Resilience



[Read more on pages 125-142](#)

Fair charging and affordability for all



[Read more on pages 125-142](#)

Financial performance

[Read more on pages 30-31](#)

Customer engagement

Working in partnership with our customers and stakeholders is at the heart of everything we do. Their feedback and insight help us deliver better outcomes for the customers and communities we serve.

We have undertaken a comprehensive programme of customer and stakeholder engagement, recognising that our success and sustainability depends on their input and involvement. We have worked hard to apply it consistently throughout the development and delivery of our work programmes across our supply area, whilst ensuring it captures the views from all the different customer groups we serve.

Building on our extensive research programme for PR24, we continue to engage proactively with our customers through our quarterly 'Voice of Customer' programme, ad hoc research projects, and post interaction and event feedback surveys amongst others.

This helps us to understand what's important to our customers and shapes our future plans.

Our Customer and Environmental Scrutiny Panel, which was formed in 2020 as an expert group to challenge, and in the process, accelerate our ambitions in the environmental and customer arena, gives us the opportunity to talk to our customers and stakeholders directly. The panel includes independent members who have expertise in areas such as vulnerability, sustainability and community engagement,

as well as representatives from organisations including CCW (the water industry's consumer watchdog), the Environment Agency, local authorities, and environmental and consumer support groups. They provide robust scrutiny and challenge to us to put the long-term needs of customers and the environment first when assessing current performance, our future plans and overall strategy.

Our customer engagement programme has been closely overseen by our Board, who are central to the creation and delivery of our plans, both in the shorter term, and looking to the future too. Board members attend our Customer and Environmental Scrutiny Panel, and regularly receive reporting, making sure customer views are heard at Board level.

Community events & engagement

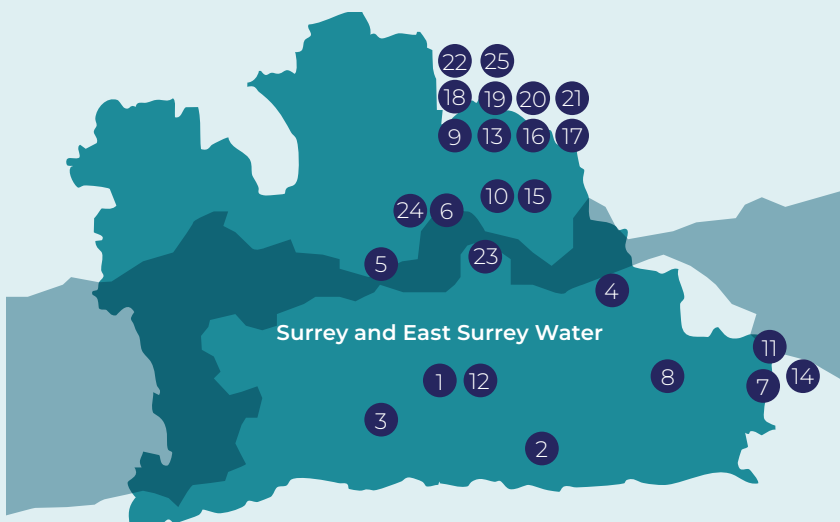
Our community events are conversation based. Expert colleagues from around our business are on hand to talk to our customers and answer any questions they may have.

Our roadshows focus on three key areas:

- ① Raising awareness of our support schemes for customers who may need extra help
- ② Educating our customers about water use, and our collective efforts to protect the local environment
- ③ Having a general presence in our community so we go beyond the provision of clean drinking water

Roadshow events

- | | |
|--|--|
| 1 YMCA Fun Run Reigate May 2024 | 14 Bore Place Apple Day October 2024 |
| 2 Run Gatwick May 2024 | 15 NHS Flu Clinic October 2024 |
| 3 Dorking Tens June 2024 | 16 Together for Sutton – Talk Money Week - Five events November 2024 |
| 4 Caterham Carnival June 2024 | 17 Sutton Housing Partnership drop in November 2024 |
| 5 Caple Military Show July 2024 | 18 Kintsugi Hope Charity – Drop in coffee morning December 2024 |
| 6 Wildlife Aid Foundation Open Weekend August 2024 | 19 Cheam Christmas Fair December 2024 |
| 7 Bore Place Community Event August 2024 | 20 Christmas Hampers December 2024 |
| 8 Edenbridge & Oxted Country Show August 2024 | 21 Together for Sutton January 2025 |
| 9 Carshalton EcoFair August 2024 | 22 Jigsaw4U coffee morning – two events February 2025 |
| 10 FeastyFest September 2024 | 23 NHS Heartlands February 2025 |
| 11 Bore Place Open Day September 2024 | 24 Additional Needs Service Showcase February 2025 |
| 12 Run Reigate September 2024 | 25 Chatty Wednesday coffee morning March 2025 |
| 13 Sutton Carers Conference September 2024 | |



Our engagement this year

We're pleased to continue our engagement with our customers throughout the year via regular surveys and through our online customer panel, 'Talk on Water'. We regularly ask our customers opinions on things that matter the most to them and their feedback helps us shape our plans, as we evolve our policies and services.

Key

→ Focus groups

→ Survey

→ Online customer panel

April 2024

- Water Sources, Spring research

May 2024

- May Bank Holiday research
- Water – saving tips in the home and garden

June 2024

- Community development member research

September 2024

- Community development member research
- Water Resource levels – website feedback

August 2024

- Bill redesign research
- Your current SES Water bill – research

July 2024

- Priority Services Register – website page research

October 2024

- Bough Beech Apple Day – attendee feedback
- Autumn Adventures research

November 2024

- Bough Beech Apple Day – attendee feedback
- Channels of Information research
- Channels of Information, Part Two research

December 2024

- Social Media Content
- Social Media Content, Part Two

March 2025

- Interactive Voice Response (IVR) Research
- Voice of Customer quarterly tracking and reporting

February 2025

- Smart Metering Programme
- Youth Board
- Post event research

January 2025

- IVR Research
- Post event research, Cheam

Our stakeholders

Empowered by our purpose

The sector we operate in has a high profile with a wide stakeholder group. The work we do delivers a wide range of benefits to a variety of stakeholders, creating long-term sustainable value.

We are committed to carrying out our business in a responsible way and to continuously improve how we provide all our services for the benefit of all our stakeholders.

We actively engage with all our stakeholders including our customers, our communities, our people, our suppliers and our regulators. We are acutely aware that many of our stakeholders are struggling with the uncertainty posed by the cost-of-living crisis, the political landscape and the wider economic environment.

We are committed to maintaining appropriate and regular dialogue to ensure our strategy and our performance objectives always reflect our stakeholders' expectations and needs. Our continuous engagement allows stakeholders to give feedback on matters they consider of importance to them and raise any issues which they would like to be addressed.

Our approach to stakeholder engagement

- ① Identify key stakeholders
- ② Engage to understand priorities and material issues
- ③ Engage to develop strategies and plans to meet priorities
- ④ Engage on delivery and partnership working
- ⑤ Review and communicate progress and performance

Who they are

Our customers



Our employees



Local community groups



Environmental organisations



Our suppliers



Our regulators



Local authorities



How we engage

<ul style="list-style-type: none"> ② Supply high-quality, wholesome water ② Reliable and resilient water supplies for now and in the future ② Reduce how much water is leaked from our network of pipes 	<ul style="list-style-type: none"> ② Contact customers via email ② 'MyAccount' customer portal ② Social media channels ② Community Support Officers who visit customers at home 	<ul style="list-style-type: none"> ② By delivering the pledges set out in our Business Plan for 2020 to 2025, which include: ② Reducing leakage by 15% ② Providing 25,000 customers with financial challenges a 50% reduction on their bill
<ul style="list-style-type: none"> ② That we provide them with good opportunities for training and developing new skills ② That we pay them fairly, with good performance in their job being recognised in their annual salary 	<ul style="list-style-type: none"> ② Through our regular employee engagement surveys, to find out what's working well and where we may need to improve ② By having a dedicated Board member who is responsible for employee engagement 	<ul style="list-style-type: none"> ② Unlocking the potential of our people by investing in their development and leadership capability through skills development workshops, professional development, mentoring and job shadowing
<ul style="list-style-type: none"> ② That we play an active role in the communities we serve and support projects that will deliver environmental and societal benefits ② That we support people with additional needs or who need help accessing our services 	<ul style="list-style-type: none"> ② Through regular newsletters to local schools, charities and community partners ② By working in partnership with community organisations that help us reach and support people who have additional needs and by using their insights to help us improve our services 	<ul style="list-style-type: none"> ② By providing more than £20,000 in direct donations to our three community partners ② By raising £4,250 through fundraising for campaigns such as Macmillan coffee mornings, Save The Children and Movember and providing around 1,200 hours of employee volunteering time
<ul style="list-style-type: none"> ② That we do no harm to the environment and operate in line with our environmental permits and abstraction licences ② That we meet all our statutory environmental obligations and deliver the investment required in our Water Industry National Environment Programme (WINEP) 	<ul style="list-style-type: none"> ② Through our involvement in our local catchment partnerships ② Through regular meetings with a range of environmental organisations ② Through our work as part of WRSE to develop a long-term abstraction reduction forecast ② By engaging with our ESP and learning from other environmental and sustainability experts 	<ul style="list-style-type: none"> ② By causing no pollution to the environment ② By delivering all the schemes and investigations in our WINEP programme ② By achieving The Wildlife Trusts Biodiversity Benchmark at three of our main sites
<ul style="list-style-type: none"> ② That we have a procurement process that's open and transparent, and which complies with all the relevant laws and regulations ② That we take our legal obligations, such as around modern slavery, very seriously and ensure we are fully compliant, together with our suppliers 	<ul style="list-style-type: none"> ② That our contracts with suppliers include provision for data protection ② That we pay promptly for goods and service supplied to us ② That we work efficiently and effectively as partners with suppliers 	<ul style="list-style-type: none"> ② Offer opportunities, where appropriate, for innovative product/ service trials and learnings that provide data for development ② We strive to have strong and productive working relationships
<ul style="list-style-type: none"> ② That we achieve the pledges that we made in our current business plan ② That we are efficient with customers' money and bills are affordable for all ② That we help customers that have additional needs 	<ul style="list-style-type: none"> ② Through regular meetings with all our regulators ② By taking part in joint industry and regulator workshops ② By our regulators joining our Board meetings ② By responding to consultations and requests for information 	<ul style="list-style-type: none"> ② By maintaining our financial gearing (how much debt we have, as a proportion of what the Company is worth) at an acceptable level ② By developing a Business Plan for 2025 to 2030 that will deliver all our legal and regulatory obligations and provide a better service for our customers at an affordable price
<ul style="list-style-type: none"> ② That we plan ahead to adapt to the challenges of climate change and can cater for a growing population ② That we contribute to improving the environment, supporting nature recovery and improving biodiversity across the area we serve 	<ul style="list-style-type: none"> ② Through regular meetings between our senior leaders, council executives and local politicians ② Through regular engagement with local authority communications teams 	<ul style="list-style-type: none"> ② We've carefully planned our programme to improve our network and upgrade our water mains to minimise disruption to local businesses ② We have connected 880 new homes to our network in the last financial year

Performance summary

Water 2/8

Targets met/on track

Clean, safe and reliable drinking water

- ⊗ Water supply interruptions
- ⊗ Mains repairs
- ⊗ Unplanned outage
- ⊗ Customer concerns about their water (taste, odour and discolouration contacts)*
- ✓ Water quality compliance (CRI)*

Available and sufficient resources

- ✓ Leakage
- ⊗ Per capita consumption
- ⊗ Risk of supply failures

Customers 4/6

Targets met/on track

Responsive to customers

- ⊙ First contact resolution
- ⊗ C-MeX
- ⊗ D-MeX
- ✓ Priority services for customers in vulnerable circumstances – reached
- ✓ Priority services for customers in vulnerable circumstances – actual contacts
- ✓ Priority services for customers in vulnerable circumstances – attempted contacts

Environment 2/5

Targets met/on track

Protecting the environment

- ⊙ Greenhouse gas emissions
- ⊗ River-based improvement – delivery of WINEP
- ⊗ Pollution incidents*
- ⊙ Land-based improvement – biodiversity
- ⊗ WINEP Delivery

Resilience 1/1

Targets met/on track

Resilience

- ⊙ Risk of severe restrictions in a drought

Community 1/2

Targets met/on track

Benefiting the community

- ⊗ Water softening
- ⊙ Abstraction incentive mechanism

Service 3/5

Targets met/on track

Fair charging and affordable bills for all

- ⊙ Supporting customers in financial hardship
- ✓ Void properties
- ⊗ Vulnerable support scheme awareness
- ⊙ Vulnerable support scheme helpfulness
- ⊗ Perception of value for money

Outcome delivery incentives 2024/25 – c.48% on track or ahead of target

✓ 5

Area of excellence

Where performance has significantly exceeded our commitment

✓ 1

Outperformance

Where performance has demonstrably exceeded our commitment

⊙ 7

On track

Where our performance has met our commitment or is within tolerance

⊗ 9

Marginal underperformance

Where we believe we have plans to quickly return performance to within committed levels

⊗ 5

Area of focus

Where significant work is underway to achieve plan commitments, with Executive-led improvement plans overseen by the Board

* Calendar year incentive.

Operational review

Our operational performance has been built around five pledges that we made to our customers in our PR19 business plan. We are proud of the progress we have made over the last five years, cementing our position as one of the industry's leading performers in the areas that matter most to our customers.

In this section we summarise our progress against our pledges in 2024/25 and how we have concluded this investment period.

High quality water all day, every day

Drinking water quality

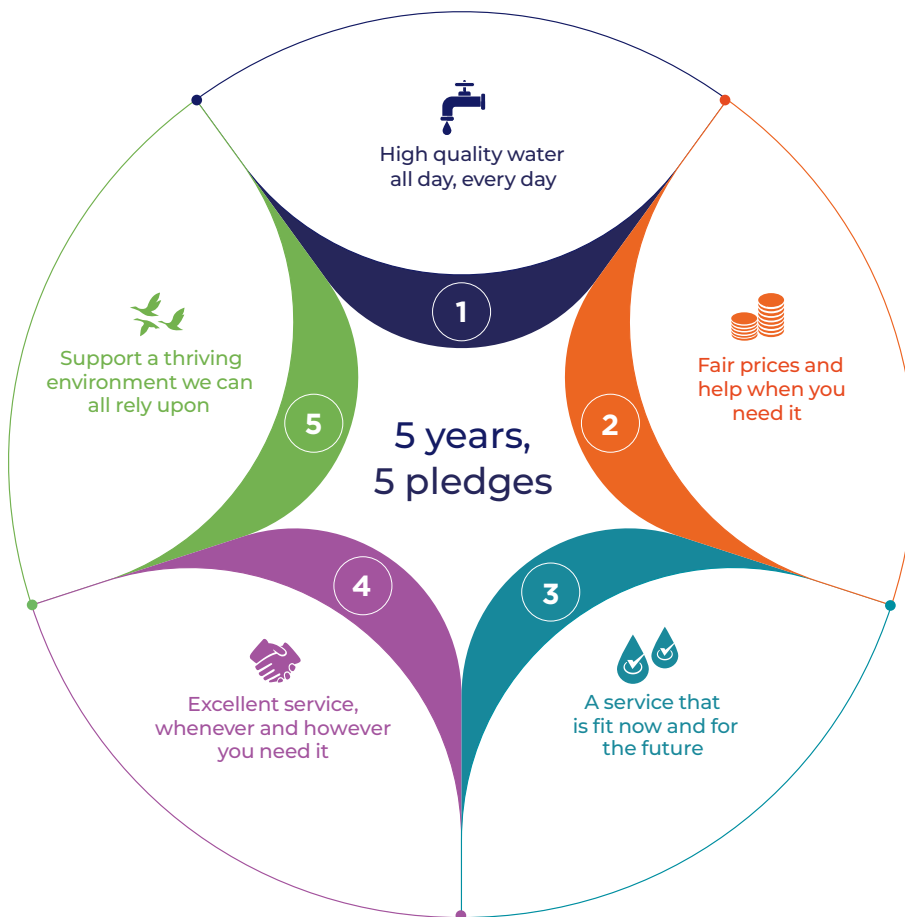
We supply high quality drinking water to more than 700,000 people in parts of Surrey, West Sussex, south London and Kent. Between 2020 and 2025 we have maintained industry leading consistently high water quality standards through the effective management and maintenance of our treatment works and distribution network, and ongoing reviews of our Drinking Water Safety Plans.

The Compliance Risk Index (CRI) is the measure used by the Drinking Water Inspectorate (DWI) to measure water quality compliance. Our CRI score of 0.00 in 2024 continues our industry leading performance for another year and sees us finishing the five-year investment period as the industry's top performer in the Drinking Water Inspector's Annual Report.

We know how important it is to our customers that their drinking water looks, smells and taste great and we set ourselves a challenging target to reduce the number of contacts we receive about our drinking water quality. Our performance in this area is also amongst the best in the industry, with us receiving only 0.58 contacts per 1,000 customers last year, which is significantly better than the industry average of 1.11 contacts per 10,000. That said, we did fall slightly short of our target of 0.5 contacts per 1,000 customers.

Understanding the cause of contacts is pivotal to improving our performance and these are analysed each month so action can be taken where necessary. The illegal use of hydrants with unauthorised standpipes that disturb our network accounts for around 10% of contacts from our customers and we continue to successfully pursue and prosecute companies which do this. Over the coming five years we will continue to work to achieve our target and maintain our strong performance.

Our outcomes are based on our customer and stakeholder priorities



Customer supply interruptions

Providing reliable water supplies is essential for public health and confidence and we have worked hard over the last five years to minimise interruptions and improve how we respond to them when they do occur. The roll out of smart technology and Artificial Intelligence (AI) across our network has enabled us to locate and fix burst mains more quickly and target our emergency response to better support customers during events.

Two significant events in Cheam and Godstone disproportionately impacted our supply interruption performance over the year. A fault at our treatment works in Cheam in December 2024, resulted in the loss of supply to more than 6,000 properties for a prolonged period. By reconfiguring our network, we were able to minimise the number of customers who were affected by no water to less than 10% of the properties supplied by the works. While support from the wider Pennon Group enabled us to maintain 24/7 tankering and incident management support for the duration of the incident.

Additionally, a road collapse above a water main in Godstone in early 2025, further impacted our overall performance causing us to fall short of our supply interruptions performance target. We are extremely disappointed that we have not delivered against our target this year, however, without these two incidents, our supply interruptions for 2024/25 would have been under a minute per property. This is in line with the best in the industry and our upper quartile performance over the previous three years of this investment period.

Operational review continued

Mains repairs

Despite narrowly missing our target for mains repairs this year, our performance remains consistent and well above industry average, reflecting the good condition of our network. Our proactive network optimisation activities, also known as our DMA Asset Health Programme, has extended across more than half of our network. This work, which has adopted technology not previously utilised in the UK, undertakes non-destructive, in-situ testing of our metal infrastructure to help determine its condition. This has improved how we target our asset interventions and will inform our ongoing mains replacement programme, so we prioritise the mains most likely to burst.

Water softening

As the only company in England and Wales with a statutory obligation to soften our water before it is supplied to our customers, we have a bespoke performance commitment in this area. Water is partially softened at five of our eight water treatment works where water is abstracted from naturally hard groundwater sources located predominantly in chalk aquifers. These sites produce around 80% of the water we put into supply.

In 2024, we temporarily ceased softening at our Cheam treatment works for a period of four months whilst we carried out essential maintenance. Since this intervention, our performance at all sites has significantly improved with March 2025 showing our best softening performance since April 2022. Whilst we are disappointed that we have not met our softening target, we continue to focus on ensuring the appropriate level of softening reliability and have made significant capital investment in our softening capabilities over recent years.

Fair prices and help when you need it

Supporting customers in financial hardship

We know that cost-of-living challenges continues to affect households across the country, and while nearly 40% of our diverse customer base are classed as highly affluent, there are many customers experiencing significant financial challenges in our supply area.

We have maintained our proactive approach to identifying customers who could benefit from extra financial support and are pleased to have surpassed our 2025 target with over 3,000 more customers than last year receiving financial help through our water support programme. This means more than 25,000 customers now receive a 50% reduction on their water bill and many more are being helped by our other financial support schemes.



Support for vulnerable customers

Our priority services register (PSR) provides extra support to customer who have health, access or communication needs, helping us tailor our services to support households who need extra help, particularly during operational incidents. We have performed strongly in recent years, exceeding our target every year. A further data sharing agreement with the Department for Work & Pensions has helped us to identify even more customers who may need extra help from us and has brought a notable swing from 9.3% of customers on our PSR in 2023/24 to 15.5% for 2024/25.

We remain committed to ensuring our services are accessible and responsive to those who need extra help. While we surpassed our target of 80% for vulnerable support scheme helpfulness, we recognise there's more to do, having not quite reached our target for vulnerable support scheme awareness in 2024/25.

Currently 40% of our customers are aware of the support we provide. This is behind where we want to be, but we are already working to improve. We have enhanced how we communicate through our website and on social media. Messaging has been made clearer on our bills, and we now add support information to all envelopes. A dedicated email campaign promoting our support schemes recently reached more than 100,000 customers.

Through our expanded community events programme, we reached an audience of 100,000 customers during the year, including over 100 local engagements at foodbanks, warm hubs and community centres. We worked with several local charities who provide support for customers needing extra help and set up over 40 partnerships with local authorities, housing partnerships and others to increase awareness and identify customers who might need our help.

By leveraging the support of the wider Pennon Group, we hope to make positive strides in improving awareness even further, so our customers know what help is available to them when they need it. We plan to explore the benefits of taking a more data led approach and the potential role of auto enrolment, as well as how we can elevate our performance using partnerships. We will continue to work closely with stakeholders and partners, including the Consumer Council for Water, as we develop and evolve our policies.

Void properties

At the start of the PR19, the volume of connected properties without a billing account stood at 4.4%. We have now reduced that down to just 2% on average across the year meaning more customers are paying for the water they are using.

Service that is fit now and for the future

We operate in an area of water stress and 2024 saw us publish our final Water Resources Management Plan (WRMP) for 2025 to 2075, which sets out how we will provide secure, reliable water supplies for our customers into the future. We have worked collaboratively with our neighbouring water companies as part of Water Resources South East, to develop a regional plan that has identified a range of new water supply schemes that will provide additional water and increase the connections between the South East water companies so we can better share our resources as the population grows and the climate changes.

Our WRMP has been derived from the regional plan and prioritises making more efficient use of the water available by reducing leakage from both our network and customer-owned pipes, as well as helping customers to use water more efficiently.



Leakage

We have been driving leakage down for many years, consistently achieving our target and performing amongst the best in the industry. Last year we once again outperformed against our target with our lowest ever annual leakage figure, seeing a further 3% decrease on 2023/24. This means that over the last five years, leakage has fallen by almost 16%, as assessed on a three-year rolling average, with our use of innovative technology and improved operational practices delivering significant benefits.

As the only company in the UK to have a fully smart distribution network, we can monitor in near real time what is happening across our network and are alerted to events as they happen. Our ground-breaking approach has enabled us to almost halve the time it takes to detect a leak, reducing the amount of water lost by up to 40% on average for major leaks and burst mains. We have also used satellite technology to assess 1,000km of mains, almost a third of our network to help detect hidden leaks. By identifying unexplained areas of chlorinated water that require further investigation.

Through the implementation of our DMA Asset Health programme, we are managing and optimising our network to reduce leakage further. We are also prolonging the life of our assets by reducing and stabilizing pressure in the network and identifying those mains that are most in need of replacement.

We have successfully completed a pilot project using advanced smart technology, marking a significant milestone in our smart production ambitions and a pioneering approach to managing customer demand of water. The new technology, called Opir, will help us predict customer demand so our treatment works can keep pace and are operating as efficiently as possible.

Drought risk

Summer 2024 saw our water resources in a healthy position with no need for restrictions. Our water resources recharged well at the beginning of winter and despite the UK being on course for its driest spring in over a century, are in a relatively healthy position going into Summer 2025. We do not currently forecast the need for any restrictions on water use.

As the prolonged dry weather continues the environment is beginning to show signs of stress, bringing into sharp focus the importance of our efforts to reduce the volume of water we need to abstract and underlining our role in protecting our treasured landscape.

Risk of supply failure

We have reached the final phase of our 15-year resilience programme to increase the connectivity of our network. Once complete, we will be the only company in the industry able to serve all our customers from more than one water treatment works. As well as building our resilience to short-term events, this investment helps our management of water supplies during droughts, by enabling us to use our different sources more strategically.

During 2024/25, we completed the second phase of the Buckland to Headley trunk main reinforcement scheme, installing 40m of new water main to connect two strategic mains and providing full resilience to the Elmer supply area. This scheme, one of several strategic cross connections and modifications, allows up to 30Mld to be transferred from Buckland to Headley.

Despite this scheme helping us deliver an additional resilience to a further 10% of our customers, we have fallen just short of our target, with 91% of customers now benefiting from the resilience afforded by at least two sources of supply. We will reach our 100% target upon completion of work at our Purley Booster Station expected in July 2025.

Unplanned outage

Unexpected incidents at our sites can temporarily reduce the capacity of our water treatment works or require us to take them out of service for emergency maintenance. Our ongoing focus on operating, maintaining and investing in our water treatment works has seen us outperform our unplanned outage targets for four of the past five years. However, the incident at Cheam reduced the amount of water we could produce at the site while we carried out repairs, which saw us miss our target for the first time.

Excellent service whenever and however you need it

Customer satisfaction

We remain committed to providing excellent service to all our customers and improving customer satisfaction continues to be a priority. We aim to be a company that is easy to deal with and gets things right first time and have maintained our high first call resolution level, which now stands at almost 91% of calls resolved at the first time of asking.

Whilst our current C-MeX ranking is below where we want it to be, we have made significant investments in our systems and processes, including increased capabilities across our customer teams. We are working hard to improve the customer experience by expanding our 'My Account' service and evolving our digital capabilities so customers can easily access the information or support they need through a channel of their choice, at a time that suits them.

We regularly engage with organisations, such as the Consumer Council for Water (CCW) and other partners, seeking to learn from others and embracing independent challenge to make sure we are always doing our best for our customers. Our integration within the Pennon Group will enable us to utilise our colleagues' knowledge and put into action learnings from those with the highest satisfaction scores.



Operational review continued

Support a thriving environment we can all rely on

Customer consumption

Our household customers use 214 litres per person per day on average, which remains higher than many other areas of the country. While we remain behind on achieving our target for customer consumption, we have seen a steady downward trend as the impacts of our metering programme and water efficiency work begin to take hold.

“We aim to be a company that is easy to deal with and gets things right first time and have maintained our high first call resolution level, which now stands at almost 91% of calls resolved at the first time of asking.”

Our customers who have meters typically use 132 litres per person per day, and just over 80% of customers are now metered, up from 30% in 2020. The number of metered properties is slightly short of where we anticipated being at the end of the 2024/25 as we temporarily paused our activities as we transition to a smart metering programme. This will see us install more advanced meters in the majority of homes over the next five years, enhancing how we work with our customers to help them detect wastage and use water more efficiently.

To encourage customers to use water more efficiently in Summer 2024, we launched our ‘Together’ creative campaign. The campaign trialled a different approach to communicating with our customers around their water use, encouraging them to ‘Get water fit’ and to be more aware of their water usage.



Utilising programmatic advertising and digital audio, the campaign highlighted that the average person uses about 150 litres of water daily, the equivalent of 300 plastic bottles.

Our award-winning education programme for schools, young people, businesses and community groups reached more than 5,460 people in 2024/25, a significant increase on previous years. This included welcoming more than 4,000 teachers and pupils to our Flow Zone Education Centre at Bough Beech Treatment Works. Buoyed by attendance at community events and promotional activities, our industry leading programme helps us to instil efficient water habits from an early age.

Greenhouse gas emissions

For the last ten years, we have been proactively lowering our carbon emissions and reducing our impact on the environment, with the ultimate aim of achieving net zero operational carbon emissions. Once again, we have surpassed our bespoke performance commitment for greenhouse gas emissions, as we have done every year since it was introduced in 2020. We’ve also reduced our carbon footprint by 32% over the past five years.

We are switching to electric vehicles for our fleet and company cars to save up to seventeen tonnes of CO₂e per year, as well as reducing the impact on local air quality. 100% of our company cars are now electric or hybrid vehicles.

Land-based biodiversity improvements

We successfully attained our third Biodiversity Benchmark award for land management from The Wildlife Trust in March 2024, achieving our commitment to have three accredited sites a year ahead of target. We are extremely proud to be the only UK water company to hold the award, underlining the ongoing importance we place on enhancing and protecting biodiversity across all of our operational sites. Through our Benchmark work across our biodiversity sites and the implementation of management protocols, we are confident we have the skills to deliver further biodiversity net gain between 2025 and 2030.

Pollution

Although we are a water only company, we can be responsible for pollution incidents if clean water from a site failure or mains burst enters a water cause and causes environmental damage. We place significant importance on protecting the environment and were the only water only company to include a performance target for pollution in our business plan for 2020 to 2025.

We have an exemplary record in this area, however, an isolated mains burst in late 2024 brought an end to more than 15 years of zero Category 1 or Category 2 pollution incidents. We are using the key learnings from this incident to drive our environmental improvement programme and are confident that our strong performance will be restored over the next five years.

River-based improvements (WINEP)

We have invested to improve the ecology and the quality of water in our rivers through the delivery of our Water Industry National Environment Programme (WINEP). This has included a series of environmental projects and investigations to improve raw water quality and understand the impact of our operations on local rivers and streams.

We have completed our catchment management programme, working with farmers and landowners to reduce the pollution of our water sources. We hope to use this as a springboard into further work we want to do in specific environments, such as within the Eden catchment, where we have enabled a farm cluster to be set up with water management as one of its three key pillars. Delivery of the final two river-based improvement schemes has proved particularly challenging and changes in delivery deadlines have been agreed with the Environment Agency.

How we support our customers

Keeping bills affordable

Most customers don't normally struggle to pay their bills, but with the continued cost-of-living challenge we are acutely aware of the importance of keeping bills affordable for all our customers.

Bill increases for 2024/25 were below headline inflation rates, and any increases were carefully communicated alongside messaging about any financial support available.

Our average household bill for 2024/25 was equivalent to 65 pence a day.

Disappointingly, the proportion of customers who believe their bill is not good value has increased to 8.4%. This has been a challenging year for us, impacted by a number of factors including the growing negative industry narrative.



We remain committed to delivering quality services efficiently, thereby keeping bills as low as possible and minimising any bill increases.

Eradicating water poverty

This year, we have continued to support customers to pay their bills and provide financial support when they need it through one of financial support schemes. This includes Water Support – a 50% bill reduction – and Breathing Space, a pause on payments to help customers get back on their feet.

Nearly 8.8% of our household customers are in receipt of one of financial support schemes, and our dedicated Extra Care team are on hand to help if more specialised support is needed.

We also understand that some customers might be experiencing financial hardship but may not qualify for our schemes. Although we cannot always reduce a customer's bill, we will always discuss a customer's individual financial situation and consider whether a flexible payment plan is a suitable alternative or using water more wisely to help reduce bill amounts.



We have accelerated our Metering programme, with over 80% of customers having a meter installed at their property. Water meters provide valuable information to help customers understand their water usage, and customers can now view their usage on our online customer portal, MyAccount.

We regularly refer our customers to advice and support providers, such as StepChange, Citizens Advice (CA) and the National Debtline to offer more expert support. These organisations are promoted on our website, on our dedicated website page.

Last year, we launched our new 'Payment Ladder' process which colleagues follow to ensure the right support is given at the right time to help prevent a customer from falling behind in their payments. When going into debt is unavoidable, we have a debt collection process, with a focus on understanding individual customer circumstances and putting affordable plans in place.

Finally, we will continue to welcome more customers onto the scheme who need it and plan to continue to raise awareness of our support schemes, and identify customers who need our help, through our work in the community, our partners and across our customer communication touchpoints.

Key highlights

£ 25,000

More than 25,000 customers now benefit from our Water Support scheme, which provides a 50% bill reduction to those who qualify for the scheme. This means we have surpassed the target we set ourselves for this five-year Business Plan period

£ 100

We continue to work in the community to attend community hubs, foodbanks, job centres and advice cafes to promote our financial schemes, and have attended more than 100 local events this year

£ 600

We regularly visit customers who need extra help to make sure the members of the community are aware of our support, and benefit from it

£ 2.0%

We have reduced the volume of connected properties who don't have a billing account with us to 2.0%, meaning more customers are paying for the water they use



Open data

Overview

SES Water we continue to embed open data as a strategic enabler for innovation, transparency, and improved service delivery. Our approach is guided by the Pennon Group's Open Data Strategy and aligned with Ofwat's expectations.

As part of Ofwat's Information Notice 25/02 (Expectations for monopoly company annual performance reporting 2024-254) published in April 2025, and consistent with the expectations set out in the H2Open – Open data in the water industry: a case for change – Ofwat published in October 2021, Ofwat has required companies

As per the 2023-24 Water Company Performance Report (WCPR) we have been making good progress in the publishing of machine-readable open data versions of the APR tables and provided clear rationales around characteristics applied and how this linked to wider open data work delivered.

This year, we again published machine-readable open data versions of our 2024-25 APR data, demonstrating application of open data characteristics and a rationale in this section.

SES Water has made significant strides in advancing its open data capabilities. Open data is a part of our overall data strategy to deliver a smart water customer experience in K8 (2025–30), supporting transparency, innovation, and improved customer outcomes.

Progress in Open Data 2024–25

- ① Open Data Strategy: We recently published our Open Data Strategy for the Group which includes SES Water and the progress including roadmap of activities. – <https://www.southwestwater.co.uk/about-us/governance/pendata-strategy>
- ② APR Tables: Published in Excel and CSV formats, ensuring accessibility, interoperability and ease of reuse.
- ③ Stream Participation: Active member of the Stream Open Data Programme since 2022. Published ten datasets with metadata and open licences on the Stream portal.
- ④ Priority Services Register (PSR): Established a two-way API data-sharing partnership with UK Power Networks to enhance support for vulnerable customers.

Stream.

🌐 www.streamwaterdata.co.uk

£ £2.4bn

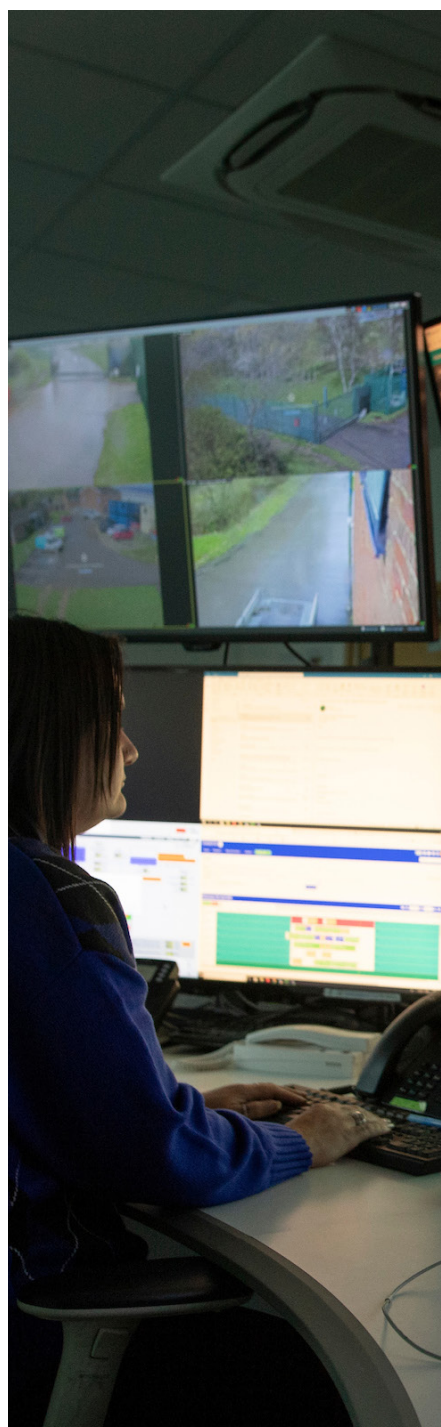
Estimated costs per year to the UK economy from Accidental utility strikes cost

£ £350m

What the NUAR is expected to deliver per year, once operational

Open data characteristics adopted and why did we choose them?

APR open data characteristics adopted	Why did we choose them?
Machine readable format	APR tables submitted as Excel and CSV files available on our website as well as Stream Portal. This enables better use of our data as the format of the data is easily accessible and usable and machine readable. The presentation of the data is kept as standard that is provided by Ofwat which helps users compare datasets easily in the water sector.
Metadata	Included to enhance discoverability and usability. Metadata is crucial in a published dataset because it provides essential context. It describes the dataset's contents, ensuring reliability and facilitating accurate interpretation.
Open licence	CC BY 4.0 licence embedded in datasets. By adding an open data licence type with the link to further details on the condition allows the users of the data to understand the conditions/ restrictions if any that needs to be followed. This allows the users to download and use the data legally and the licence has been embedded into the csv files, as so it is available with the downloads.
Feedback mechanism for data users	Contact details provided for user queries and suggestions. This helps in understanding data usability and relevance. Contact AnnualAudits@southwestwater.co.uk

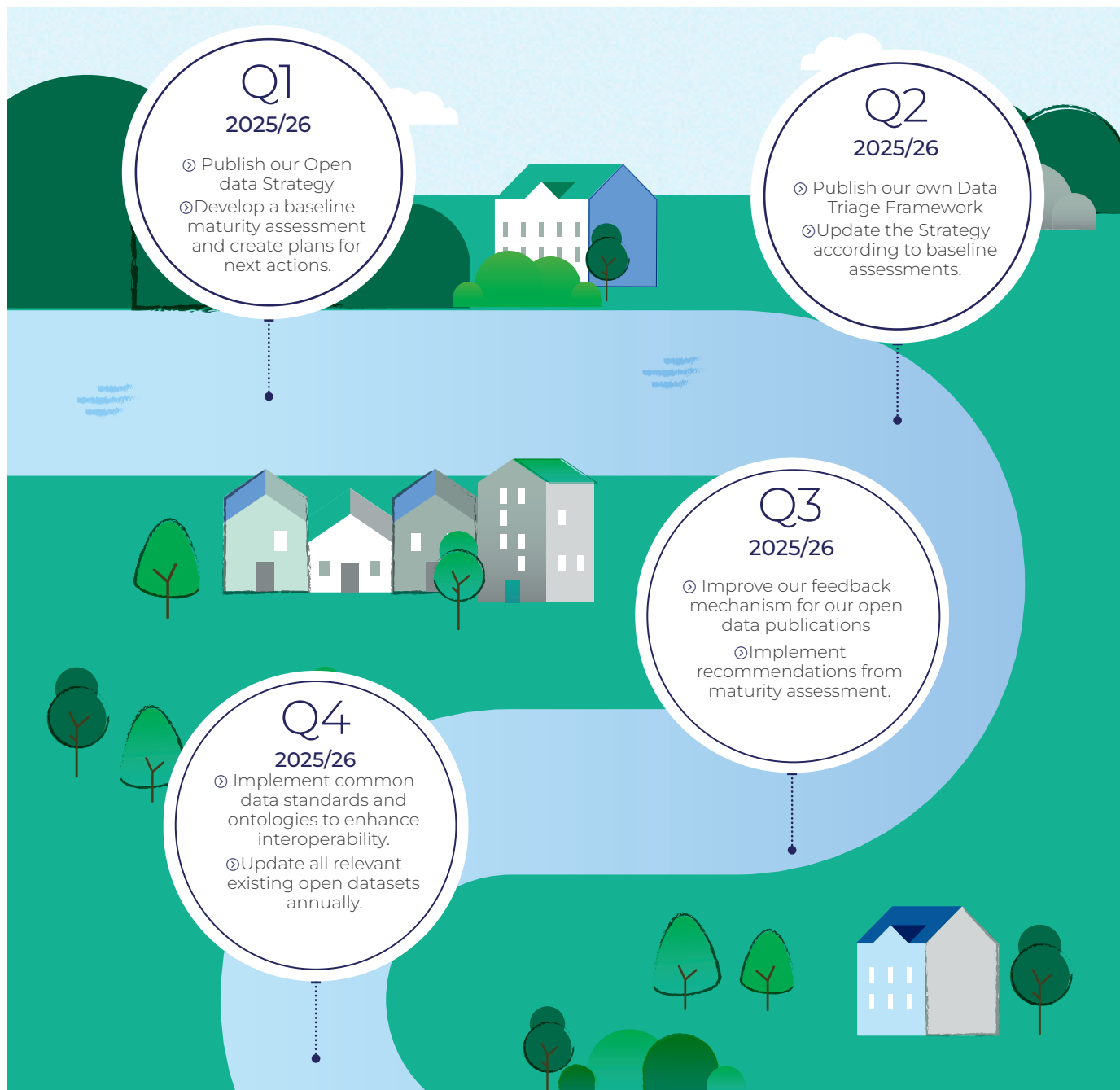


Roadmap & future plans

We have developed our own Open Data Strategy along with taking part in Stream and Open Data Institute's (ODI) Open Data Strategy for the Water Sector.

Our open data roadmap

Our open data roadmap will be closely aligned with Stream. We would like to enhance what we have been able to deliver through Stream in the next year.



2025/26

- ① Publish datasets as per Stream's Roadmap and follow Stream's recommendations – <https://www.streamwaterdata.co.uk>
- ② Contribute to Stream's initiatives such as the Technical Advisory group and User Advisory groups.
- ③ Support other members with knowledge share sessions when needed as part of Stream.
- ④ Contribute and take part in best practices and capability building sessions to strengthen the data ecosystem as part of Stream.

At SES Water, open data is central to achieving our 2025–2030 business plan goals. It supports our mission to reduce incidents and enhance customer accountability, while also underpinning our broader data strategy – treating data as a vital corporate asset that drives transparency, innovation, and better decision-making. Open data empowers us to track progress, engage stakeholders, and deliver on these ambitious goals with accountability and clarity.

Sustainability

Our promise to the planet

Sustainability

This year has seen the industry continue to evolve and rise to the challenge of the next regulatory period. SES Water's own evolution centred on its integration into the Pennon Group plc, demonstrating that our work over the last several years to embed the core principles of our sustainability objectives and use these to drive our decision making has provided sound investment for Pennon's growth. In turn, we have gained financial stability and a wealth of colleagues to share knowledge and resourcing.

Materiality

As we are incorporated into Pennon's ESG structure, it is no surprise the key findings from the double materiality assessment carried out this year highlights that water use, climate adaptation and servicing our communities remain priority areas. In addition, there is focus on regulation and compliance, pollution, health and safety, and biodiversity – reflecting the Group's responsibilities and risks operating in the sector.

More broadly, our purpose and aims fully align with the Group; and our business planning activities over recent years will see us contributing valuably to our collective future. As we look ahead to the next business plan period (2025-2030), we reflect on our progress over the last five years and the outcomes of Ofwat's final determination which sets out our deliverables to customers and the environment going forward.

Environment

Notably, the last several years have demonstrated the environment's vulnerability to continued unpredictability in weather as a result of the changing climate we face. Whilst we have been able to respond to extremely dry weather, as well as freeze thaw events, remarkably well – we have observed impacts across our business. Notably, this includes extremes in demand as a result of variable weather, stresses to some of our assets and poor water quality across several sources, as well as our awareness of the vulnerability of several environments we operate in.

Sustainable management of our water resources

Safeguarding our water quality

Enhancing the resilience of our production and supply assets

Enhancing the environment

Our climate adaptation plan focuses on four key areas and aligns with the key aims of our business long-term delivery strategy and business plan.

Sustainable management of our water resources

We published our Water Resources Management Plan in October 2024, setting out water needs to meet population growth, protect the environment and be resilient to climate change. Within this plan we identify the best value of options to meet those needs over a long-term horizon. This plan, together with the remaining five water companies operating in the south east, is an ambitious corner stone in the evolution of water resources planning – being fully consistent across the region and embedding adaptive planning into our strategic business planning work.

To meet the interim targets of the Government's Environmental Improvement Plan, we will continue to focus on reducing demand (consumption and wastage) from our system. We have achieved industry leading reductions in leakage over the last five years – surpassing expectations following challenging concurrent weather events which cause stress on our network – and have defined a continued ambitious trajectory of leakage reduction over the next five years (and beyond).

As we have commented on previously, reducing water consumption remains an ongoing challenge for us – and the water sector. We have observed a stabilised level of consumption (particularly at per capita level) over the last two years. Going forward, we have secured allowances in our business plan to implement a smart customer experience – utilising smart meter technology to proactively respond to customer issues, such as leaks in the home, tailored visits to support water efficiency and support when it is needed. As an extension of our smart network, which we successfully deployed in 2022, smart meters will enable us to respond to events affecting our network and operations in record time – and provide improved customer service to those directly affected.

Enhancing the resilience of our production and supply assets

Together with our smart network, known as iDMA, we have over the course of this business plan implemented award-winning technology 'DMA Asset Health'. This work – bringing together non-intrusive condition assessments of our network and related lead indicators – determines which assets require targeted maintenance or renewal. This prognostic approach has redefined our asset renewal prioritisation and enabled us to focus on projects that will be building resilience within our network. Going forward, this approach and technology will inform rates of deterioration and provide a circular approach to our asset strategy.

In addition, we have developed a comprehensive asset management approach across our production assets – mirroring the concept of targeting assets that are coming to the end of life, rather than a symptomatic basis. We will be adopting this approach over the 2025-2030 business plan.

Over the course of the last 15 years, we have developed our production sites and network to provide resilience to all our customers. We are in the final stages of commissioning the last assets – ensuring each customer can now be supplied from at least two water treatment works.

Safeguarding our water quality

Risks to our raw water quality is predominantly characterised by pollution present in surface water catchments and historical nitrate pollution in some groundwater sources. Over the last five years we have established a dedicated catchment management team to improve how we capture catchment risks in our Drinking Water Safety Plan, provide tailored catchment initiatives to respond to the risks in the area, and collaborate with regulators and local actors to best serve our combined needs. As such, we have achieved several catchment management programmes over the course of the last business plan, protecting a significant proportion of the catchments we operate in from further deterioration.

As part of our proposed environmental improvement enhancements, we have secured funding to continue our work in key areas. This will build on the relationships we have formed and continue to drive improvement.

Enhancing the environment

When developing our purpose in 2022, we recognised that enhancing the environment will support its resilience to the changing climate. Over the course of the last five years we have successfully managed three key sites to improve biodiversity – demonstrating that operational needs can be balanced with environmental improvement. We embarked on long-term transformation plans for two of our largest landholdings, aiming to derive better social and environmental value, which have local significance to National Landscapes and local nature recovery strategies. We have also successfully contributed to works in a landscape recovery partnership to improve a chalk stream river in its upper reaches.

During 2023 the Environmental Improvement Plan and Defra's Integrated Plan for Water were both introduced, providing clear expectation and direction for each and every organisation and person to support improvements to environmental quality, the use of resources, climate mitigation and biosecurity. Together, this will contribute to thriving plants and wildlife and enhance our landscapes' beauty, heritage and engagement with the natural environment.

Over the next five years we will build on our work – embarking on our ambitious 25-year environment plan for the Eden catchment, industry leading biodiversity net gain projects and stretching targets to reduce operational greenhouse gas emissions.

Carbon transition

We remain committed to reducing our greenhouse gas emissions and contributing to our Parent Group's overall net zero ambitions.

In 2019, alongside English and Welsh water companies, we signed up to the Water UK Public Interest Commitment to reach operational net zero by 2030. In last year's report we outlined that we would fall short of the 2030 target on the basis that additional investment in our next business plan was not supported by our customers (and therefore not sought). We also considered the commitment did not fully reflect the challenge ahead and we worked to define a realistic, yet ambitious, alternative we could deliver. Whilst this remains the case in the context of the 2030 Public Interest Commitment, we are now fully integrated within our parent company, the Pennon Group, and we will align our ambitions with the Pennon Group's near-term science-based emissions reduction targets.

Pennon Group signed up to near-term science-based targets (SBTs) in 2021 with the targets receiving validation by the Science Based Targets initiative (SBTi) in May 2024.

The Group's near-term SBTs are:

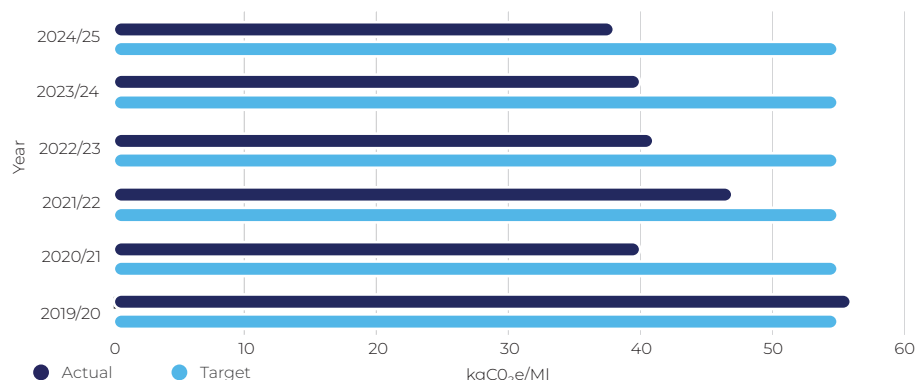
- ① A 68% reduction in Scope 1 and 2 emissions by 2032/33, from a 2021/22 baseline
- ② A 30% reduction in Scope 3 emissions from fuels and electricity, wastes generated in operations, business travel and employee commuting by 2032/33, from a 2021/22 baseline
- ③ A supplier engagement target that requires 60% of the Group's value chain, by emissions, to have science-based targets by 2028, and
- ④ To source 100% renewable electricity by 2030

Whilst we look forward to contributing to meeting the Pennon Group's carbon emissions targets in the future we have been continuing our journey to decarbonise during the previous five-year period between 2020 and 2025.

Our K7 performance

Our regulator Ofwat set us a bespoke operational greenhouse gas emissions reduction performance commitment to achieve by 2024/25. This target, based on a performance measure of annual operational emissions per annual megalitre of water input into our distribution system, is set against a baseline performance measured in 2019/20.

SES Water Operational Greenhouse Gas Performance Commitment 2020 - 2025



It uses historical emissions factors that are fixed at the 2019 level, allowing us the opportunity to track our emissions reduction progress from our direct actions rather than being partially reliant on decarbonisation happening elsewhere and outside of our control. It is a market-based measure allowing us to include emissions reduction from our purchase of renewable electricity backed by Renewable Energy Guarantees of Origin (REGO) certificates.



Our performance over the five-year period between 2020 and 2025 has shown a steady reduction in our kgCO₂e/MI, with our annual performance in 2024/25 measured as 38 kgCO₂e/MI.

This represents a significant outperformance of our target, removing around 30% of our operational emissions per megalitre of water input into our distribution system compared with our target of 55 kgCO₂e/MI.

Looking ahead to the next business plan

For the period between 2025 to 2030 (known as K8) our regulator Ofwat has set us a new performance commitment for operational greenhouse gas emissions. Unlike our 2020 to 2025 performance commitment the new one is a location-based measure, meaning we will not be able to use our purchase of REGO certificates to decarbonise our electricity purchase. The new performance commitment also includes further operational greenhouse gas emissions sources from purchased chemicals and granular activated carbon, as well as from the 'well to tank' emissions associated with the extraction and production of the fuels and electricity we purchase.

Along with our contribution towards meeting the Pennon Group's science-based targets we are now focusing our emissions reduction plans on optimising our performance against the new Ofwat operational greenhouse gas emissions performance commitment.

Our plans include continuing our investment in energy efficiency and electric vehicle transition, moving forward with eliminating fossil fuel usage and looking for further opportunities to switch to lower carbon fuels.

We intend to review our chemical usage, especially focusing on water softening in our region which uses significant amounts of energy and chemicals. We expect emissions from energy and chemicals to provide important further opportunities to reduce our emissions between 2025 and 2030.

Also contributing to our emissions reductions over the next five years will be the expected reductions in our per capita consumption, the volume of water each of our customers uses in a year, as well as improvements in our leak detection and repair.

ESOS Phase 3 (2024-2027)

Contributing to our plans for reductions in our greenhouse gas emissions are our plans for improving our energy efficiency, ensuring our assets are maintained in optimal condition, avoiding energy wastage and taking advantage of new technological innovations in energy consuming assets and emerging approaches to energy management.

In February 2025 we submitted our Energy Savings Opportunity Scheme (ESOS) Phase 3 'Action Plan' via the Government's MESOS online portal. Our action plan sets out the measures we intend to take before the end of 2027 to improve our energy efficiency. These cover the efficiency of our pumping assets, optimising our onsite processes to minimise energy usage, investing in interventions at our offices and buildings, improvements to our transport fleet and accounting for the energy savings resulting from our water resources management plans.

Innovation

Innovation can take a number of forms – from the incremental (i.e. an existing idea or practice which is new to SES Water) to the radical (i.e. a new idea that is yet to be used anywhere in the sector – or wider), and our innovation remit is to scan horizons to identify and develop opportunities in a variety of forms.

This allows us to bring new ideas into the business to test, and we have committed to sharing our successes (and failures) with those outside. For a number of years, we have had a dedicated innovation budget which is typically used to fund projects to proof-of-concept phase – after which we rely heavily on identifying potential partners to assist in further development and scaling – ensuring we achieve value for money.

Our small size and stable and reliable water network mean that we are an attractive partner to companies who are often in the very early stages of development of a solution or who are looking to conduct low-cost trials. This enables us to minimise our costs as suppliers are looking to gain valuable experience and are willing to waive development costs.

However, typically we find that while we are able to assist in the early development of a product, our size and level of resource, limits our ability to scale it. We therefore actively seek partners, such as larger water companies, to participate in the ongoing development of solutions so that their benefits can be realised.

We have a clear vision for innovation at SES Water. We constantly challenge ourselves to explore and implement new ways of working to deliver improved efficiency, effectiveness or resilience to our services, and sustainable benefits over the longer term.

This vision is underpinned by four interconnected elements, which form our innovation principles.

Our innovation strategy

We need to be resilient to the changes happening around us and meet the demands asked of us by our customers and Government. To do this, we need to not only continuously improve our processes and the quality of our services, but actively seek new solutions with long-reaching and cross-cutting benefits, for example, innovations that deliver a step-change in reducing carbon emissions, delivering environmental improvements, secure a resilient service and, where possible, lowering our costs.



1. Strategy

The SES Innovation strategy is designed to ensure that all staff are aware of the role of innovation within the Company, and the benefits that it can bring. The strategy ensures that innovation is prioritised, focused and one-step ahead. Water Production and Network Training & Testing Centre.

2. Culture

Innovation culture is fundamental to ensuring that innovations develop and mature within organisations. We ensure that we have a culture that is supportive and empowering for innovation.

3. Collaboration

Recognising that we cannot realise the full benefits of innovation by ourselves, we ensure that we demonstrate openness and enter into partnerships with other companies.

4. Financing

Innovation is not free. We ensure that there is sufficient and sustainable funding available to develop innovation at SES Water.

Internal innovation

We ensure that innovation needs throughout the business are identified and prioritised. This is achieved by regular interviews and reviews with the departmental managers and forum groups for particular projects where appropriate. Innovations within departments are tracked and demonstrated through the use of departmental 'Innovation Step Filters' which ensure that each department is not only aware of their own developments and progress, but also those from other departments which may affect them.

In addition, we make sure that successful innovations are highlighted and promoted both internally and externally. Internally, innovation success are communicated primarily through the intranet and Company communications. Successful innovations are also promoted externally by articles in industry magazines, speaking opportunities at industry conferences and in-depth webinars on the Water Innovation Spring platform.

We have taken our internet of things expertise and used this to commence the trial and rollout of LoRaWAN gateways across our treatment works. These will be utilised to provide energy monitoring, pressure measurement and other sensor data.

External innovation

We will financially support, engage and assist the work of UKWIR (United Kingdom Water Industry Research), who provide research and development for UK Water Companies. The research programme is broken down into 11 Big Questions, which each have a Programme Lead.

Our Innovation Manager continues to lead the UKWIR programme on leakage (we are the only WoC to lead an UKWIR programme) and he recently published the Leakage Innovation Heatmap, a groundbreaking exercise sharing and mapping over 400 leakage innovation across the UK to drive collaboration and innovation.

Our additional involvement includes providing members of staff for project steering groups and data for relevant projects.

Ofwat Innovation Fund

The Ofwat Innovation Fund completed its 5th year in 2024/25 with the £200m K7 fund delivering more than 100 projects and many collaborative partnerships. Pennon Group is now partnering on 31 of these projects and leading on four of them.

The multiple water companies that form the Pennon Group allows individual Group companies to focus on areas of expertise and still benefit from the wider research the Group companies are involved in. SES Water are engaged with almost all of the leakage related projects and have led the Universal Access Point for Water (UAP4W) project.

As we head into K8, the Innovation fund will make a further £400m available and introduce a new £100m fund for tackling water efficiency.

Universal Access Point for Water (UAP4W)

is a collaborative project led by SES Water and seven other UK partners, which has recently been completed. Water companies in England and Wales have a challenging target to halve water leakage by 2050. In order to achieve this, they need an accurate understanding of the condition of the water mains and be able to carry out inspections and repairs without the need for expensive and disruptive excavations. The objective of this project has been to design a universal access point for water, which would provide a standardised entry point to pressurised water pipes for inserting cameras, leak location arrays, repair solutions, autonomous robotic solutions, and a host of other devices.

Universal National Leakage Research

Test Centre, led by Northumbrian water, will be a 5km buried water pipe network specifically for developing and testing inventions without disrupting customers' supplies or affecting water quality. It will allow things like repair robots and sealants to be inserted into the water supply to see how they perform. The centre's staff will issue certifications to show water companies how well each innovation performs. The network will include new and old pipes in a variety of materials and diameters just like a live water network, but it will allow researchers to insert and move deliberately leaky section of pipes. It will collect and recycle leaked water and will even simulate customers drawing water whilst tests are taking place. There is also scope for the centre to be used for training and other research.

Safe Smart Systems, led by Anglian water, aims to build a demonstration smart water system to predict, control and self-configure the clean water network to reduce supply interruptions, and manage supply pressures, leakage, and water quality, while maintaining continuous service for our customers. The learnings will help SES Water to continue to develop our own smart water network.

Stream led by Northumbrian water is a collaborative initiative involving 16 of the 18 major water companies in the UK. The project aims to unlock water data to deliver value to customers, society, and the environment by removing barriers to data sharing and transparency. SES Water continues to lead in the publishing of open water datasets for this important project.

Prediction and Early Detection of Algal Blooms in Lakes and Reservoirs (PEDAL)

is a collaborative project led by South West Water and the University of Exeter and 20 other UK and international partners. This project aims to detect and predict Harmful Algal Blooms (HABs), with both short-term warning and medium-term prediction. HABs cause costly treatment, poor water quality, and ecosystem loss. This project will use satellite and drone remote sensing, conventional water quality monitoring, and input from citizen science. By combining advanced numerical modelling and artificial intelligence, South West Water will build a digital twin that can forecast HABs. This will enable both Group and other water companies to avoid expensive treatment and water quality problems, lowering customer bills.

Catchment Systems Thinking

Cooperative (CaSTCo) This collaborative project of 23 partners (11 water companies) seeks to develop a national framework for environmental monitoring systems to provide detailed, reliable, timely data that can be used to understand natural capital problems, devise the right interventions and assess performance. The work is supported with eight demonstrator catchments in different UK regions including the Tamar in Devon, which in the area of our fellow Pennon Group company, South West Water (SWW). Recent work has seen SWW via CREWW (Centre for Resilience in Environment, Water and Waste) at the University of Exeter, deliver the advanced modelling needed for the decision-making framework, which will assist catchment management at SES Water.



Investing in our people

At SES Water, we are united with our 361 colleagues in understanding we have a responsibility and duty to make a positive societal contribution.

Our goal is to be the Employer of Choice across our region through promoting social mobility, prioritising Diversity and Inclusion by addressing racial and gender inequality. We provide safe, secure and meaningful employment where all employees are paid fairly for the work they do and where trust is high. We want to show that it is a dynamic and exciting time to be working in the water industry.

We provide safe, secure and meaningful employment where all employees are paid fairly for the work they do and where trust is high. We fully recognise that the levels of external scrutiny on the water industry have increased significantly in recent years, and this is felt by our colleagues personally as they carry a heightened level of responsibility. Despite these pressures, we are delighted that our colleagues are even more determined to provide high quality services to our customers and the communities we serve.

At SES Water, we take our social stewardship role seriously, whether that's through driving environmental improvements or growing the number of jobs we support.

Following the acquisition of SES Water by Pennon Group last year, we are integrating within the Group in a balanced and considered way to both maintain our unique company identity and align with the broader set of companies within the Group. Pennon has four strategic priorities, focusing on having more colleagues on the front line, and ensuring we are in a good position as we move into the new year and business planning cycle. Our strategic priorities are our drumbeat internally, ensuring we can deliver commitments externally, and delivering the things that matter most to customers.

Prepared for the next five years

We have been working hard throughout the last year to align our teams to other Group functions as appropriate and to ensure we are well placed to successfully deliver the challenges within K8 (2025-30).

Our exciting Group business plan, which has been approved by our regulators, will see us create up to 2,000 new jobs as part of a wider £3.2bn investment planned. Our business plan was built around our Group Values and aims to have a positive impact on customers, communities, colleagues and the environment.

Our approach to Human Capital seeks to go further; supporting Community Investment and social mobility across the regions we work in; ensuring we pay our employees a fair wage for doing a fair day's work and therefore be well placed to be able to make a wider societal contribution; and delivering our Diversity and Inclusion strategy by prioritising diversity of thought, gender and ethnicity to promote social mobility and opportunity for all.

This is all part of a wider strategy to be the employer of choice in the region and being a Great Place to Work.

Enhancing the organisation culture

After launching our new Values last year and working hard with colleagues across all our business units to fully roll them out during this year, we are now well placed to deliver our PR24 plans aligned with our Group Values. Our Values are seen as the guiding principles by all colleagues in how we undertake our activities.

We have sought to embed our values to deliver real behavioural change and incorporate them in all business activities from recruitment, induction, performance management and communications to reward, recognition and reporting.

Embedding our new Group values

Last year, we launched our new Group values: Be You, Be Rock Solid and Be the Future. These values serve as guiding principles that shape our interactions with customers, communities and each other. They give us a framework for how we should engage as a team and help us build a foundation for growth and trust, and a positive workplace environment.

Over this past year, we have worked hard to embed these values, using them as a tool to align our teams as we prepare the business for K8 and to deliver on our strategic priorities. Some examples of this include:

- ② Launching the 'Pennon Pod' – encouraging open and engaging discussions on what our values mean to individuals across the whole of the Group
- ② Colleague Roadshows – holding face to face events for colleagues to interactively engage with the new values
- ② 'Be You' Photo competition – encouraging colleagues to share their authentic selves whether that be in or outside of the workplace



We are proud to witness our values in action in the workplace every day. Because of this, we have launched a new set of internal colleague awards – The Values the 'You Rock' Awards. This is a new recognition scheme that aims to shine a light on the best of Pennon, highlighting those who truly embody our values and demonstrate the best behaviours for our colleagues, customers and communities.



Be You

We want you to bring your best every day. Be open and inclusive, work together and win as one team. Let your passion inspire those around you. Be authentic, make your mark and be you.



Be Rock Solid

We want you to be the one we all look up to. Be trusted. Act with integrity and make good on your promises. Build trust, one relationship at a time. Be rock solid.



Be the Future

We encourage you to be curious and challenge convention. Share ideas with confidence and purpose and help share our future. Embrace change. Drive progress. Own the challenge. Be the future.

Setting the tone from the top has been key to ensuring that these principles are reflected across the Company and the wider Group.

Across the Company we have developed a coherent approach to leadership, culture, talent, and skills development which will not only help us unlock the full potential in our business, ensuring we are match fit today, but also prepare us for future challenges.

Ensuring our people are at the heart of all these key areas of focus will mean we continue to successfully deliver for all the customers and stakeholders that rely on us. Our people are our greatest asset. We are proud of the values we live by in all that we do and we have been delighted by how our employees have risen to the challenges we have faced throughout the last year, and in going above and beyond to deliver for our business and our customers.

“We want to show that it is a dynamic and exciting time to be working in the water industry.”

We continue to work to develop strong relationships with our employees and Trade Union Partners, ensuring we are engaging with these important stakeholders in our business in all aspects of our People Strategy.

As a purpose-led organisation, we have strong values and ethics which are important barometers in fostering the culture and beliefs that we require to be successful. One of the key reasons why we use Great Place to Work to survey our colleagues is that it is one of the few providers that seeks to measure values and ethics. These are notoriously difficult areas to measure as they are impacted by individual's personal values and ethics.

Talent development

We have a strong commitment to invest in the development of our employees and to build and recognise talent across the Company. Training and development are available for employees at all levels within the Company and all are actively encouraged to participate. Our aim is to increase productivity, job satisfaction and safety, and to equip the next generation of leaders and employees with appropriate knowledge, skills and the competencies they need to thrive.

As a Group we joined the 5% Club, an organisation with over 1,000 members that aims to address the issue of poverty arising from high youth unemployment and a shortage of the right skills for the workplace of today and tomorrow.



We are delighted to be the only water company that has been awarded Platinum Membership status of the 5% Club as we have around 10% of our employees undertaking apprenticeships or on a formal structured graduate programme. Achieving Platinum status demonstrates our long-term commitment to investing in structured apprenticeship and graduate programmes for our employees.

Apprenticeships

At SES Water and within the wider Group, we have a long-standing commitment to apprenticeships, as they are an effective way to recruit and develop high quality talented employees. After setting a Group target in 2020 to support 1,000 apprenticeships by 2030, we are delighted to report we are ahead of schedule and have supported 663 across the Group and currently have 368 live on programme, with 23 being in SES Water. Attracting and developing the next generation of talented employees is vital in building resilience in our workforce and ensuring we can deliver the essential services our customers and communities deserve.

Our graduate programme

After launching our Group graduate programme in 2021 and setting a long-term commitment to recruit 200 graduates on a structured two-year development programme by 2030, we are again ahead of schedule.

Since the launch, the graduate programme has recruited 105 talented graduates, with 56% being female and almost half being ethnically diverse or international graduates. Attracting larger numbers of female and ethnically diverse employees has been a core part of our People Strategy. We are delighted our graduate programme is helping deliver this outcome whilst providing high-quality career opportunities for all these individuals.

Leadership development

We continue to invest in our leaders and have two leadership programmes across the business, LEAD Aspire and LEAD Programme.

LEAD Aspire is a four-day programme for employees who have been recognised as being a leader of the future and are working towards this as part of their personal development plan. The programme allows them to develop their leadership mindsets and approaches, explore leadership theories, models and best practices, and learning that you don't need a title to be a leader. The four-day programme also has senior leaders from across the business sharing their thoughts on leadership, providing great insight into their personal experiences of leadership and how it has shaped them.

Our LEAD Programme is for our current manager and leadership population to help hone their leadership skills, working across a six-month programme on leadership mindset, such as personal impact and purpose-led leadership and skills areas such as coaching and mentoring, inclusive leadership, and building high-performing teams.

Diversity, equality and inclusion

As a Group, we have a responsibility to promote social mobility, address inequality and drive inclusivity across our region.

We continue to champion diversity and promote an inclusive workplace. We have published our Gender Pay Gap report for the last six years and are now pleased that this incorporates our Ethnicity Pay Gap report.

It is important to be open and transparent about the gender and ethnic diversity of our employees and this report is a key tool for us to do that, whilst also allowing us to share the measures we have taken and will be taking to continue to create a more diverse workforce across all roles and levels within the organisation.

We understand that fostering an inclusive workplace is imperative for both attracting and retaining talent within our organisation. As one of the largest employers in the region, we have a duty to contribute positively within our communities, providing a work environment that promotes social mobility, celebrates and drives diversity and inclusion and ensures an equitable and psychologically safe space for all our colleagues.

In the latest edition of the FTSE Women Leaders Report, our parent company Pennon once again solidified our standing as a trailblazer for female representation, claiming the bronze position for best the entire FTSE 250.

Investing in our people continued

Diversity, equality and inclusion continued

The report, independently conducted and backed by the government, is a ringing endorsement of Pennon's relentless efforts to lead the charge in fostering equality and inclusivity, with Pennon one of the rare FTSE-listed entities where women on the board outnumber their male counterparts.

We are pleased with the recent progress made but know there is more to do in increasing the diversity of our workforce during the coming year.

Recruitment

We continue to develop our careers website to leverage our employer value proposition and the creative campaign that sits alongside this, #JustAddWater. We have forged new partnerships with third parties to enhance and drive our work in the recruitment space to support our ED&I agenda. We are both a signatory to the Armed Forces Covenant and a Disability Confident Employer.

We regularly review our approach to monitoring diversity and inclusion with a specific focus on job applications. We use a software gender decoder tool which allows us to check all our job adverts for masculine bias to reduce the potential risk of alienating female applicants. We ensure that our brand imaginary represents both the communities we serve and our workforce, which encourages more diverse candidates to apply. We are pleased that we are receiving high numbers of applications from ethnically diverse applicants and women into what is still a male-dominated industry.

Employee-led inclusion

Our Employee Network Groups continue to play a significant role in raising awareness and driving change. Areas of focus for these groups include raising awareness around challenges that under-represented groups face, which has included educating employees on LGBTQ+ topics and experiences, including a session led by a transgender speaker, celebrating different cultures and customs through in-person events, sessions on racism and allyship, promoting understanding of neurodiversity, developing a webinar on sexism and misogyny and creating an ED&I awareness session, which is delivered to all new starters to the business.

Our two new network groups this year, brought about through employee feedback, are the Veterans Network and the Neurodiverse Network. All of our groups have members sat on the overall ED&I Steering Group to ensure collaboration across the whole ED&I agenda and drives communication between the groups.

Engaging with our colleagues

Our employees are our greatest asset. We provide the opportunity for them to be engaged at multiple levels of the business and through a variety of two-way dialogue and feedback channels so we can listen to them and make improvements based on their feedback of what's important to them.

We continually engage with our people on topics such as their health, safety and wellbeing, our organisational culture, promoting diversity and inclusion, training and development. We use a variety of mechanisms to engage with colleagues including pulse surveys, listening sessions, employee forums and trade union representation.

To enhance how we use Great Place To Work to survey our colleagues, we have undertaken pulse surveys during the year to give colleagues additional opportunities to provide structured feedback. Pulse surveys provide a regular stream of feedback in addition to the full survey.

Our Speak Up Whistleblowing Policy continued to operate throughout the year, providing another engagement channel. Speak Up helps to create an open, transparent and safe working environment, where employees feel able to speak up and are supported if they do so. Additionally, all employees are invited to pose questions or comments to our senior leaders through our new 'open door' communication channels. This new approach brings together several employee communication channels and encourages employees and senior leaders to keep connecting more.

100% employee representation either through our employee forum or collective bargaining agreements with our Trade Union partners.

Throughout the year we ensure colleagues are supported with regular one-to-one meetings with their line managers, appraisals and performance reviews to ensure they are supported and understand how to perform in their roles. These discussions also identify any training needs and development opportunities to help them progress their careers within the Company.

Each year, we review and seek to enhance our employee communications and engagement channels. Our regular Big Chat video calls with our CEO and the executive team continue to be very well supported by employees, with strong engagement. Items discussed largely focus on the topical business issues of the time plus key employee highlights. We have also broadened the group of speakers, involving colleagues from all areas and levels across the Company.

Our internal communications tool and discussion platform, Viva Engage, is growing in popularity and is now used regularly by over 2,000 Group employees. For our remote teams working tirelessly around the clock, we host regular breakfast meetings and toolbox-talks supported by our senior leaders. These have proved to be helpful in promoting more effective two-way communication with front-line operational teams. WaterWorks is the name given to the monthly performance measures dashboard which helps employees keep updated on how we are delivering for our customers, communities and the environment. It's important that all our employees are regularly updated on these critical measures, regardless of which part of the Group they work for.

Progression

One of our key challenges has been enabling a diverse workforce at all levels through internal progression. The REACH (Racial, Ethnic and Cultural Heritage) Network and Women's Network have both been key drivers in looking at how we can better support them with career progression across the organisation.

We operate a Women's Mentoring Programme, which supports women whether they are seeking professional guidance, building their network, or navigating their working environment and some of the challenges it entails. Throughout the year we piloted a Reciprocal Mentoring pilot, which paired eight members of the REACH Network with eight members of our executive and senior leadership team, with the goal being for individuals to share their lived experiences and encourage actionable behaviours from those involved.

We have also partnered with the Inclusive Village to design a REACH development programme. The programme is designed to support the career ambitions of those who may experience career disadvantage or inequalities due to their racial identity, whilst also enabling Pennon to foster the realisation of our commitment to the Change the Race Ratio campaign. This programme will cover a range of career-enabling topics identified by research as most pertinent in supporting ethnic minorities in the workplace, including: leveraging line manager and ally relationships, impact and influence, and developing a credible professional/personal brand.

We will continue to work with these groups in relation to career progression opportunities, to understand the challenges they face, and how as an organisation we can address these.

Change the race ratio initiative

As part of the Pennon Group, we are now committed as part of a group pledge to support to the Change the Race Ratio initiative, a campaign to increase racial and ethnic participation in the senior leadership of companies, as a route to encouraging more diversity at all levels and was the first water company to do so. During the last year, our pledge and ongoing commitment helped shape our business activities and decisions.

Slave-Free alliance membership

The Pennon Group has maintained its membership of the Slave-Free Alliance, which is part of Hope for Justice, the global anti-slavery charity. Our membership as part of the Pennon Group demonstrates our commitment to the highest employment standards for both our direct employees and those within our supply chain. Our Modern Slavery Report is published annually and can be found on our website:

www.pennon-group.co.uk.

Human rights

We are fully supportive of the principles set out in the UN Declaration of Human Rights, and the Group Ethics Policy outlines the high standards of employment practice with which all employees are expected to comply. The Group also supports the International Labour Organisation's core conventions for the protection and safety of employees wherever they may work throughout the Group. These standards are also embedded in our sustainable supply chain and documented in our Procurement Policy and Code of Conduct for supply chain partners.

Our gender and ethnicity pay gap

Within SES, we have seen a slight increase in our gender pay gap during this year from 7.1% in 2024 to 7.43%, this has been driven by a c.5% reduction in female representation at the highest pay level. This is significantly lower than the national average which stands at 13.1%.

We also voluntarily monitor and publish our ethnicity pay gap; this stands at 8.4%. We know that there is still more for us to do in this area, including increasing the employee self-disclosure diversity rates across the Company and continuing to attract more ethnically diverse candidates at all levels across the Group.

A full report breakdown and an update on our performance and plans, can be found on our Group website.



Prioritising health and wellbeing

Our wellbeing strategy is a core area in our People Strategy to ensure our people know that we care about them. It is estimated that in any given week, one in six people of working age experiences a common mental health problem like stress, depression or anxiety. Most of us will understand, from personal experiences or friends and family, the huge personal cost that this can bring.

Separately, data from Champion Health, our online wellbeing platform provider, supports the outcomes from the Great Place to Work survey. 93% of employees who completed the health assessment were motivated to change, with their three key areas being improving energy levels, reducing stress and improving mental wellbeing.

Our wellbeing strategy focuses on the following four main areas:

Mental

Taking care of our minds, coping effectively with life and creating satisfying relationships

Physical

Taking care of our bodies, acknowledging the importance of activity, nutrition and sleep

Financial

Taking care of our financial wellbeing, being in control of our financial future

Community

Encompassing the major external and internal factors such as social health

HomeSafe – our flagship health and safety programme

Ensuring Pennon Group people go home safe to their families safely every day is an utmost priority. The Group's HomeSafe programme continues to focus on the three key areas of Visible Safety Leadership, Accountability and Data Driven Targeted Interventions. Relentless focus on and driving consistency in these areas has seen the Company's Lost Time Injury Frequency Rate (employees and agency, excluding contractors),

the Group's primary measure of health and safety performance, continue to reduce, and this year achieve the original HomeSafe strategic target of 0.25. This year the Pennon Group has seen the fourth year in a row of reduction in LTIFR, down to 0.22 in September 2024, and 0.25 at 31 March 2025, compared to 0.30 at 31 March 2024.

The three areas we focused on:

1. Visible Safety Leadership, via HomeSafe Live events
 - ② Leaders owning HomeSafe, celebrating success with the intention of encouraging others to develop good practice and behaviours.
 - ② Leaders hosted safety 'stand-downs' to discuss recent events and immediate lessons to be adopted.
 - ② An expansion of the successful '12 days of Christmas' campaign into a full 24-day advent calendar where each day for 24 days, a team from across all Group companies and supply chain partners owned a key HomeSafe message for the Group ranging from simple pictures and messages through to scripted and acted out videos to engage the audience.
2. Driving a culture of accountability throughout the organisation
 - ② Implementing an index HomeSafe scorecard with a 70% performance bias on lead activities, driving up performance against these areas and embedding these behaviours as the 'way we work'.
 - ② Empowered decision making on risk management and investment into the front-line teams to identify hazards and solutions, and deliver these locally at pace to improve the working environment.
3. Using analytics to target interventions on the key areas at the right time to drive down harm particularly in manual handling and slips, trips and falls.

While as a Group, we have delivered year-on-year improvements, we continue to recognise that HomeSafe is not a project that will be completed. It continues to be the way we work and how we deliver on our commitments to customers, communities and the environment. HomeSafe is truly embedded within the Group, and to build on this success we have evolved HomeSafe again, focusing on four key cornerstones that will drive continued improvements in Occupational Safety while increasing focus and improvements in health and wellbeing. The plan to 2030 has been developed with significant input from across the whole business and will see HomeSafe remain at the core of how we deliver for our customers, stakeholders and the environment, expanding the remit to ensure we support our people to be the best version of themselves and that everyone goes home safe every day.

Financial review

SES financial overview

This year marks the end of the “K7” regulatory period spanning from 2020 to 2025. During this year we have worked with Ofwat to agree our ambitious plan for the next regulatory period (“K8”) and in December 2024 we, alongside the rest of the Pennon Group, accepted our Final Determination (FD) that determines our performance targets and consequently the costs we incur to deliver this performance over that five-year period from 2025 to 2030.

The water industry continues to be prominent in the media spotlight, we recognise the need to continue to deliver for our customers and the environment as we embark on our ambitious plans for K8.

The financial year ended 31 March 2025 has been another busy and challenging year for both SES and the water industry, with continued levels of high inflation, upward cost pressures particularly on electricity and chemical costs and the ongoing impacts of rising cost of living.

In July 2024, the Competition and Markets Authority (CMA) gave clearance on the acquisition of SES Water and the wider East Surrey Holdings Group to Pennon Group plc. This first year of operating has seen the start of our integration with the wider Group, understanding best practices and learnings, and bringing synergies across the Companies. Our focus for the last financial year of K7 has been to ensure that we are in a strong financial position as we enter into K8.

Statutory financial performance

Our financial performance for the year ended 31 March 2025 has been in line with expectations. Operating profit has increased to £12.4 million (2024: £4.3 million) due to tariff related increases in revenue offset partially by an increase in operating costs.

Revenue

Our revenue is mainly generated by billing our household and non-household customers for the essential water service that we provide. The prices that we charge our customers are determined by working with our regulator, Ofwat, on a five-year price review process, based upon the costs we expect to incur to operate the business in that period. 2024/25 being the final year of the five-year period.

Total revenue has increased by 13.6% to £82.7 million (2024: £72.8 million) mainly driven by a 21.4% increase in household measured revenue to £43.1 million (2024: £35.5 million). Unmeasured revenue increased marginally, driven by tariff increases offset by customers switching from unmeasured to measured plans as part of our planned metering programme. Despite the overall increase in revenue from the prior year, our revenue remained lower than our allowed revenue from Ofwat.

Operating expenses and other operating income

Operating costs increased marginally to £70.1 million (2024: £67.3 million) with the movement primarily driven by:

- ① Our total employee costs increased by 12.7%, to a total of £17.7 million (2024: £15.7 million) this was driven by pay rises for the year, combined with the impact of the Group restructure.
- ② Power increased by 7.3% to £8.8 million (2024: £8.2 million) due to inflationary pressures. We hedged our volume driven power costs to the end of K7, without this hedge in place our electricity costs would have been significantly higher in the year.
- ③ Raw materials and consumables reduced by 10.4% to £4.3 million (2024: £4.8 million) due to the stabilisation of chemical prices seen across the industry.
- ④ Depreciation and amortisation increased by 8.0% to £16.2 million (2024: £15.0) due to the continued investment in our capital investment programme.
- ⑤ Legal and professional fees reduced by £1.3 million to £1.8 million (2024: £3.1 million) due to prior years costs associated with the submission of our PR24 Business Plan to Ofwat not being repeated, and the first synergies with the wider Pennon Group being achieved.
- ⑥ Other operating costs increased in line with inflation and amounted to £21.3 million (2024: £20.5 million).
- ⑦ Bad debt is predominantly driven by customers who are unwilling or unable to pay their water bills. The Company continues to have measures in place to support those customers who are unable to pay their water bills and enhance its cash collections. The cost of living crisis has adversely impacted our customers' ability to pay their water bills, the expected credit loss provision resulted in a year-end balance of £7.5m, relatively in line with prior year.

Net financing costs

Net financing costs reduced by £10.9 million to £18.8 million (2024: £29.7 million). In the year RPI inflation continued to drop compared to prior years, although still significantly above historic levels. The drop in inflation resulted in a lower indexation charge on our long-term index-linked bond. Despite the lower inflation rate in the year, the value of the index-linked bond increased by £10.6 million, which will be repayable in cash instalments to the bond holders between 2027 to 2031.

Tax

Due to the loss before tax, a tax credit was reported in the year. In the prior year we continued to pay contributions to HMRC of £15.6 million in business rates, National Insurance contributions, PAYE and other taxes. Within the financial year we have not had to pay corporation tax to HMRC due to our interest costs and tax relief generated by our capital investment programme.

Dividends

The Board carefully considered the payment of a dividend in line with our dividend policy, taking into account operational performance and delivery for customers, and financial results, the board concluded that no dividend would be declared or paid in the year.

Capital expenditure

During the year we invested £20.3 million (2024: £22.4 million) in our capital investment programme. Key projects include:

- ① £4.2 million (2024: £6.3 million) investment in the ongoing replacement of pipes in our network.
- ② £0.9 million (2024: £1.1 million) to improve our resilience mains (to ensure water can be efficiently moved around our supply area now, and in the future).
- ③ £0.3 million (2024: £0.4 million) was spent on extending our network into new housing developments.
- ④ £5.1 million (2024: £3.0 million) was invested in replacing and upgrading our treatment works, pumping stations, service reservoirs and other operational sites.
- ⑤ A further £3.0 million (2024: £4.7 million) was invested in our ongoing metering programme to ensure we can accurately bill and monitor water usage and predict future demand trends.
- ⑥ £1.3 million (2024: £1.6 million) was invested in IT to maintain our software, hardware and cyber security, and enhancement to improve our customer journey.
- ⑦ Other expenditure on capex including facilities, laboratories and other capitalised charges totalled £5.5 million (2024: £5.3 million).



Cash and net debt

In the year to 31 March 2025, we continued to increase our liquidity and financial resilience. Our cash reserves were £74.6 million at the end of the year, of which £12.1 million sits within our restricted accounts in accordance with the requirements of our index-linked bond.

On 12 June 2024, the Company replaced its two existing RCF facilities with a new 18-month RCF facility of £65 million with NatWest. The new facility is at 1.35% above SONIA rate per annum and was originally due to expire in December 2025. This was negotiated in May 2025 for a period of 3 years with the option to extend.

As at 31 March 2025, £26.5 million were drawn down under the £65 million RCF (2024: the £40 million and £25 million previous RCFs were fully drawn down).

In addition, in the year ended March 2025 our new owners Pennon Group Plc, injected £70 million of equity into the Company to reduce gearing and increase liquidity.

The Company's total borrowings at 31 March 2025 totalled £289.8 million (2024: £320.0 million), a decrease of £30.2 million (9.4%).

SES Water's net debt portfolio predominantly reflects index-linked and fixed-rate debt, based on the legacy portfolio acquired at the date of acquisition. Subsequent to the equity injections in 2024/25, SES Water's gearing levels relative to RCV have reduced to 59.3%, with recognition from Ofwat of their improving financial resilience as a result of Pennon's ownership.

On 30 May 2025, the RCF was renewed for £50m to provide additional prefunding for the Company, this is for an initial period of 3 years with the option to extend. The renewal took place after the balance sheet date and is considered a non-adjusting balance sheet event.

Financing ratios and credit rating

During the year we have continued to have constructive conversations with the credit rating agencies, with our focus on financial and operational resilience during another challenging year.

Under our new ownership and the strength of the balance sheet that the Pennon Group bring to SES our credit rating has improved to Baa1.

In accordance with our £100 million index-linked bond agreement, we have restrictions on our level of gearing and interest cover ratios (ICR). Our gearing, as measured by the bond agreement, is the ratio of net indebtedness to regulatory capital value (RCV) which is determined by Ofwat. See note 18 for further detail.

Regulatory Capital Value (RCV)

SES Water's RCV of £367.53 million includes the benefit of regulatory reconciliation items in the PR24 Final Determination, inflation of 3.45% at March 2025, as well as additional accelerated investment and expenditure to drive outcomes in 2024/25.

Return on Regulated Equity (RORE)

We continue to outperform the regulatory cost of equity. Our RORE across the K7 period reflects a 4.2% real return to stakeholders, outperforming the equity return allowed by Ofwat of 4.19% as a result of strong financing performance across the five-year cycle, partially offset by increased investment, cost pressures including higher power costs than allowed, and ODI performance.

ODI performance for SES for 2024/25 is on track to achieve c.52% of its ODIs and has resulted in a net financial penalty of c.£2 million.

Regulated Gearing

SES Water's regulatory Gearing dropped in 2024/25 to 59.3% in 2024/25 from 79.1% in 2023/24. The reduction results from the equity injection received from our shareholders.

Financial highlights

£20.3m

Investment

59.3%

Gearing

£367.53m

Regulatory Capital Value

Ofwat RoRE In year

(6.46%)

SES – Total



Cumulative

(2.97%)

SES – Total



Chair's statement



I am very pleased to introduce, on behalf of the Board, the SES Water Annual Performance Report for 2024/25, which sets out our governance practices and processes, and how we applied the principles of the 2019 Ofwat board leadership, transparency and governance principles throughout the year.

The report covers our key focus areas and achievements during 2024/25 and explains how the Board continues to operate effectively and efficiently and to support SES Water's strategy

Review of the year

We continue to operate to the highest standards of corporate governance. Strong governance remains central to the successful management of the Company, providing the framework we need to deliver our strategy, fulfil our purpose, create value for all our stakeholders and continuously develop our business.

As we explain below, we also have processes and procedures in place to safeguard the independence of decision-making by the Board of SES Water.

More information on the Board's activities can be found on pages 33.

Changes to the Board

On 10 January 2024 Pennon Group plc announced that it had acquired the Company, which meant a change in the shareholder representatives on the Company's Board. Following the acquisition and subsequent CMA clearance, there were a number of changes to the Board during the year, which are summarised on page 34.

As the new Chair, together with my other newly appointed Board colleagues, I would like to thank Gill, Paul, Rebecca, David, Jonathan, Murray and Claire for their contributions and wish them all well for the future. We are grateful for the strong stewardship of the previous Board and executive management and mark the acquisition as an important step for the Pennon Group as we look ahead to the K8 (2025-30) regulatory period.

I am also pleased to welcome Ian Cain into his new role, as CEO Retail and Customer Markets, and look forward to

working with him in the future.

The biographies for the new members can be found on pages p36 to 38.

The role of Chief Executive Officer is a critical one for the business and a role with which I work closely. On 11 July 2025, we announced that Susan Davy would be retiring from her role as Chief Executive Officer of Pennon Group and South West Water. Susan has been a passionate supporter of the sector over many years and the Board and I are incredibly grateful to Susan for her unwavering leadership, as she has navigated the Group through some challenging external headwinds to emerge stronger and more resilient as we look ahead to the next regulatory period. The Board will now conduct a formal process to appoint a successor. Susan will continue as Group Chief Executive during this time and will leave in due course, ensuring a smooth and orderly transition.

Promoting diversity

Diversity and inclusion (D&I) continued to be a top priority for the Board and the Company during the year. Our Board composition is substantially ahead of the diversity targets suggested by the Parker Review and the FTSE Women Leaders Review.

Our commitment to diversity is also reflected right across the business; our widespread commitment and focused drive to recruit talent from all backgrounds has the heartfelt support of our strong and diverse leadership team.

More information can be found in the Nomination Report on pages 75 to 78 of the Annual Report and Financial Statements.

Engaging with our stakeholders

Engaging with all our stakeholders has never been more essential, particularly in view of the national and global issues we are facing. All companies in the water sector face much scrutiny around their environmental impacts, so it is vital that we listen to and respond to our stakeholders' views. We make sure to carefully consider all decisions and their likely impacts on our stakeholders.

We continue to foster an open and transparent feedback culture within the business. All colleagues have the opportunity to share feedback with the Board in several ways, including the Big Chat initiative and our Great Place to Work survey. You can read more on how we engage with our stakeholders on page 71 and in our Section 172(1) statement in our Annual report and Financial Statements on pages 73 to 74.

Culture

As a Board we pay particular attention to our Company's culture, ensuring it is fully aligned with our shared purpose, values, and strategy.

We continue to monitor these essential properties and receive regular reports from management on the work being done to ensure their continuous improvement. During the year, the Board were delighted to see the Pennon Group's new values, which reflect the views of our wider stakeholders and culture, be integrated into the Company.

Role of the Board and its effectiveness

It is my view that the Board continues to be highly effective with a deep understanding of the opportunities available to us and the threats facing the business.

The results of this year's Board and Committee performance reviews support this view; see page 77 of the Nomination Committee Report in the SES Annual Report and Financial Statements for further detail. We keep all identified threats to the future success of the business under constant review. Please see our risk report on pages 32 to 45 in the SES Annual Report and Financial Statements for a description of the risks we identify and review.

Board independence SES Water and Pennon

In accordance with Ofwat's principles on board leadership, transparency and governance, the Company maintains separate and independent boards for SES Water and our parent company, Pennon.

Our system of governance remains appropriate and effective, while continuing to support the delivery of our strategy.

Our Board and Committee framework also allows us to remain efficient in our decision-making processes. The SES Water Board convenes on the same day as the Pennon Board meeting and considers all key relevant issues. This arrangement allows full operational oversight and governance by the boards over the Company's water interests, while the Pennon Board continues to focus on strategic forward-looking matters for the Company as a whole.

Looking ahead

I would like to take this opportunity to thank my Board colleagues, the management team and our wider workforce for their outstanding work over the year just gone.

The Board will continue to focus on delivering against our strategic priorities in the year ahead, ensuring the wellbeing of our workforce as we build on the work of the last year in creating a successful and sustainable business.

David Sproul
Chair

15 July 2025

Key activities of the Board

In 2024/25, the Board considered a wide range of matters and the key activities that were carried out by the Board during the year, together with an indication of the stakeholders affected and whose interests the Board considered in its discussions and decision-making are set out below.

Inform

The agenda for each meeting is discussed and agreed in advance with the Chair in conjunction with the Group Chief Executive Officer, along with the matters arising from the previous meeting. Senior leaders and management prepare written reports for the Board meetings, based on the annual calendar of business, as well as deep-dive presentations on key areas of the business, to inform and make recommendations for the Board's consideration. In addition, regular performance reports are shared with the Board to ensure they are continuously informed.

Recommend and consider

Recommendations and deep dives from senior leaders, as well as external advisors to facilitate decision-making and accounting for stakeholder impact are presented to the Board for consideration.

Approve and action

The Board will consider matters and agree and approve actions to take forward.

Area	Activity	Outcome	Stakeholders affected
Strategic	PR24 Business Plan Approved our PR24 business plan	Investments will benefit our customers, the environment and community.	
	Delivery of capital projects Reviewed and approved the delivery of capital projects in line with the framework model for capital delivery	Successfully deliver capital projects for the benefit of all stakeholders and foster long-term relationship with our suppliers.	
Operational	ODI improvements Monitored our ODI improvements to meet regulatory requirements, ongoing regulatory/innovation initiatives were monitored via ESG, and H&S reports and adapted plans where needed.	Successful regulatory outcomes, safe customer and employee experience, enhancing day to day operations.	
	Water quality and resilience Approved the projects to upgrade treatments works and expanded capacity of our reservoir across the regions.	Successfully maintaining bathing water quality all year round. Reduction in pollution levels to industry leading low levels.	
Financial	2023/24 Annual Report and Financial Statements Reviewed and authorised the Annual Report and Financial Statements	Delivery against objectives to return capital where appropriate.	
Environmental	Net zero strategy plan, Green Recovery investment programmes Implementation and alignment of plans with our strategic priorities by engaging in projects and schemes	To accelerate our net zero plans and the delivery to achieve more sustainable future for all.	
Social	Supporting customers on low income Monitored customer service levels and plans to deliver improved diversity mix and adapting where needed.	Continued alignment of plans to achieve ever more stringent targets as well as greater public/regulatory scrutiny.	
	Investment in job opportunities and apprenticeships for local communities Reviewed and approved investments towards the benefit of the communities	Create job opportunities and improving career of our people and retaining talent.	
Risk	Mitigation of key risks Ongoing focus on key risks, with deep dives at Audit Committee meetings.	Continued alignment of plans to ensure appropriate risk mitigation.	
	Deep dive on cyber security risk Reviewed our information security systems and assessed mitigating measures to avoid cyber attacks	Continued protection of sensitive data of our customers and our people and ensure business preparedness to tackle this risk.	
Compliance, Governance, Legal and Regulatory	Regular updates on Corporate Governance and key legal developments during the year	Continued alignment of plans to ensure appropriate compliance/best practice governance.	

Our governance at a glance

On 10 January 2024, Pennon Group plc ('Pennon Group') announced that it had acquired the Company (the 'Pennon Acquisition'), which meant a change in the shareholder representatives on the Company's Board. The Pennon Acquisition was referred to the CMA for review (the 'CMA Pennon Review') as required by law.

During the period of the CMA Pennon Review and for a period beyond, due to the completion of the PR24 process, the Company was run as an independent company and business entirely separate from Pennon Group.

In July 2024, the Competition and Markets Authority (CMA) gave clearance on the acquisition of SES Water and the wider East Surrey Holdings Group to Pennon Group plc. Following this announcement, the Pennon Group and the Company began discussions on the merger and integration of the Company into the Pennon Group.

Up to the date of acquisition of the Company by Pennon Group plc, representatives from our previous shareholders, Ken Kageyama and Kenji Oda, were on the Board of SES Water plc. Ken and Kenji resigned at the point of the Pennon acquisition on 10 January 2024. Following the CMA clearance of the Pennon acquisition on 14 June 2024, directors from Pennon Group plc were appointed to the Board of SES Water.

On 2 October SES Water became incorporated into the Pennon Group's Governance framework, at which point the majority of the original Board members of SES Water stepped down and were replaced by Pennon Board members.

Board changes

- ⌚ Susan Davy was appointed to the Board as an Executive Director on 14 June 2024.
- ⌚ Andrew Garard was appointed to the Board as an Executive Director on 14 June 2024.
- ⌚ Gill Rider was appointed to the Board as Chair on 14 June 2024 and retired on 24 July 2024.
- ⌚ David Sproul was appointed to the Board as Chair on 24 July 2024.
- ⌚ Jonathan Butterworth was appointed to the Board as a Non-Executive Director on 2 October 2024.
- ⌚ Iain Evans was appointed to the Board as a Non-Executive Director on 2 October 2024.
- ⌚ Claire Ighodaro was appointed to the Board as a Non-Executive Director on 2 October 2024 and stepped down from the Board on 31 December 2024.
- ⌚ Dorothy Burwell was appointed to the Board as a Non-Executive Director on 2 October 2024.
- ⌚ Loraine Woodhouse was appointed to the Board as a Non-Executive Director on 2 October 2024.
- ⌚ Rebecca Wiles stepped down from the Board on 2 October 2024.
- ⌚ David Shemmans stepped down as Chair on 14 June 2024 and from the Board on 2 October 2024.
- ⌚ Jonathan Woods stepped down from the Board on 2 October 2024.
- ⌚ Murray Legg stepped down from the Board on 2 October 2024.
- ⌚ Laura Flowerdew was appointed to the Board as an Executive Director on 19 November 2024.
- ⌚ Paul Kerr stepped down from the Board on 28 February 2025.
- ⌚ Andrea Blance was appointed to the Board as a Non-Executive Director on 8 April 2025.

📖 **Read more on the new Directors' experience in their biographies on pages 36 to 38.**

Key focus areas for the board in 2024/25

- ⌚ Customer affordability
- ⌚ Delivery of capital projects
- ⌚ PR24
- ⌚ K8 readiness
- ⌚ Investment programmes
- ⌚ Water quality and resilience
- ⌚ Incident management

Meeting attendance during the year and board skills matrix

Following incorporation into Pennon Group's governance framework

		Attendance	Water sector	Regulation	Finance/Accounting	Strategy	Transformation	Health, safety & wellbeing	ESG including climate change	Enterprise risk management	Data, technology and digital	People	Governance	Remuneration
Position	Member													
Chair	David Sproul ¹	3/3	✓	✓		✓	✓		✓	✓		✓	✓	✓
Non-Executive Directors	Iain Evans ²	3/3	✓	✓		✓	✓		✓	✓			✓	
	Jon Butterworth ²	3/3		✓		✓	✓	✓	✓	✓	✓	✓	✓	
	Loraine Woodhouse ²	3/3		✓	✓	✓	✓		✓	✓		✓	✓	
	Dorothy Burwell ²	3/3		✓		✓	✓		✓	✓	✓	✓	✓	
	Claire Ighodaro ³	1/1		✓	✓	✓	✓		✓	✓	✓	✓	✓	
	Andrea Blance ⁴	0/0		✓	✓	✓	✓			✓			✓	✓
Executive Directors	Susan Davy ⁵	3/3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Ian Cain	3/3	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
	Laura Flowerdew ⁶	3/3	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Andrew Garard ⁵	3/3	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓

Before incorporation into Pennon Group's governance framework

		Attendance
Position	Member	
Chair	David Sproul ¹	2/2
Non-Executive Directors	David Shemmans ⁷	4/4
	Jonathan Woods ⁷	4/4
	Murray Legg ⁷	4/4
	Rebecca Wiles ⁷	4/4
Executive Directors	Susan Davy ⁵	2/2
	Andrew Garard ⁵	2/2
	Ian Cain	4/4
	Paul Kerr ⁸	4/4

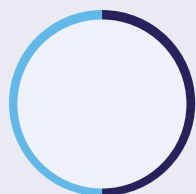
1. Appointed 24 July 2024
2. Appointed 2 October 2024
3. Appointed 2 October 2024 and stepped down 31 December 2024
4. Appointed 8 April 2025
5. Appointed 14 June 2024
6. Appointed 19 November 2024
7. Stepped down 2 October 2024
8. Stepped down 28 February 2025



Board of Directors

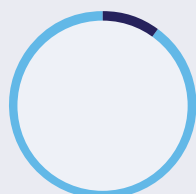
Trusted leaders

Board composition



● Women 5
● Men 5

Ethnicity



● Of ethnic minority 1
● White 9

Key

● Chair of Committee

A Audit

G Governance

E ESG Strategy

H Health and Safety and wellbeing

N Nomination Committee

R Remuneration Committee



David Sproul

Chair

E N R

Appointment to the Board

David was appointed to the Board as Chair on 24 July 2024.

He is Chair of the Nomination Committee and a member of the Remuneration Committee and the Environmental, Social and Governance Committee.

Skills and experience

David is also Chair of Pennon Group plc and South West Water Limited, since July 2024.

He is a Chartered Accountant who has spent the majority of his career in professional services with Deloitte and prior to that, Andersen, serving a diverse range of UK and international clients.

He concluded his executive career at Deloitte in summer 2021 as Global Deputy CEO having previously been elected for two terms as Senior partner and Chief Executive of Deloitte UK and Northwest Europe from 2011 to 2019. During his leadership, the firm became the largest and most profitable professional services firm globally and in the UK, driven in part by significant investments in technology services, as well as differentiating itself as the Audit quality leader with a strong inclusive culture.

Current external appointments

Chair of Starling Bank Limited and non-executive director on Safanad Limited. David is also a senior advisor to Bridgepoint Europe, and he sits on the Board of Governors as chair designate of University of Hertfordshire.



Susan Davy

Group Chief Executive Officer

H E

Appointment to the Board

Susan was appointed to the Board on 14 June 2024.

She is a member of the Environmental, Social and Governance Committee and the Health and Safety Committee.

Susan announced her intention to retire from her role on 11 July 2025, and continues in post whilst a process to appoint her successor is undertaken.

Skills and experience

Susan is also the Chief Executive Officer of Pennon Group plc and South West Water Limited since July 2020, having previously served as Chief Financial Officer since 2015. Susan brings extensive industry knowledge, backed by strong financial and regulatory expertise, which has been key to shaping and delivering South West Water's strategy. This includes value-enhancing acquisitions such as Bournemouth Water, Bristol Water, Sutton and East Surrey Water, along with the successful disposal of Viridor. With over 27 years of experience in the listed utilities sector, Susan has held several senior positions in the water industry, including at Kelda Group plc. Her experience with FTSE-listed companies, combined with deep operational and financial knowledge, adds valuable diversity to Pennon's leadership.

Current external appointments

Senior independent non-executive director and Audit Chair of Restore Plc, President and Director of the Institute of Water, Director of Water UK, Director of CREWW (Centre for Resilience in Environment, Water and Waste) and was previously a member of the A4S Accounting for Sustainability CFO leadership network.



Laura Flowerdew

Group Chief Financial Officer

H E

Appointment to the Board

Laura was appointed to the Board on 19 November 2024.

She is a member of the Environmental, Social and Governance Committee and the Health and Safety Committee.

Skills and experience

Laura was also appointed Chief Financial Officer of Pennon Group plc and South West Water Limited in July 2024. Laura held previous positions as Chief Customer and Digital Officer of Pennon Group and Chief Financial Officer of Bristol Water plc from October 2018. Laura previously worked in a number of executive positions in UK utilities and international natural resources business including Anglo American plc, De Beers and Bristol Energy. Prior to that she worked with Deloitte and trained with Arthur Andersen. She is a Fellow of the Institute of Chartered Accountants for England and Wales.

Current external appointments

None



Ian Cain

Executive Director

E G H N

Appointment to the Board

Ian was appointed to the Board as Group Chief Executive Officer in February 2020.

Skills and experience

Ian is an experienced senior leader with a strong track record as a senior executive and CEO of businesses across the utilities, infrastructure, and retail sectors. He joined SES Water in February 2020 and has led the Group through a period of significant transformation. Under his leadership, SES Water has achieved sector-leading outcomes in leakage reduction, water quality, and resilience, while strengthening regulatory relationships and securing multiple national biodiversity awards.

At Thames Water, Ian held senior roles including Managing Director for Retail and Chief Customer Officer, leading one of the industry's largest transformation programmes. He was previously CEO of iSupply Energy, where he delivered a successful turnaround and sale to EDF. Earlier in his career, he held a series of executive roles at British Gas and Centrica.

As a non-executive, Ian previously served as Chair of the advocacy body Consortium for Street Children.

Current external appointments

Ian is Company Director of MHS Homes Limited and Chief Executive Officer of Brokes Road Limited.



Iain Evans CBE

Senior Independent Director

H A N R E

Appointment to the Board

Iain was appointed to the Board on 2 October 2024.

He is Chair of the Environmental, Social and Governance Committee and a member of the Audit, Nomination, Remuneration and Health and Safety Committees.

Skills and experience

Iain is also Senior Independent Director of South West Water Limited since July 2020, having served on the Pennon Board since 1 September 2018. He became Senior Independent Director on 1 September 2023. Iain has 40 years of extensive global experience in advising companies and governments on issues of complex corporate strategy. In 1983, he co-founded L.E.K. Consulting in London and built it into one of the world's largest and most respected corporate strategy consulting firms with a global footprint active in a wide range of industries. Iain was appointed as a non-executive director of Welsh Water plc in 1989 and served on the board for nearly ten years, including five years as chair.

Current external appointments

Iain is a non-executive director of Bologna Topco Limited and HSM Advisory Limited and continues to act as an independent corporate strategy consultant.



Jon Butterworth MBE

Independent
Non-Executive Director

H A N R E

Appointment to the Board

Jon was appointed to the Board on 2 October 2024.

He chairs the Health and Safety Committee and is a member of the Nomination and Environmental, Social and Governance Committees.

Skills and experience

Jon is also an Independent Non-Executive Director of South West Water Limited, since September 2017 and Pennon Group plc since July 2020. He has a distinguished track record and an immense depth of experience and knowledge within the utility sector, having begun his career over 40 years ago as an apprentice at British Gas. Jon was previously Managing Director of National Grid Ventures, driving growth across a range of commercial ventures outside the regulated energy sector in the UK and the US. He has also been the Managing Director of Northwest Gas, Global Environment and Sustainability Manager of Transco, National Operations Director of National Grid, Group safety, Resilience and Environmental Director of National Grid plc and formerly CEO of National Grid Ventures. Jon is an ex-Chair of the CORGI Board, an Ex-Ambassador of the HM Young Offenders Programme and a trustee of the National Gas Museum Trust.

Current external appointments

Chief Executive Officer at National Gas. Jon is also President of the Pipeline Industries Guild and a director of E. Tapp & Co Limited, Shopfittings Manchester Limited and TMA Property Limited.



Loraine Woodhouse

Independent
Non-Executive Director

H E

Appointment to the Board

Loraine was appointed to the Board on 2 October 2024.

She is Chair of the Audit Committee and a member of the Nomination and Remuneration Committees.

Skills and experience

Loraine is also an Independent Non-Executive Director of Pennon Group plc and South West Water Limited, since December 2022. She is an experienced finance executive, with her experience focused in the retail and consumer sector, and more recently in real estate and infrastructure through her roles with Intu Properties plc and British Land Company plc. Loraine was the Chief Financial Officer of Halfords Group plc until June 2022, before which, she spent five years in executive and senior finance roles within the John Lewis Partnership, including Waitrose. Prior to that, Loraine was Chief Financial Officer of Hobbs, Finance Director of Capital Shopping Centres Limited (subsequently Intu Properties plc) and Finance Director of Costa Coffee Limited.

Current external appointments

Senior Independent Director and Chair of the Audit Committee for the British Land Company plc, non-executive director for Associated British Foods plc and a Trustee and Audit Committee member at the Zoological Society London.

Board of Directors continued



Dorothy Burwell

Independent Non-Executive Director

H N R E

Appointment to the Board
Dorothy was appointed to the Board on 2 October 2024.

She is a member of the Environmental, Social and Governance, Nomination, Health and Safety and Remuneration Committees.

Skills and experience

Dorothy is also an Independent Non-Executive Director of Pennon Group plc and South West Water Limited, since December 2022. She has over 20 years of experience in Banking and Communications, specialising in natural resources and advising clients around issues on sustainability, strategy, and corporate communications. She is well known for driving substantive diversity and inclusion agendas.

Between 2002 and 2006, Dorothy held analyst and senior roles at Goldman Sachs in the Investment Banking Division in both London and New York as well as in the firmwide Strategy group, where she focused on proprietary mergers and acquisitions and new business development.

Dorothy graduated from the Florida Agricultural and Mechanical University, USA with a Bachelor and Master of Business Administration, Finance and Management.

Current external appointments

Partner and Global Partnership Board member of FGS Global, non-executive director at Post Holdings, Inc.



Andrea Blance

Independent Non-Executive Director

A N R

Appointment to the Board

Andrea was appointed to the Board as an Independent Non-Executive Director on 8 April 2025.

She is Chair of the Remuneration Committee and is also a member of the Nomination Committee.

Skills and experience

Andrea is also an Independent Non-Executive Director of Pennon Group plc and South West Water Limited, since April 2025. She brings extensive risk and regulation expertise gained within the financial services sector and works with businesses to develop customer-focused commercial strategies. Andrea spent her executive career at Legal & General Group plc where she held a range of senior leadership roles including Group Chief Risk Officer and Strategy & Marketing Director. More recently, Andrea has been Risk Committee Chair at Hargreaves Lansdown plc, Senior Independent Director and Remuneration Committee Chair of Vanquis Banking Group plc, Senior Independent Director and Audit Committee Chair of ReAssure plc, and Risk Committee Chair of Scottish Widows plc and Lloyds Banking Group Insurance.

Current external appointments

Non-executive director and Risk Committee Chair at Aviva plc.



Andrew Garard

Executive Director

H E

Appointment to the Board

Andrew was appointed to the Board as an Executive Director on 14 June 2024.

Skills and experience

Andrew is also Group General Counsel and Company Secretary of Pennon Group plc and South West Water Limited, since December 2022. He is a very experienced General Counsel having joined from Meggitt plc, where he was Group General Counsel and Director of Corporate Affairs, and member of the Group Executive responsible for legal, commercial, trade compliance, government relations, ethics and contract management. Previously, he was Group General Counsel and Company Secretary at ITV plc where he was a member of the Executive Board and led a global team responsible for legal and business affairs, secretariat, compliance, insurance, health & safety, rights management and corporate responsibility. Prior to this he was Group General Counsel at Cable & wireless plc and Head of Legal at Reuters Group plc.

Current external appointments

Non-executive director at Zinc Media Group plc where he is Chair of the Remuneration Committee, co-founder and Chair of the Board of Trustees of the Social Mobility Business Partnership.



David Harris

Managing Director of Water Services

Appointment to the Board

In attendance only.

Skills and experience

David joined the Group as Group Drought and Resilience Director in 2022. He was appointed as Managing Director, Water Services (National) in July 2024. With over 25 years of executive experience, he has successfully led the performance and growth of large infrastructure businesses, in both the regulated water market and the competitive energy market in Australia. David brings experience from his time leading one of Australia's largest and fully vertically integrated water companies through the worst droughts in the country's history, ensuring a constant supply of water and the building of additional water resources.

Board members who stepped down in 2024/25:

- ② Gill Rider: stepped down from the Board on 24 July 2024
- ② Murray Legg: stepped down from the Board on 2 October 2024
- ② Jonathan Woods: stepped down from the Board on 2 October 2024
- ② David Shemmans: stepped down from the Board on 2 October 2024
- ② Rebecca Wiles: stepped down from the Board on 2 October 2024
- ② Claire Ighodaro: stepped down from the Board on 31 December 2024
- ② Paul Kerr: stepped down from the Board on 28 February 2025

The Executive Team



Susan Davy

Group Chief
Executive Officer

See bio on page 36



Laura Flowerdew

Group Chief Financial Officer

See bio on page 36



Andrew Garard

Executive Director

See bio on page 38



Adele Barker

Group Chief People
Officer

Appointment

July 2020

Skills and experience

Adele joined the Company in 2017 and was appointed Chief People Officer in 2020. Adele's role is to lead and execute the Company's people strategy, Health and Safety strategy and lead on Corporate Affairs.

Her background includes senior executive roles and HR leadership across Utilities, banking and retail, including British Gas, Orange and Marks & Spencer.



David Harris

Managing Director of Water

Appointment

November 2022

Skills and experience

David joined the Company as Drought and Resilience Director in 2022. He was appointed as Managing Director, Water Services (National) in July 2024. With over 25 years of executive experience, he has successfully led performance and growth of large infrastructure businesses, both in the regulated water market and the competitive energy market in Australia. David brings experience from his time leading one of Australia's largest and fully vertically integrated water companies through the worst droughts in the country's history, ensuring a constant supply of water and the building of additional water resources..



Graham Murphy

Chief Engineering Officer

Appointment

July 2024

Skills and experience

Graham joined South West Water in 1991 and has held a number of positions within engineering, operations and HR. He was appointed to his current role as Chief Engineering Officer in July 2024 and has full responsibility for the timely and efficient delivery of South West Water's capital investment programme. Prior to joining South West Water, he undertook a variety of operational management roles within British Gas.

The Executive Team continued



Sarah Heald

Chief Strategy, Regulatory Affairs and Investor Relations Officer

Appointment

July 2025

Skills and experience

Sarah rejoined Pennon Group in July 2025 as Chief Strategy, Regulatory Affairs and Investor Relations Officer, having previously served as Group Director of Corporate Affairs and Investor Relations until 2020.

Sarah brings extensive listed company experience in corporate affairs, stakeholder engagement, sustainability, and investor relations in regulated industries.

Before returning to Pennon, Sarah was Chief Corporate Affairs and Sustainability Officer at Aberdeen plc. She also Chaired the Aberdeen Charitable Foundation and was a Non-Executive Director of the abrdn Financial Fairness Trust.

She has also held senior roles at Finsbury (now FGS Global), Bank of America Merrill Lynch and BMO Capital Markets, and co-founded a sustainable investment start-up.



Ian Cain

Group Chief Executive Officer, Retail and Customer Markets

Appointment

July 2025

[See bio on page 37](#)



Carolyn Cadman

Chief Sustainability and Natural Resources Officer

Appointment

July 2025

Skills and experience

Carolyn has recently been appointed Chief Sustainability and Natural Resources Officer, having joined South West Water as Director of Natural Resources in May 2022.

Carolyn and her team are delivering projects to lower carbon emissions, increase nature recovery efforts and increase the sustainability of operations across the group.

Carolyn is a Director of South West Water's partnership with Exeter University, CREWW.

Carolyn also sits on the Boards of the Devon Local Nature Partnership, the Isles of Scilly National Landscape and is Chair of the Cornwall Catchment Partnership. Prior to joining South West Water, Carolyn was Chief Executive of Cornwall Wildlife Trust, and has served in national roles for Natural England and the Marine Management Organisation, and in the South West region for Cornwall Council.

Board leadership and Company purpose

Pennon Group plc Board

The Board is responsible for promoting the long-term success of the Group, generating value for all its stakeholders, including its shareholders, customers, employees and communities it serves, by providing effective leadership and direction as a whole.

It sets the Group's strategy and sustainability strategy, having regard to stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It has also established the Group's purpose and values and monitors culture to ensure alignment. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Group.

Board leadership and Company purpose

Governance structure and framework

Sutton and East Surrey Water plc - Board of Directors

An independent, separate Board from the Pennon Group plc Board, responsible for decisions relating to the business and strategy of Sutton and East Surrey Water plc.

The role of the Board is to promote the long-term success of the Company, generating value for all its stakeholders, customers, employees and the communities which it serves, by providing effective leadership and direction to the business as a whole. It sets the Company's strategy and sustainability strategy, having regard to stakeholders, while maintaining a balanced approach to risk within a framework of effective controls. It has also established the Company's purpose and values and monitors culture to ensure alignment. It sets the tone and approach to corporate governance and is responsible for the overall financial performance of the Company.

The Board Committees

The terms of reference for each Committee are agreed by the Board and can be found at <https://www.pennon-group.co.uk/about-us/board-committees>.

Audit Committee

Ensure the quality and integrity of the Company's reporting, assesses the application of accounting policies given underlying standards, probes and tests the accounting judgements made in preparing financial reporting and evaluates whether the presentation of the Company's activities is fair, balanced and understandable. Review and challenge the effectiveness of the internal control environment and risk management processes.

Read more on pages 73 and 79 to 82.

Nomination Committee

Regular review of the structure, size and composition (including the skills, knowledge, independence, diversity and experience) required of the Board, compared to its current position and the skills and expertise needed in the future.

Read more on page 74.

Remuneration Committee

Ensures remuneration is aligned with the Company's strategy and reflects the values of the Company. Advises the Board on the framework of executive remuneration for the Company and for the wider workforce.

Read more on pages 49 to 64.

ESG Committee

Ensure robust scrutiny of key aspects of environmental, social and governance (ESG) performance and to oversee performance against our ESG strategy and strategic sustainability objectives.

Read more on pages 87 to 88.

Health and Safety Committee

Provide a 'review and challenge' function to support the Board on all matters connected to health and safety including the deployment of the health and safety strategy, resilience and process safety.

Read more on page 75.

Chief Executive Officer

Responsible for defining and driving the business priorities that will achieve delivery of the Company's strategy and ensuring, to the extent of the authority delegated by the Board, the proper and prudent management of Company resources to create and maximise value while protecting the interests of the wider stakeholder group.

Board leadership and Company purpose continued

Sub-committees and steering groups

There are a number of sub-committees and steering groups which support delivery of our strategic priorities and key delivery programmes as set out in the table below.

No	Title	Purpose
①	Investment Planning Committee	Effective owner of procedures controlling and approving capital investment. Ensures principles of proper financial control
②	Compliance Committee	Established to oversee South West Water's compliance with our obligations
③	Procurement Strategy Group	Oversees strategies and policies to promote effective working practices for strategic contracting relationships
④	Net Zero and Energy Committee	Oversees our management of risk and risk appetite in the areas of energy management, net zero and sustainability

Division of responsibilities

There is a clear separation of responsibilities between the Chair and the Group Chief Executive Officer, divided between managing the Board and the business, while maintaining a close working relationship.

All the Directors are equally accountable for the proper stewardship of the Company's affairs and also have specific roles, which include those set out below:

Position	Director(s)	Role
Chair	David Sproul (from 24 July 2024)	<ul style="list-style-type: none"> ① Leading the Board and promoting a strong culture of openness and debate to facilitate constructive Board relations and effective contribution from all Non-Executive Directors ② Promoting the highest standards of integrity and probity and ensuring the Board holds itself to standard of good and effective governance. ③ Managing Board composition, performance and succession planning, ensuring the Board continues to have the skill set and training it requires. ④ Setting the agenda and ensuring the timely dissemination of information to the Board, to ensure all relevant information is provided in a timely manner before constructive discussion and decision making. ⑤ Representing the high standards and values of the Company and ensuring the views of all stakeholders are understood and considered. ⑥ Facilitating an open relationship with the Group Chief Executive Officer by providing advice, support and guidance.
Group Chief Executive Officer	Susan Davy	<ul style="list-style-type: none"> ① Managing the Company and providing executive leadership ② Developing, proposing and implementing Company strategy, as agreed by the Board and in line with the strategic framework ③ Leading on all regulatory and policy decisions ④ Leading the operation of the Company in accordance with the decisions of the Board ⑤ Ensuring financial and operational leadership ⑥ Coordinating with the Chair on important and strategic issues of the Company and providing input to the Board's agenda ⑦ Contributing to succession planning and implementing the organisational structure ⑧ Leading on acquisitions, disposals, and business development ⑨ Developing and managing relations with all stakeholders
Senior Independent Director	Iain Evans (from 2 October 2024)	<ul style="list-style-type: none"> ① Assisting the Chair with stakeholder communications and being available as an additional point of contact for stakeholders ② Being available to other Non-Executive Directors if they have any concerns that are not satisfactorily resolved by the Chair ③ Ensuring an annual performance evaluation of the Chair, with the support of the other Non-Executive Directors and ensuring effective succession planning for the Board

Position	Director(s)	Role
Group Chief Financial Officer	Laura Flowerdew (from 28 February 2025)	<ul style="list-style-type: none"> ① Managing the Company's financial affairs and supporting the Group Chief Executive in providing executive leadership and implementing the Company strategy ② Reporting accurate and detailed financial information to the Board on performance and developments across the business ③ Managing and balancing relationships with areas of the Company, such as finance and treasury, as well as external stakeholders
Non-Executive Directors	Jon Butterworth Loraine Woodhouse Dorothy Burwell Andrea Blance (all from 2 October 2024)	<ul style="list-style-type: none"> ① Critically reviewing the strategies, operational performance and financial reporting for the Company ② Evaluating proposals from management and constructively challenging its recommendations ③ Contributing to corporate accountability and good governance through being active members of the Committees of the Board ④ Play a key role in succession planning of the Board and the annual Board and Committees evaluations
Other Executive Directors	Ian Cain, Paul Kerr (to 28 February 2025) Andrew Garard (from 14 June 2024)	

Managing SES Water

The SES Water Board continues to operate as a separate independent Board, albeit with Board members also serving on the Board of Pennon Group plc, in accordance with its schedule of matters reserved (see below), to ensure compliance with Ofwat's principles on Board leadership, transparency and governance.

The focus on UK water means the interests of the non-regulated and regulated businesses are more closely aligned and provide for more effective leadership and governance. The Company has a conflicts of interest process which safeguards the SES Water Board's ability to set and have accountability for all aspects of the regulated business' strategy, thereby ensuring and strengthening SES Water's regulatory ringfence.

While certain matters may be delegated to the Board Committees and to the Executive Directors, as appropriate, the matters reserved for the Board include:

- ① The approval of the Annual Report and Financial Statements
- ② Any acquisitions and disposals
- ③ Major items of capital expenditure
- ④ Authority levels for other expenditure
- ⑤ Risk management process and monitoring of risks
- ⑥ Approval of the strategic plan and annual operating budgets
- ⑦ Company policies, procedures and delegations
- ⑧ Appointments to the Board and Committees

The Pennon Group Board also endorses certain decisions taken by the SES Water Board, including major capital projects and investments, long-term objectives and commercial strategy, the five-year regulatory plan, annual budgets and certain decisions relating to financing. This approach remains compatible with Ofwat's principles on board leadership, transparency and governance because such decisions are ultimately reviewed and approved by the SES Water Board. Approval of SES Water's dividend policy and the declaration of any dividends to be paid by SES Water to Pennon also remain reserved for the SES Water Board.

An effective Board

The SES Water Board, in discharging its duties, has a clear strategy for growth and ensures that its aims and objectives align with the Company's purpose and values which have been carefully considered. The Board maintains the highest standards of governance alongside taking decisions to ensure the long-term sustainability of the Company.

Thanks to the diverse skillset, independence of thinking and experience of the Directors, decisions reached by the Board are fair, focused and balanced and they demonstrate that constructive debate has occurred. All possible outcomes for the mutual benefit of our shareholders, customers, employees, and the communities we serve, are at the heart of the Board decision making process.

The governance framework for the Board is clearly documented in the Company's Articles of Association, Division of Responsibilities, Schedule of Matters Reserved to the Board and Terms of Reference for each Committee, which are all available on the Pennon Group plc website: <https://www.pennon-group.co.uk/about-us/board-committees>.

The culture of the Board is one of openness and constructive dialogue with the senior management team. Regular and effective flow of information between the Non-Executive Directors and senior management, both in and out of the Boardroom, ensures that there is good understanding of the Company's business. Further information on the effectiveness of the Board is detailed in the 2025 Board performance review on page 78 of the SES Water Annual Report and Financial Statements. As detailed on page 42, there is a clear division of responsibilities between roles of the Chair and Group Chief Executive Officer; however, to ensure that their responsibilities are discharged effectively, there is consistent communication on all areas of the business between them.

The Board held seven scheduled meetings during the year, four before SES Water's incorporation into Pennon Group's governance structure and three after. Directors' attendance at scheduled Board meetings held during the year is set out on page 35. Additional unscheduled Board meetings were held when circumstances required the Board to meet at short notice. The Board also approved a number of matters during the year by written resolution.

Board leadership and Company purpose continued

An effective Board continued

Agendas for each scheduled Board and Committee meeting are prepared in advance and are aligned with the annual Board and Committee programmes. For each scheduled Board meeting there are a number of standing items such as the performance reports from the Group Chief Executive Officer and Group Chief Financial Officer, operational reports, deep dives, and legal and governance updates. All matters are given due consideration by the Board and are reviewed at the appropriate point in the regulatory and financial cycles. Flexibility is retained in the programmes to include additional items requested by the Board, Committees, or senior management.

The key activities of the Board can be found on page 33 and the key activities of the Committees during the year can be found in the Committee Reports in the Annual Report and Financial Statements.

Directors are provided with papers at least five business days in advance of each Board or Committee meeting and meeting packs are provided on a secure Board portal.

The Chair has calls with each of the Non-Executive Directors in advance of each scheduled Board meeting to discuss the papers and the business of the meeting. If a Director is unable to attend a meeting because of exceptional circumstances, they will continue to receive all the material for the meeting and have an opportunity to have a briefing discussion with the Chair in advance. Feedback is provided to the Directors unable to attend on the decisions taken at the meeting.

Non-Executive Directors communicate directly with senior management between Board and Committee meetings, where required. Members of the Executive Board also present at the annual strategy Board meeting and at other times during the year on their areas of responsibility, along with members of their teams.

During the year, the Chair had catch-ups with the Group Chief Executive Officer and regular catchups with the Pennon Group General Counsel, and Company Secretary and Group Chief Financial Officer.

Meetings of the Non-Executive Directors, without the presence of the Executive Directors, are scheduled in the Board's annual programme. During the year, Non-Executive Directors met without the Executive Directors after every Board meeting. These meetings provide the Non-Executive Directors with the opportunity to share experiences and discuss wider business topics, fostering debate in Board and Committee meetings and strengthening working relationships.

Schedule of matters reserved to the Board

The Board maintains oversight of the areas material to the delivery of the Company's strategy and purpose, and acts as the main governing body for the purpose of oversight for the Company. The Board undertakes a regular review of the Matters Reserved to the Board, with the latest review taking place in September 2023.

Committees

In accordance with the UK Corporate Governance Code, the Board delegates certain responsibilities to core committees, which monitor various subject matters in depth and gain greater understanding in detail. The Committees' responsibilities and mode of operation are guided by their respective terms of references which have been agreed by the Board and summarised on the Committee Report pages. In addition, each Committee considers its calendar of business at every meeting to ensure responsibilities continually remain clear. Each Committee Chair provides an update on matters discussed at each Board meeting, reporting on decisions taken and where appropriate provides a recommendation to the Board on matters requiring its approval. The reports from each Committee of the Board can be found on pages 75 to 94 of the Annual Report and Financial Statements.

Strategy

The Board recognises its responsibility to create and oversee the framework for the delivery of the Company's strategic model, ensuring that the strategy and purpose continually deliver for our stakeholders. At the meetings the Board receive presentations from senior management, deep diving into performance, including reviews into the financial outlook and opportunities for growth.

Workforce engagement

The Board has decided, at this time, not to adopt any of the three specific employee engagement methods referred to in the UK Corporate Governance Code. Instead, our chosen method, in line with Pennon Group, is to adopt a more enhanced approach which includes the conduct of a periodic 'Great Place to Work' engagement survey (including related management feedback sessions) and continuous employee feedback through our own in-house forums. These comprise our RISE people panel, a forum for employee engagement, and the 'Big Chat', hosted on a monthly basis by the Pennon Group Executive team.

These forums not only give employees access to important up-to-date information on key business events; they also provide the opportunity to hear from the Directors, give feedback and ask questions.

The Board believes SES Water's chosen approach is an effective way of communicating with employees and gathering essential feedback from across the business. This empowers the Board to consider the interests of all employees in its discussions and decision-making. There is further information on employee engagement on pages 26 to 29.

Stakeholder engagement

In delivering our strategy and ensuring sustainable, long-term success of the Company, the Board places utmost importance on the interest of our stakeholders in its decision-making process. Further details on how the Board has fulfilled its duties under section 172(1) of the Companies Act 2006, to consider all stakeholders in its discussions and decisions and that each decision reached is in line with the Company's purpose and culture, is set out on pages 72 to 73 of the SES Water Annual Report and Financial Statements and an explanation as to how we engaged with our different stakeholders during the year can also be found on page 70 of the Annual Report and Financial Statements.

Workforce policies and practices

Conflicts of interest

In accordance with the Directors' interest provision of the Companies Act 2006 and the Company's Articles of Association, the Board has in place a procedure for the consideration and authorisation of Directors' conflicts or possible conflicts with the Company's interests. The Board considers this has operated effectively during the year. Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have or may have a direct or indirect interest that conflicts or might conflict with the interests of the Company.

This duty is in addition to the duty owed to the Company to disclose to the Board any interest in a transaction or arrangement under consideration by the Company. A register of Directors' conflicts is maintained, with conflicts of interests reviewed and noted at each Board meeting.

Whistleblowing

The Board maintains overall responsibility for the Company's Whistleblowing Policy (the 'Policy'). The Policy provides a clear procedure for employees and suppliers to report concerns, through the Speak Up service, either to their line manager or through a third-party whistleblowing hotline. The Policy is well communicated to employees across the Company. All whistleblowing cases are investigated by the Ethics Management Committee. The Board, through its Audit Committee, receives yearly whistleblowing updates which set out any whistleblowing issues raised during the period and interim updates on any significant matters. The updates provided are anonymous and summarise the result of any investigation. The Pennon Board is satisfied that the Policy and the work of the Ethics Management Committee remain effective.

SES Water (Sutton and East Surrey Water Limited)

On 10 January 2024 Pennon Group plc acquired 100% of the issued share capital of Sutton and East Surrey Group Holdings Limited, from our previous shareholders Sumitomo Corporation and Osaka Gas. In July 2024, the Competition and Markets Authority (CMA) gave clearance on the acquisition of SES Water and the wider East Surrey Holdings Group to Pennon Group plc.

SES Water provides regulated water services across parts of Surrey, Kent and south London. SES Water provides retail services to residential (household) customers.

South West Water (South West Water Limited)

South West Water provides regulated water and wastewater services across Cornwall, Devon, Isles of Scilly and parts of Dorset and Somerset, water only services in areas of Dorset, Hampshire and Wiltshire (the Bournemouth Water area), Bristol and a small amount of non-appointed services. It was responsible for delivering the 2020-25 business plan, in the original South West Water area of operation, the Bournemouth Water and the Bristol Water areas of operation. South West Water provides retail services to residential (household) customers.

Pennon Group plc

Pennon Group plc is a UK FTSE listed company and owns 100% of the share capital of SES Water plc. Further details of the governance arrangements are provided in this section of the Annual Performance Report and in Pennon Group plc's Annual Report and Accounts.

Pennon Water Services (Pennon Water services Limited)

Pennon Water Services provides retail services to non-household customers. Whilst part of the wider Pennon Group, South West Water has in place robust policies and practices to ensure full competition compliance with the market codes for the non-household retail market.

Water 2 Business (Water 2 Business Limited)

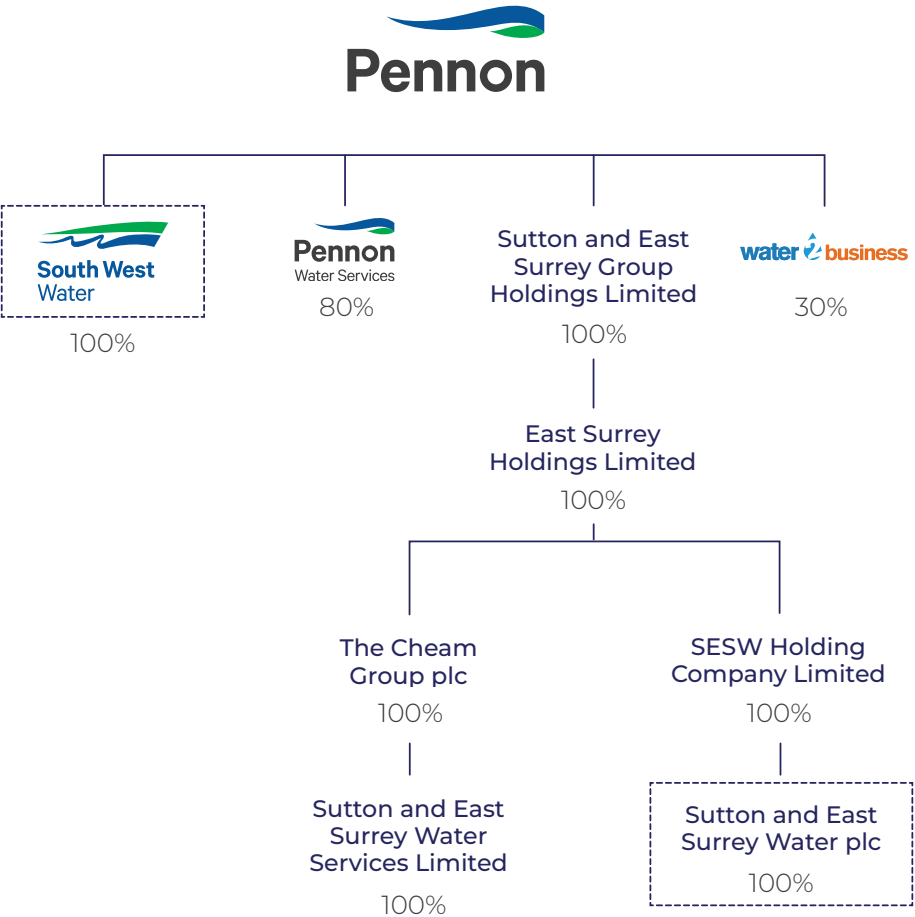
The Company is a joint venture between Wessex Water Limited ('Wessex Water') and Bristol Water Holdings Limited ('Bristol Water'). The principal activities of the Company are retail services relating to the provision of water, sewerage and trade effluent services to non-household customers, together with advice on water efficiency services (i.e. leakage detection and repair, water audits and benchmarking).

SES Business Water and SES Home Services (Sutton and East Surrey Water Services Limited)

Sutton and East Surrey Water Services Limited operates as two separate trading divisions: SES Business Water and SES Home Services. SES Business Water provides water and wastewater retail services to non-residential customers across the UK. SES Home Services provides plumbing and heating services which cover domestic water and gas heating systems in the Southeast of England.

Sutton and East Surrey Water's context

Sutton and East Surrey Water plc ('SES Water') is an ultimate subsidiary of Pennon Group plc ('Pennon Group'), a FTSE 250 company, whose principal significant trading subsidiaries are shown in grey in the summarised structure diagram below. This diagram excludes Group entities that do not generate significant external revenues.



--- Regulatory Ringfence

Board leadership and Company purpose continued

How the Board engages with stakeholders

The Board understands the role the Company has to play in creating a more sustainable East Surrey, West Kent, and South London, and UK as a whole. We are committed to carrying out our business in a responsible way and to continuously improving how we provide all our services for the benefit of all our stakeholders.

Our section 172(1) statement describes in more detail how the Board considers the interests of all our stakeholders when carrying out its duties. SES Water is committed to ensuring that its decision-making process takes into account the interests of all key stakeholders, including our customers, communities, people and suppliers. Our Directors take their duties under this section seriously and carefully consider the long-term impact of their decisions.

In fulfilling their duties, our Board engage with stakeholders through a variety of channels to understand their views and priorities. This includes direct engagement with customers, employee feedback mechanisms, consultations with regulators, and community outreach programmes. By integrating these perspectives into our decision-making, we aim to create value for both our shareholders and society, while also ensuring the sustainable use and protection of our water resources.

Engaging with our customers and communities

The Group Chief Executive Officer's report, which is presented to the Board and discussed at every meeting, included updates on customer engagement sessions conducted as part of the PR24 Business plan process.

Engaging with our people

The Board receive regular updates on our people from the Pennon Group Chief People Officer at its meetings. The feedback from the Great Place to Work survey provided to the Board ensure that the decisions made consider employee interests and include what is of priority to our people. Further details on the engagement with our people can be found on pages 8 to 9.

Engaging with our regulators and policy makers

The Board receives regular updates on our regulators and policy makers. The Board proactively engages with our regulators, particularly Ofwat and the Environmental Agency, and Government, both at a local and national level, including sharing platforms with local MPs at constituency meetings, and face-to-face discussions with Defra throughout the year.

Regular 1-2-1 meetings are held with regional MPs in Westminster to discuss strategic and overarching issues around performance and our plans for investment.

Engaging with environmental organisations

The Board regularly receive updates at meetings on our engagement with environmental organisations particularly Defra, DWI and Water UK.

As we head into K8 and reflect on what was achieved in K7, we are committed to continued engagement with the Environmental Agency.

Updates were given to the Board on engagements and collaborations with Water UK, and its Board, ensuring that the water industry's position on increased investments to improve the sector for the benefit of our stakeholders, remains a key government focus.

Engaging with our suppliers

The Board receives updates at Board meetings on our engagement with suppliers which is conducted through formal Request for Purpose processes and periodic supplier review meetings to ensure that our suppliers deliver outcomes that benefit all our stakeholders.

The Board is regularly informed and involved through the stages of tender processes which are undertaken to ensure that suitable and experienced suppliers are contracted to deliver our capital projects.

During the year, the Board received updates on our engagement with the Cabinet Office on the drafting of the Procurement Act 2023 which is geared towards making procurement simpler, quicker and more transparent given the criticality of supply chain in the future delivery of our business.

As a Group we are actively engaging the wider industry supply chain directly and indirectly through organisations such as British Water, Future Water and the Civil Engineering Contractors Association to both understand and influence emerging trends and mobilise the best suppliers and innovation for the benefit of the Group.

Composition, succession and evaluation

Training and development

In fulfilment of the Directors' duties the Board has been supported by the advice and services of the Pennon Group Company Secretary and other functions of the business. An established procedure whereby Directors can seek independent professional advice at the Company's expense to fulfil their duties is in place. The Pennon Group Company Secretary is responsible for ensuring that the Board operates in accordance with the governance framework and that information flows effectively between the Directors and the Committees and between senior management and Non-Executive Directors.

The training needs of Directors are reviewed as part of the Board's performance review process each year. Training may include attendance at external courses organised by professional advisors and internal presentations from senior management.

During the year, updates were provided to the Board and Committees via the Pennon Group General Counsel and Company Secretary and/or the Company's external advisors. These included updates on mandatory reporting and recent legal or governance changes. Specifically, the Board received updates on the Water (Special Measures) Act and Directors Duties under the Companies Act 2006.

Board inductions

On their date of appointment to the Board, any Directors, who are new to the Group, receive a comprehensive and tailored induction programme coordinated by the Pennon Group General Counsel and Company Secretary.

Board composition, independence and experience

As at the date of this report, our Board comprises the Chair, five Non-Executive Directors, four Executive Directors (one being the Pennon Group General Counsel and Company Secretary). As at 31 March 2025, female representation on the Board was at 50%, exceeding the Board's target of 33%.

All of the Non-Executive Directors are considered by the Board to be independent and are subject to re-election each year. All the Non-Executive Directors are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations. Their biographies on pages 36 to 38 demonstrate collectively a broad range of business, financial and other relevant experience.

Loraine Woodhouse is Chair of the Audit Committee and, in accordance with the UK Code and FCA Disclosure Guidance and Transparency Rule 7.1.1A, has recent and relevant financial experience and competence in accounting and auditing (as set out in her biography on page 37). The Board is satisfied that the Audit Committee has financial literacy and competence relevant to the sector in which the Company operates.

Time commitment

All Non-Executive Directors are required to devote sufficient time to meet their Board responsibilities and demonstrate commitment to their role. During the year, the Nomination Committee considered the time commitment of all the Non-Executive Directors and was satisfied that the required time dedicated by each of them remains appropriate.

External appointments

All Directors are required to consult with the Chair and obtain Board approval before taking on any additional appointments. Executive Directors are not permitted to take on more than one non-executive directorship of a FTSE 100 company or other significant appointment. As part of the selection process for any new Board candidates, any significant external time commitments are considered before an appointment is agreed.

Susan Davy was a non-executive director of Restore plc and Chair of Water UK throughout 2024/25. The Board is of the opinion that the experience gained from external appointments provides additional and different business experience and a fresh insight into the role of an Executive Director.

Further information on the other business commitments of the Chair and SES Water's Non-Executive Directors is on pages 36 to 38.

Board performance review

The Board undertakes a formal and rigorous review of its performance and that of its Committees and Directors each year. Having carried out an externally facilitated evaluation in 2023, this year the evaluation was carried out by means of an internally facilitated online questionnaire, prepared by the Pennon Group General Counsel and Company Secretary and in consultation with the Chair. Further information on the outcomes from the 2024 Board performance review and the recommendations from the 2025 review can be found on page 78 of the Annual Report and Financial Statements.

Statement of Directors' Responsibilities

In addition to the requirements of Company law, our Directors are required to prepare accounting statements which comply with the requirements of Condition F of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991 and Regulatory Accounting Guidelines issued by Ofwat. Separately our Directors are also required to comply with Condition P of the Instrument of Appointment of the Company as a water and sewerage undertaker under the Water Industry Act 1991. The purpose of this condition is to safeguard that:

- ① Appointed Business is conducted as if it is substantially the Appointee's sole business, and it is a public limited company separate from any other business carried out by the Appointee;
- ② The Appointee retains sufficient rights and assets and has in place adequate financial resources and facilities, management resources and systems of planning and internal controls;
- ③ Any transfers or transactions entered into by the Appointee do not adversely affect the Appointee's ability to carry out the Regulated Activities; and
- ④ The Appointee demonstrates that it is complying with the requirements of this Condition.

These responsibilities are additional to those already set out in our Annual Report 2024/25. For further details of the additional responsibilities, please see the Ring-fencing Certificate and the Risk and Compliance Statement.

Disclosure of information to auditor

The Directors who held office at the date of approval of this report confirm that:

- ① So far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware
- ② Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.



Board leadership and Company purpose continued

Compliance with Ofwat's principles and the UK Code – analysis by objective/provision and principle

SES Water is providing a detailed analysis of how we comply with Ofwat's Board principles of Board leadership, transparency and governance as well as the 2018 UK Corporate Governance Code (in the context of being a subsidiary of a listed company).

Details of how the Board has addressed Ofwat's principles (including links to more detailed sections of the Annual Performance Report and Regulatory Reporting) are provided below.

A summary of explanations of measures the Company has taken in areas where SES Water is unable to achieve full compliance with the 2018 UK Code due to its Group context is provided on page 53 in the Annual Report and Financial Statements.

Ofwat Board leadership, transparency and governance principles (January 2019)

From 1 April 2019, Ofwat revised 'Board leadership, transparency and governance' principles have applied to SES Water. These were published following consultation by Ofwat in January 2019. The following table details how we comply with these principles, where we have taken additional steps during the year to comply, or indicates elsewhere in this Annual Performance Report where this detail is provided.

Objective 2.1 Purpose, values and culture

The board of the Appointee establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

Provision i.

The board develops and promotes the company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public service.

Our purpose is laid out in the 'Our Business model and strategy' on pages 8 to 9. This is developed to align with our regulatory business plans which are themselves based around the eight outcomes which our customers and other stakeholders have identified as their top priorities.

Provision ii.

The board makes sure that the company's strategy, values and culture are consistent with its purpose.

'Business model and strategy' on pages 8 to 9 lays out our strategy, values and culture which have been developed in line with our purpose and the linkage is outlined in that section.

Provision iii.

The board monitors and assesses values and culture to satisfy itself that behaviour throughout the business is aligned with the company's purpose. Where it finds misalignment, it takes corrective action.

All employees are provided with our Code of Conduct which outlines the behaviours expected in line with the values and culture which we expect.

An independent 'Speak Up' whistleblowing process is made available to all staff to raise any relevant matters. These are reviewed by the Head of Legal Compliance and summaries of matters raised are then reviewed by the Board and corrective actions to any matter requiring correction are also reviewed. Further details are provided on pages 44 to 45.

Provision iv.

A company annual reporting explains the board's activities and any corrective action taken. It also includes an annual statement from the board focusing on how the company has set its aspirations and performed for all those it serves.

The activities of the Board are detailed on page 33. Page 44 details continued employee engagement.

The Risk and Compliance Statement on pages 67 to 69 focuses on how the Company has set its aspirations and performed for all those it serves.

Objective 2.2 Standalone regulated company

The Appointee has an effective board with full responsibility for all aspects of the Appointee's business for the long term.

Provision i.

The regulated company sets out any matters that are reserved for shareholders or parent companies (where applicable), and explains how these are consistent with the board of the regulated company having full responsibility for all aspects of the regulated company's business, including the freedom to set, and accountability for, all aspects of the regulated company's strategy.

The Board leads the Company both in terms of accountability and legitimacy and is responsible for the setting of and ownership of the Company's strategy together with the ability to make ongoing strategic and sustainable decisions in the interests of the Company for the long term.

Pennon endorses significant decisions impacting Group strategy.

These are detailed within the Governance section alongside detail of the operation of the SES Water Board. We believe this approach is compatible with this provision.

Provision ii.

Board committees, including but not limited to audit, remuneration and nomination committees, report into the board of the regulated company, with final decisions made at the level of the regulated company.

The SES Water Annual Report and Financial Statements details the operation of SES Water's Audit, Remuneration, Nomination, Health and Safety and ESG Committees, each of which reports into the Board.

Other than in areas identified in this report as reserved for the parent company, final decisions are made by SES Water's Board and Committees.

Provision iii.

The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.

The role of the Board and updates on its activity during the year are detailed on page 33 and throughout the Governance section and it is fully focused on the activities of SES Water.

The approach to conflicts of interest including in respect of third parties is detailed on page 44.

Objective 2.3 Board leadership and transparency

The board of the Appointee's leadership and approach to transparency and governance engenders trust in the Appointee and ensures accountability for their actions.

Regulated companies publish the following information in a form and level of detail that is accessible and clear for customers and stakeholders:

Provision i.

An explanation of group structure.

See page 45.

Provision ii.

An explanation of dividend policies and dividends paid, and how these take account of delivery for customers and other obligations (including to employees).

See page 100.

Provision iii.

An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.

See 'Managing our risks' pages 79 to 82.

Provision iv.

The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.

These are included in the Governance section (pages 32 to 50)

Provision v.

An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.

See pages 51 to 66.

Board leadership and Company purpose continued

Objective 2.4 Board structure and effectiveness

The board of the Appointee and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.

Provision i.

Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.

See pages 36 to 41 for summaries of the Board and Committees.

Provision ii.

Independent non-executive directors are the largest single group on the board.

The majority of the Board is comprised of Independent Non-Executive Directors (seven of a total of eleven Directors, including the Chair).

Provision iii.

The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.

The Chair is independent of management, although is also the Chair of the parent company Pennon Group plc.

There is a clear and explicit division of responsibilities between the Board and Executive, and a summary of their roles is provided on page 42 to 43.

Provision iv.

There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.

See page 47.

Provision v.

There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.

See pages 75 to 78 Nomination Committee Report in the SES Water Annual Report and Financial Statements.

Provision vi.

To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made.

New non-executive appointment has been made this year. When they are made, new Board members are provided with inductions. The Board receives training, including in respect of the roles of Non-Executive Directors throughout the year. Further details of their support and training are provided on page 46.

Provision vii.

There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.

Summaries of Committee membership and attendance is provided in the SES Water Annual Report and Financial Statements. Each of these Committees has a majority of Independent Non-Executive members.

Remuneration Committee report

Evolving remuneration in a changing environment

Following incorporation into Pennon Group's Governance framework

Memberships	Role	Attendance
Andrea Blance ¹	Chair	0/0
Claire Ighodaro ²	Chair	1/1
Iain Evans ³	Non-Executive Director	2/2
Loraine Woodhouse	Non-Executive Director	2/2
Dorothy Burwell ⁴	Non-Executive Director	2/2

Before incorporation into Pennon Group's Governance framework

Memberships	Role	Attendance
Jon Woods ⁵	Chair	1/1
David Shemmans ⁵	Non-Executive Director	1/1
Murray Legg ⁵	Non-Executive Director	1/1
Rebecca Wiles ⁵	Non-Executive Director	1/1

1. Andrea Blance was appointed to the Board as Remuneration Chair on 8 April 2025.
2. Claire Ighodaro resigned from the Board as at 31 December 2024.
3. Iain Evans acted as Chair of the Committee for the March meeting.
4. Loraine Woodhouse stepped down from the Remuneration Committee on 1 April 2025.
5. Jon Woods, David Shemmans, Murray Legg and Rebecca Wiles stepped down on 2 October 2024.

Role of the Remuneration Committee

- ① Ensure remuneration is aligned with the Company's strategy and reflects the values of the Company.
- ② Determine the Remuneration Policy to ensure it remains appropriate, considering shareholders' views and best practice and supports attraction, retention and motivation of Executive Directors.
- ③ Advise the Board on the framework of executive remuneration for the Company.
- ④ Set the remuneration for the Executive Directors and senior executives of the Company and reviewing the remuneration arrangements of the wider workforce.
- ⑤ Approve the design and determine targets for any performance-related pay schemes.
- ⑥ Determine the appropriate outturn of any incentive arrangements

The Committee's focus for 2024/25

- ① Considered the remuneration and terms of engagement of the Executive Directors, senior executives and Chair of the Company and the remuneration of the wider workforce.
- ② Determined targets that remain stretching, relevant to the Company's strategy and values and reflect best practice and wider stakeholders' views.
- ③ Considered the appropriate long-term incentive arrangements over the next three to five years reflecting Ofwat guidance and expectations for K8.

Long-term stewardship is at the heart of our strategy. Our values and culture shape how we act in a way that supports the interests of our various stakeholders. This applies at all levels of the organisation, including the activity of the Remuneration Committee.

All of our stakeholders – customers, communities, employees and the environment in which we operate – have a shared interest in ensuring water companies are performance driven, sustainable, financially resilient, mindful of our impact on the environment and able to make the substantial capital investment required in infrastructure in order to ensure the long-term viability of the sector.

With this in mind it is essential that the approach to executive pay is able to attract and retain the high-quality talent required to lead a large, complex, infrastructure organisation, by incentivising and fairly rewarding management teams for outcomes achieved. These principles underpin our approach to executive remuneration.

External context

This has been a year in which many of the foundations underpinning effective regulation of the water sector have been under review, with a new Government, new legislation and a renewed focus on the transformation of the Sector. The Water (Special Measures) Act, passed in February 2025, has strengthened the power of water industry regulators, with Ofwat consulting on the prohibition of performance-related pay in certain circumstances.

As a principle, we always strive to ensure we maintain constructive working relationships with the Government and our regulators. As a responsible business, we fully support the legislation and want to work constructively with Ofwat to ensure that everyone can have the clarity required to enact the Act in full. That said, we are mindful that the Act will fundamentally change how incentives are operated by water companies in comparison to other sectors.

Noting that the consultation on the prohibition rules was still underway at the time the Remuneration Committee met in May 2025 to agree incentive outcomes, and given a remuneration review is under way, no annual bonus has been paid to executives.

Incentive outcomes

Following guidance from Ofwat, we have taken steps to ensure that performance related pay outcomes for Executive Directors meet the following principles:

- ① Ensuring customers do not pay – performance related pay is paid for at a Group level.
- ② Ensuring that the proportion of the annual bonus is substantially linked to stretching outcomes for customers, communities and the environment. For the Group CEO and CFO, 90% of remuneration has been set to link to the water company performance, with 10% at a Group level.
- ③ Considering formulaic outcomes of performance related pay against the four standards under consultation by Ofwat (consumer matters, environment, financial resilience and criminal liability).

For 2024/25, the annual bonus performance outcome for the year was assessed, but no annual bonus has been paid to Executives. The final outcome will be determined by the Committee in the coming months given Ofwat have published their final rules and guidance, and as we review remuneration arrangements across the Group to ensure they are aligned with the stretching business plan delivery.

Remuneration Committee report continued

Incentive outcomes continued

The 2022 LTIP for the Group CEO and Group CFO has vested and will be paid for by shareholders. This long-term share award is subject to a further two-year hold period. As an inflight scheme, awarded in 2022, Ofwat has confirmed that this scheme is not subject to the Water Special Measures Act. However, the Committee considered the time period (2022-2025) and that annual bonuses had been waived in 2023 and 2024 before agreeing that the LTIP should vest.

Following feedback from the EFRA Committee to ensure that remuneration arrangements contain measures around affordability, the customer basket of measures have been adjusted to contain relevant KPIs.

The 2022 LTIP for SES Executives has also vested.

Remuneration review

This is a critical phase for the Group, as we seek to deliver what matters most to our stakeholders, transforming the water sector in a period of unprecedented and well-documented challenges. During such a period it is crucial that we are able to retain and motivate our extremely strong team of senior leaders in order to drive delivery of our transformational business plan.

The Water (Special Measures) Act will fundamentally change how incentives are operated by water companies in comparison to other sectors. The Committee is also acutely aware of the need for external stakeholders to have trust and transparency in the way remuneration is determined in the water sector.

In this context the Remuneration Committee has been considering how best to evolve remuneration arrangements, seeking views from a range of stakeholders to ensure we can motivate, retain and attract talent, alongside responding to the new regulations and challenges in the sector. The focus has been on ensuring remuneration supports stewardship and sustainability of the business, aligned with the long-term objectives of our customers and in complying with relevant legislation.

Over the past year we have debated a number of alternative solutions to how pay can be structured in the future.

Although this review process is ongoing, we have debated how remuneration can help to rebuild trust in the sector by supporting long-term stewardship and aligning remuneration with execution of the long-term strategy.

Executive Board changes

During the course of the year, there were a number of changes post the acquisition of SES by the Group.

Susan Davy, Chief Executive Officer, and Andrew Garard, Group Legal Counsel and Company Secretary, joined the SES Water plc Board on 14 June 2024 following the CMA clearance of the acquisition.

Laura Flowerdew, Chief Financial Officer, joined the SES Water plc Board on 19 November 2024, and Paul Kerr stepped down as Chief Financial Officer on 28 February 2025.

Wider workforce remuneration

We are committed to ensuring remuneration for our front-line colleagues is competitive, understanding that this is the right priority when the financial landscape is changing. We are proud that we have been an accredited Living Wage Foundation payer since 2021, and in practice we had aligned our pay rates to these recommended levels for some time prior

to accreditation.

The 2025 pay award, whilst still under ballot with our trade union partners, reflects a competitive award which continues to focus on front line roles with a proposed increase valued at 3.9% inclusive of one day additional holiday for the majority of colleagues. We are proud that our employees will earn a minimum of £13.10 per hour, exceeding the real living wage by almost £1,000 annually, underscoring our dedication to being an employer of choice.

Our Group Reward principles continue to reflect the broader strategy, evolving composition of the Group and in recent years acquisition activity which has expanded our workforce across multiple locations. Key areas of focus included the embedding of the Group Values, strengthening wellbeing and incorporating greater employee flexibility through work patterns or choices of lifestyle benefits. We also offer highly competitive retirement benefits to our colleagues, and enhanced life assurance protection.

We also took time to reflect on our variable pay for colleagues, linking any variable pay to our Group Values, and ensuring clear line of sight between their objectives and the Group strategy, our customers and their communities. For senior managers there is a continued focus to build colleagues shareholding in the business through any variable pay outcomes.

Our Group-wide HMRC-approved share schemes have been rolled out to SES colleagues. We have once again provided expanded disclosure on our approach for the wider workforce.

Summary

We recognise that the challenges faced by the sector may require a rethink as to how Pennon approaches Executive pay in the future, and therefore we will continue to review our approach, whilst remaining mindful of guidance from Ofwat.

Directors' remuneration report

Remuneration aligned to delivery for our customers

Significant portion of executive remuneration is linked to performance:

- ① Incentive linked to underlying performance
- ② Performance pay – appropriately aligned with customer interests with bonus and LTIs having a substantial link to stretching performance delivery for customers
- ③ Focus on customer and operational metrics assessed by Ofwat, our customer, communities, and wider stakeholders
- ④ Incentives designed to motivate delivery of sustainable performance
- ⑤ Safeguard mechanisms in place to ensure outcomes reflect underlying performance.

At a glance

For further detail on the structure of Executive Pay for Pennon Group Executives, please see page 167 of the Pennon Group Annual Report and Accounts 2025.

For SES Executive, Ian Cain the below table summarises the implementation of the legacy SES Remuneration Policy.

At a glance

For further detail on the structure of executive pay for Pennon Group Executives, please see page 167 of the Pennon Group Annual Report. In summary there are six key elements of the structure of executive pay:

Year 1	Year 2	Year 3	Year 4	Year 5
Base salary				
Benefits				
Retirement benefits	– 10% of salary			
Bonus: 50% in cash	50% deferred into shares for three years			
LTIP: subject to three-year performance period			Subject to a two-year holding period	
Shareholder guidelines: Executive Directors are expected to build up a shareholding equivalent to 200% of salary				

What safeguards are in place?

Robust performance conditions

Variable pay linked to a rounded assessment of performance against stretching targets



Robust framework

Holistic review of performance to consider if formulaic incentive outcomes are fair and appropriate



Deferral and holding periods

Bonus (50%) and LTIP awards are deferred for a further period to provide long-term alignment



Malus and clawback

Provisions in place for variable pay to safeguard against payments for failure

How does executive pay link to our strategy?

Performance measures	Customer measures	Responsible Business	Environment & Pollutions	Water Quality & Resilience	Financial Resilience
Strategic pillars	(1,2,3)	(1,3)	(1,2,3)	(1,2)	(1,2,3)
2023/24 bonus	✓	✓	✓	✓	
2023 LTIP	✓		✓		✓

Our strategic pillars:

- (1) Water Supply & Resilience
- (2) Environmental Gain & Net Zero
- (3) Addressing Affordability & Delivering for Customers

Annual report on remuneration

ANNUAL REPORT ON REMUNERATION

For 2024/2025 the statutory directors included in this report are as follows:

Susan Davy, Chief Executive Officer, is an Executive Director of Pennon Group plc and joined the SES Water plc Board on 14 June 2024 following the CMA clearance of the acquisition.

Andrew Garard, Group Legal Counsel and Company Secretary joined the SES Board on 14 June 2024 following the CMA clearance of the acquisition.

Laura Flowerdew, Chief Financial Officer, is an Executive Director of Pennon Group plc and joined the SES Water plc on 19 November 2024.

Paul Kerr stepped down as SES Chief Financial officer on 28 February 2025. All remuneration arrangements relating to Paul Kerr's departure were consistent with the legacy Remuneration Policy and the Company's incentive plan.

Paul received a payment in lieu of notice (in respect of his salary, pension and benefits) for his contractual notice period (£129k). In addition, he was entitled to legal support. Paul is not entitled to any bonus payments for 2024/25 and any in-flight LTIP's have lapsed.

The CEO and CFO have their Remuneration set by the Pennon Group Remuneration Committee and in accordance with the Pennon Group Remuneration Policy, approved by shareholders on 22 July 2023 in line with the normal three-year review process. The Pennon Remuneration Policy was approved with 93.6% shareholder support and is detailed in the Pennon Group Annual Report and Accounts 2023.

Full details of the implementation for 2025/26 can be read in the Pennon Group Annual Report and Accounts 2025 on pages 163 to 165, and the joining arrangements for Laura Flowerdew (page 173).

The apportionment of fixed pay included in this report for Pennon Group Executives in 2024/25 is 20% for SES Water, covering Sutton and East Surrey Water and subsidiaries.

Incentives are not included in this apportionment for any Executive with Pennon Group funding any incentive payments with no cost to customers.

THE SES WATER DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN 2024/25

The current SES Water Directors' Remuneration Policy was set in 2024. The full policy is detailed on the SES Water website.

For the Executive Directors of Pennon Group plc, the policy can be found in full in the Pennon Group Annual Report and Accounts 2023 and a summary of the policy and implementation for 2025/26 in the Pennon Group Annual Report and Accounts 2025.

Remuneration approach for wider employees

The Remuneration Committee considers oversight of remuneration for the wider workforce as a key element of its remit and considers this when making decisions regarding remuneration for the Executive Directors. The Committee reviews a report on employee remuneration twice a year, either through a pay dashboard, which contains information on elements of financial and nonfinancial reward, the wider labour market, demographics and pay statistics across the organisation or through a subject specific paper. This detail provides important context to ensure that a consistent approach is adopted across the Group workforce including the Executive Directors. Developments in the financial and non-financial elements of the employee proposition are reviewed regularly, as well as share scheme participation and emerging reward trends. The Committee reflects on the position of our gender and ethnicity pay. Feedback to the Committee from Pennon employees is through 'Be The Future' Forum and for 2024/25 for SES Water colleagues this was via the JNCC – our employee engagement forum through the Executive Directors on matters concerning remuneration arrangements.

Reward strategy

Our well-established People Strategy across the Group is centred around talented people doing great things for customers and each other and creating the best place to work. The Reward strategy and framework which was established in 2019 was reviewed and updated during 2023/24. The framework reflects our changed Group composition, our latest business strategy and plans and changing employee expectations. The Group values (see pages 26) are incorporated. The framework will continue to set our approach for future developments in the reward landscape for colleagues. Pennon's Group Reward Strategy continues to have three aims:

Aim 1

Ensure reward decisions will support:

- ③ Our business strategy for delivering to customers and communities, and promoting long-term sustainable growth
- ③ Our People strategy and values
- ③ Our alignment to stakeholder expectations (e.g. investors and regulators)

Aim 2

Ensure the reward package offered to employees is:

- ③ Designed and delivered fairly
- ③ Set up to enable the business to attract and retain the talent that it needs to be successful
- ③ Supports employee engagement and motivation
- ③ Allows employees to share in Company success

Aim 3

Clearly communicate to relevant stakeholders our employee reward and recognition principles and framework.

Reward framework

Our reward framework supports our people strategy.

Our Group people strategy

We have an approved people strategy which outlines our priorities and aspirations.

The role of reward underpins our people strategy, proactively supporting our ambition to be an employer of choice, able to retain top talent and drive business success, rather than a standalone strategic element



Total reward

Our people strategy is supported by our reward principles, which deliver our overall total reward framework:

Underpinned by our Pennon values

Supported by reward strategy & governance, job evaluation & benchmarking, systems & data



Total Reward


Base pay


Saving for the future


Variable pay & allowances


Benefits



Support the delivery of Pennon people strategy

Annual report on remuneration continued

Rewarding our colleagues

Salary increases for wider workforce

The 2025 pay award continues to focus on front line roles with a planned increase valued at 3.9% inclusive of one day additional holiday for the majority of colleagues. We are proud that our employees will earn a minimum of £13.10 per hour (with the exception of apprentices who are on a formal training plan), which not only aligns with, but exceeds the real living wage by almost £1,000 annually, underscoring our dedication to being an employer of choice. For most colleagues the London Real Living Wage now applies to their roles, if working in the South East area.

We will continue to evaluate work patterns for the mutual benefit of customers, colleagues and operational needs during 2025/26.

Wider workforce bonus arrangements

All colleagues across the Group are eligible to participate in variable pay schemes. Senior bonus arrangements follow the model applied to the Executive Directors for their annual bonus incentive. For the wider workforce, variable pay has been aligned with the Group Values and has stretching targets which support delivery of our Business Plan for 2025-2030, focusing on water quality and resilience, our net zero agenda and customer service and affordability. The scheme maintains a measure for our imperative of all colleagues going HomeSafe each and every day.

Financial wellbeing and wider benefits

We offer a comprehensive range of benefits including a financial wellbeing and education partner for colleagues and their families, some flexible benefits and a healthcare cash-plan. We also operate a range of discounts, green initiatives and services to enhance our employee proposition.

Saving for the future

We know that our colleagues value our responsible approach to pension contributions. We are pleased that despite the cost-of-living crisis, over 330 SES Water colleagues participating in the defined contribution schemes. Our Sharesave scheme and Share Incentive Plan was opened for applications in 2024 to SES Water colleagues, expanding the benefits of the Pennon Group to colleagues.

Living Wage Foundation

We continue to pay above the Living Wage Foundation rates for all roles excluding those colleagues who are on our apprenticeship arrangements. Our accreditation as a Living Wage Foundation employer has been maintained since 2021. We continue to focus our pay spend on lower paid roles. For most colleagues the London Real Living Wage now applies to their roles, if working in the South East area.

Wider workforce remuneration dashboard

In accordance with the 2018 UK Corporate Governance Code, the Committee reviews the level of information provided on pay matters in the wider organisation. The Wider Workforce papers provide the Remuneration Committee with an overview of the approach to pay across the Group, supplemented with topic specific papers:

- ③ Helps support the Committee in reviewing workforce remuneration and related policies which continually evolves to provide greater insight.
- ③ Provides an overview of pay arrangements across the business and key statistics on pay in different areas of the business.
- ③ Updates on progress on our Reward Strategy implementation.
- ③ Has oversight of the wider remuneration landscape to provide external context and industry specifics to inform on our benefits.
- ③ Provides information on workforce demographics, gender pay, pay ratios, pension and benefits and incentive outcomes in different areas.

The Committee intends to keep the content of the dashboard under review to ensure it remains suitable.

Highlights

Base pay

The Company's overarching principles for basic pay are as follows:

- ② Base pay should reflect the level of skills, responsibilities and accountabilities of the job, plus the market and region in which the business area operates.
- ② We should maintain a market competitive edge to attract and retain talent. Market benchmarking against recognised surveys is conducted regularly.
- ② We should maintain our status as an accredited Real Living Wage Employer, guaranteeing base pay at or above the Living Wage Foundation rates.
- ② We should review pay annually with any resulting award being subject to affordability and business performance.
- ② We should engage with Be The Future Forum, the WaterShare+ Customer Panel and any Recognised Trade Unions on pay decisions.
- ② We should undertake equal pay and gender/ethnicity pay analysis from time to time to ensure we comply with current equality legislation and provide equal total reward opportunities for roles of equal value.

Variable pay

SES Water operates variable pay schemes, including annual bonus and incentive arrangements and all employees and temporary workers are eligible to participate. Throughout variable pay schemes, there is strong correlation in the targets, to align the whole organisation on goals linked to customer, communities and the environment. The maximum bonus levels are based on seniority and level of responsibility.

Long-term incentive share awards are available to senior executives and Executive Directors, consistent with market practice. Our front-line teams receive overtime, call-out and standby payments, ensuring that when workloads are high, employees are fairly compensated. We remain mindful of the need to balance working hours, customer demand and available resource against the health, safety, wellbeing of our colleagues, our overarching principles on variable pay are as follows:

- ② Provide every colleague with the opportunity to earn an element of variable reward using appropriate mechanisms for different colleague populations, as agreed by each business area.
- ② Have clear communication on rationale, purpose, performance measures, pay-out calculation and other rules for the variable pay schemes, to ensure colleagues fully understand their total reward opportunities.
- ② Ensure the performance measures included in the balanced scorecard are aligned to our business strategy, values and take into consideration the views of customers, regulators and other key stakeholders.
- ② Encourage colleagues to have share ownership through variable pay.
- ② Remuneration Committee or relevant Executive Committee can apply appropriate discretion to bonus outturn, considering the 'how' as well as the 'what'.

Saving for the future

We offer highly competitive retirement benefits to our employees, which include additional life assurance protection. Membership of the Group pension scheme remains high with over 330 colleagues in SES Water participating in our Defined Contribution (DC) scheme. As part of our Saving for the Future, all employees can participate in our HM Revenue and Customs-approved Sharesave and Share Incentive Plan, with a strong emphasis on employee buy-in and ownership. Not only do our share schemes provide a mechanism for sharing in the long-term success of the Group but mean that colleagues and customers have a say and stake in the business.

Our overarching principles on Saving for the future are as follows:

- ② Provide every colleague with the opportunity to build up share ownership.
- ② Clearly communicate and promote the existing share schemes to ensure maximum participation.
- ② Ongoing exploration of HRMC approved tax advantaged share scheme opportunities for broader offerings.
- ② Provide every colleague with the access to our Defined Contribution pension scheme with the choice of employee/employer contribution levels.
- ② Provide Company matching in our Defined Contribution pension scheme to further support our colleagues saving for retirement.
- ② Provide access to a fully interactive pension administrative platform and drop-in sessions to ensure employees understand the offering and implications to make informed decisions.
- ② Comply with the government required pension enrolment requirements.

Annual report on remuneration continued

Highlights continued

Benefits

We operate a range of benefits of which the majority are available to all colleagues. These are selected for their ability to enable colleagues to get the best value from their salary such as discounts, to ensure a work life balance which supports both family life and outside interests through generous holiday entitlements or those designed to bring financial security such as income protection or life assurance. A range of advisory services are available to support colleagues on occasions where additional support is needed, including financial support, health and wellbeing, legal advice and a range of employee led support groups. From time to time, there may be necessary exceptions that apply to our core benefits, reflecting TUPE transfers or preserved contractual benefits. The principles for our benefits are as follows:

- ① Operate a set of core Group-wide benefits for all colleagues, and a wide range of other additional offerings to enable colleagues select the most appropriate benefits tailored to their needs.
- ② Ongoing evaluation of the effectiveness of the benefits offering, ensuring we take full advantage of our Group-wide purchasing power with benefits providers, and we are aligned with our Fair Tax Strategy and HRMC guidelines.
- ③ Actively engage with employees to understand their needs to continue shaping our benefits proposition.
- ④ Adopt technology to enable easy access to our benefits from home or work.
- ⑤ Continue to focus on developing our wellbeing and flexible working provisions and explore additional benefits provision opportunities to support our broader ESG agenda (e.g. green voluntary benefits, volunteering days etc.).

Gender and ethnicity pay reporting

We recognise our duty to contribute positively to society by cultivating an environment that promotes social mobility, prioritises diversity and inclusion, and ensures equitable treatment for all employees. Our aspiration is to become the Employer of Choice across our region, where trust is paramount, and every individual is valued for their contributions. Transparency lies at the heart of our commitment to diversity and inclusion. Reporting serves as a vital instrument in our journey towards openness, allowing us to candidly assess the gender and ethnic diversity within our workforce. Moreover, it enables us to share the proactive measures we have implemented and will continue to pursue to enhance diversity across all levels and roles within our organisation. We understand that fostering an inclusive workplace is imperative not only for attracting talent but also for retaining our valued colleagues and because it is the right thing to do.

During 2022/23, in line with our Change the Race Ratio commitments, Pennon voluntarily published our Ethnicity Pay Gap data for the first time. The results reflect our journey in building representation of ethnic minority groups and gender diversity. Our mean ethnicity pay gap is -3.82% for SES Water as at the snapshot date 6 April 2024. Across the Group Company we have been working hard to attract a greater number of ethnically diverse candidates to apply for job vacancies, and we offer dedicated support to new employees through our graduate programme and support the 10,000 Black Interns Programme. We will continue to work to progress our diversity actions to build greater representation.

Within SES Water, our gender pay gap for the year has remained relatively consistent with prior year moving from 7.1% to 7.4%. The rise is driven by a c.5% reduction in female representation at the highest pay level. This is significantly lower than the national average, which stands at 13.1%.

During the year the Group has been recognised for our progression in gender equality by external bodies. Our placement in the FTSE Women Leaders Review reflected our high participation of female Board members resulting in Pennon Group ranking third for Women on Boards in the FTSE 250.

We are committed to deliver on our ambitions to build diversity and inclusion across the Company and the water industry.

Colleague engagement

The JNCC at SES Water is an engagement and communication forum focused on the front-line, providing a two-way dialogue for all colleagues across the business. This is regularly attended by senior leadership. The forum is an established group provoking healthy debate and discussion on areas that matter to employees, including reward.

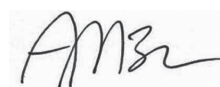
Engagement survey results and action planning are a discussion area for this forum and representation remains strong across the business.

HomeSafe

Making sure our colleagues and contractors get HomeSafe every day is fundamentally more important than remuneration. However, how we measure our performance, reward colleagues living by our values and the culture we create, has a direct influence on the health and safety of each other and we will continue to support this important initiative through our wider workforce remuneration principles and Executive Remuneration Policy.



David Sproul
Chair



Andrea Blance
Independent
Non-Executive Director

	Ian Cain (£'000)		Paul Kerr ¹ (£'000)		Susan Davy ² (£'000)		Laura Flowerdew ² (£'000)		Andrew Garard ² (£'000)	
	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25	2023/24
Base salary	294	281	193	202	81	-	32	-	55	-
Benefits ³ (including Sharesave)	25	24	15	16	8	-	1	-	1	-
Pension-related benefits ⁴	25	24	25	26	8	-	3	-	6	-
Total fixed pay	344	329	233	244	97	-	36	-	62	-
Other payments	-	120	-	120	-	-	-	-	-	-
Annual bonus (cash and deferred shares) ⁵	-	117	-	53	-	-	-	-	-	-
Long-Term Incentive Plan ⁵	-	134	-	82	-	-	-	-	-	-
Total variable pay	-	371	-	255	-	-	-	-	-	-
Total remuneration	344	700	233	499	97	-	36	-	62	-

(1) Paul Kerr stepped down as Chief Financial Officer of SES Water plc on 28 February 2025 and has not been directly replaced.

(2) Susan Davy was appointed as Chief Executive Officer of Pennon Group plc on 31 July 2020 and was appointed Chief Executive Officer of SES Water plc on 14 June 2024. Laura Flowerdew was appointed as Chief Financial Officer of Pennon Group plc on 11 July 2024 and SES Water from 19 November 2024. Andrew Garard, Group Legal Counsel and Company Secretary joined the SES Water plc Board on 14 June 2024. The fixed pay figures shown in the table are those re-chargeable to SES Water through Group re-charges (20% of fixed remuneration). Reflecting the nature of their Group position all subsidiaries receive a cross-charge for fixed remuneration. All variable incentives for the Group Executives are fully funded by Pennon Group. The full single total figure of remuneration table is shown on page 173 of the Pennon Group plc Annual Report and Accounts 2025 as well as Laura's joining arrangements and Steve's departure arrangements on page 173 and 177 respectively. These arrangements are funded by Pennon Group.

(3) Benefits comprise a car allowance, fuel allowance and medical insurance.

(4) Retirement benefits for the Ian Cain and Paul Kerr are shown on page 62 of this report, with details for the Group Executive Directors shown on page 177 of the Pennon Group plc Annual Report and Accounts 2025.

(5) LTIP outturn figures for SES are detailed on page 103 of SES Water Annual Report and Financial Statements but resulted in a 40% outturn for SES, however as incentives are not funded by customers this will be paid at the Pennon Group level and has not been apportioned here as this will not be funded by the customers. With regards to bonus in light of the Water (Special Measures) Act the Committee has noted but not approved the formulaic outturn of the 2024/25 annual bonus. No payments will be made to the Executive until the Committee have reviewed outcomes and the best course of action, in the event there is a payment due these would be paid at a Pennon Group level and would not be funded by the customers. Further details of the annual bonus and any LTIP award to the Pennon Group Executive Directors are shown on pages 174-177 of the Pennon Group plc Annual Report and Accounts 2025.

Notes to the single figure table

No annual bonus has been paid to the Executive Directors of SES Water or Pennon Group in respect of 2024/2025.

Paul Kerr was not eligible for a bonus due to his departure from the business.

Ian Cain is eligible for a bonus for 2024/25. The decision on bonus payments will be considered and reviewed by the Remuneration Committee in due course now further clarity has been provided on the application of the Water (Special Measures) Act.

Annual bonus outturn for 2024/25

The formulaic outturn for 2024/25 has been reviewed.

The SES performance under the scorecard is summarised in the outcome table, the scorecard captures a wide range of factors, reflecting the multiple areas which are important to our stakeholders. It is vital that the business continues to perform across these areas of focus. In line with regulatory guidance, 70% of the bonus is linked to delivery of stretching objectives for our customers, communities and the environment.

For 2024/25, common performance metrics aligned to the business plan were overlayed against the specific objectives and this reduced the formulaic outcome from 56.7% to 37.5%. The Committee also noted the operational challenges, particularly the valve failure at Cheam Water Supply Works, and the road collapse above a water main at Godstone, in assessing performance in the round, as well as the comparative performance across the Group, in determining the appropriate outcome.

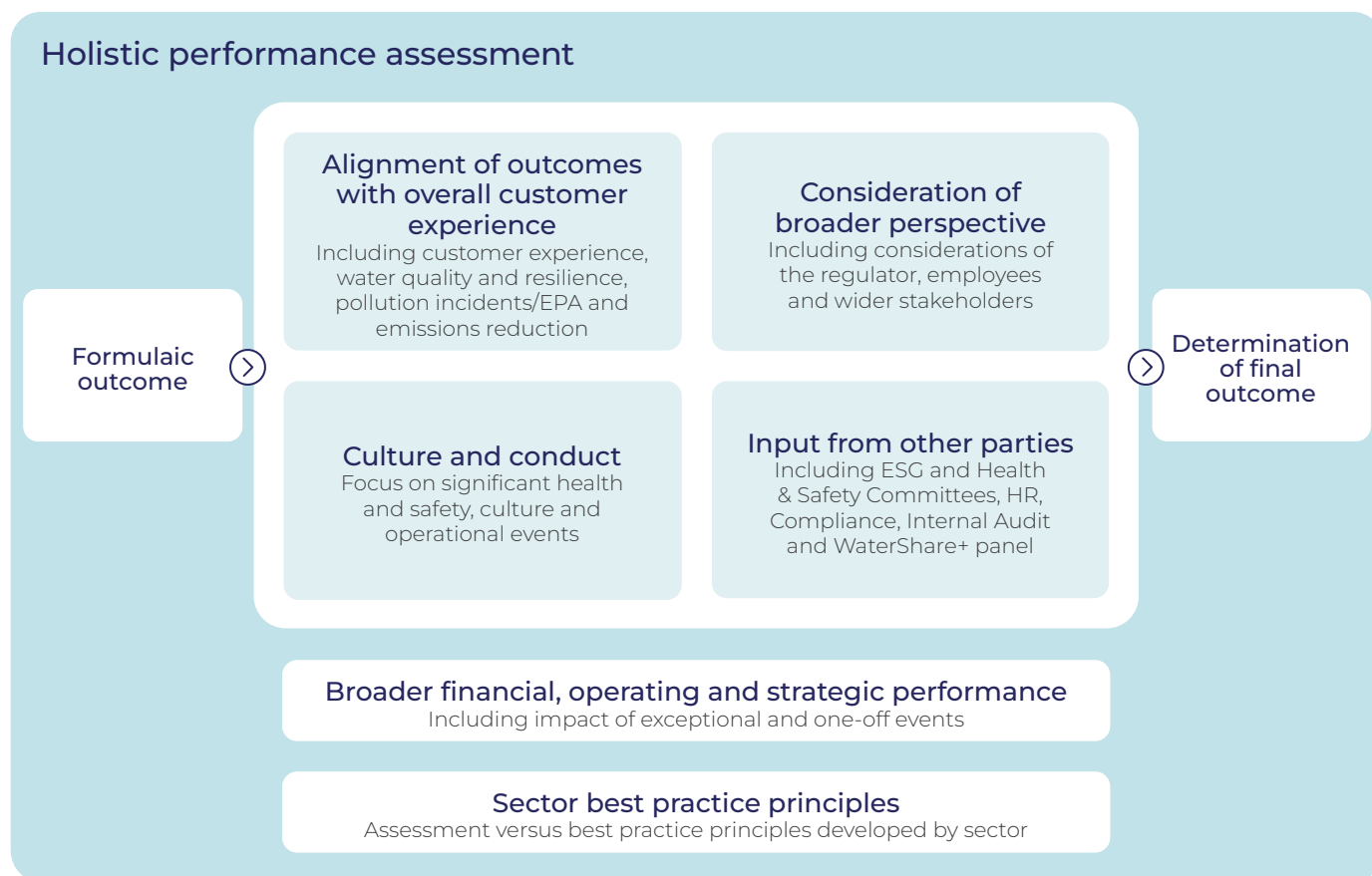
The Committee also considered the formulaic outcomes of performance related pay against the four standards under consultation by Ofwat (consumer matters, environment, financial resilience and criminal liability).

The Water (Special Measures) Act was passed in February 2025, and the Act will be applicable to 2024/25 annual bonuses. In light of the ongoing consultation by Ofwat on how the Water (Special Measures) Act will be operated in practice, the Committee noted the formulaic out turn of the 2024/25 bonus.

However, no payments will be made to the Executives until there is further clarity on the new legislation framework to assess performance and the additional performance criteria that needs to be achieved before a bonus can be paid.

The Committee will review outcomes and determine if and how any award is delivered and potential interaction with any future incentive framework.

Annual report on remuneration continued



Summary of bonus outcome

Measure	Weighting	Target	Achievement	Outcome
High quality water	12.5%			11.9%
CRI (95%)		2.0	0	11.9%
Water softening (2.5%)		0.0	10.4	0%
Taste, smell and colour (2.5%)		0.5	0.58	0%
Customer experience	12.5%			0.6%
CMeX (80%)		9th	14th	0%
DMeX (15%)		9th	12th	0%
First contact resolution (5%)		90.0	90.7	0.6%
Leakage reduction (MI/d)	12.5%	22.1	21.5	12.5%
Supply interruptions	12.5%	5m0s	26m16s	0%
Mains repairs	12.5%	59.0	62.5	0%
Unplanned leakage	12.5%	2.34	4.07	0%
PCC reduction	12.5%	139.2	147.6	0%
Affordability	12.5%			12.5%
PSR (80%)		7.0%	15.5%	10.0%
Social tariff (15%)		25,000	25,379	1.9%
Voids (5%)		2.2	2.02	0.6%
			Formulaic outturn	37.5%

Long-term incentive outturn for 2024/25

The 2022 LTIP for the Group CEO and Group CFO has vested at 41.1% and will be paid for by shareholders. This long-term share award is subject to a further two-year hold period. As an inflight scheme, awarded in 2022, Ofwat has confirmed that this scheme is not subject to the Water (Special Measures) Act. However, the Committee considered the time period (2022-2025) and that annual bonuses had been waived in 2023 and 2024 before agreeing that the LTIP should vest.

The Long-Term Incentive Plan arrangements and vesting outcome for the Executive Directors of Pennon are detailed in the Pennon Group Annual Report and Accounts 2025 on pages 176-177.

The Long-Term Incentive Plan arrangements for SES Executives is noted below, and the vesting outcome for the award granted in 2022 is 40%, based on achievements of specific performance targets. The cost of this will not be apportioned to SES Water and is met in full by Pennon.

The Committee reviewed the formulaic outturn and after a holistic review of business outcomes, and considering the overall performance of SES comparatively in the Group, in particular around financial resilience and customer experience and decided to reduce the vesting level down from 56.1% to 40%.

Achievement against the SES targets are set out below:

SES 2022 LTIP performance target	Full year forecast vesting		Proportion of award	LTIP
Systems-based resilience	75.0%	75.0%	15.0%	11.3%
Financial resilience	40.0%	0.0	25.0%	0%
Value to customers	70%	75.0%	15.0%	10.5%
Financial hardship	75%	80.0%	15.0%	11.3%
Proactive sustainability & social steps	75%	80.0%	20.0%	15.0%
Reactive management	80.0%	85.0%	10.0%	8.0%
			Formulaic outturn	56.1%
			Remco downward discretion	40%

Annual report on remuneration continued

RETIREMENT BENEFITS AND ENTITLEMENTS (AUDITED INFORMATION)

Details of the retirement benefits for the Group Executive Directors are shown on page 177 of the Pennon Group Annual Report and Accounts 2025, they receive a maximum of 10% of salary, in line with the level available for the wider workforce.

Details of the SES Water Executives pension entitlements and pension related benefits during the year are as follows.

	Contributions to defined contribution arrangements (£'000)	Cash allowances in lieu of pension (£'000)	Total value for the year (£'000)	Normal retirement age and date (for pension purposes)
Ian Cain ¹	-	25	25	65 (29 April 2031)
Paul Kerr ¹	-	25	25	65 (1 December 2038)

1. Ian Cain and Paul Kerr received an overall pension benefit from the Company equivalent to 10% of salary for Ian and 15% of salary for Paul for the year. For 2024/25 this comprised a cash sum.

ARRANGEMENTS FOR THE OUTGOING EXECUTIVE DIRECTOR

Paul Kerr stepped down as SES Chief Financial officer on 28 February 2025. All remuneration arrangements relating to Paul Kerr's departure were consistent with the legacy Remuneration Policy and the Company's incentive plan.

Paul received a payment in lieu of notice (in respect of his salary, pension and benefits) for his contractual notice period (£129k). In addition, he was entitled to legal support. Paul is not entitled to any bonus payments for 2024/25 and any in-flight LTIP's have lapsed.

Non-Executive Directors' remuneration

Single figure of remuneration (audited)

	2024/25			2023/24		
	Fees (£'000)	Taxable benefits (£'000)	Total Fees (£'000)	Fees (£'000)	Taxable benefits (£'000)	Total fees (£'000)
David Shemmans ¹	68	-	68	86	-	86
Murray Legg ¹	34	-	34	44	-	44
Jonathan Woods ¹	34	-	34	43	-	43
Rebecca Wiles ¹	29	-	29	37	-	37
Gill Rider ^{2,3}	4	-	4	-	-	-
David Sproul ^{2,4}	38	-	38	-	-	-
Iain Evans ²	9	-	9	-	-	-
Claire Ighodaro ^{2,5}	4	-	4	-	-	-
Jon Butterworth ²	7	-	7	-	-	-
Loraine Woodhouse ²	8	-	8	-	-	-
Dorothy Burwell ²	7	-	7	-	-	-

(1) These Non-Executive Directors were given three months' notice and stepped down from the SES Board on 2 October 2024.

(2) 20% of fees are recharged through Pennon Group plc.

(3) Gill Rider resigned from the Board on 24 July 2024.

(4) David Sproul was appointed as Chair Designate on 1 July 2024 of Pennon Group plc and assumed the role as Chair and joined the SES Board on 24 July 2024.

(5) Claire Ighodaro resigned from the Board on 31 December 2024.

Non-Executive Director fee information is disclosed in the Pennon Group Annual Report and Accounts on page 178.

Directors' service contracts and letters of appointment

The dates of Directors' service contracts and letters of appointment and details of the unexpired term are shown below:

Executive Directors	Date of appointment	Notice period
Susan Davy ¹	31 July 2020	12 months
Laura Flowerdew ²	11 July 2024	12 months
Andrew Garard ³	14 November 2022	12 months
Ian Cain	12 February 2020	12 months
Non-Executive Directors	Date of appointment	Expiry date of appointment
David Sproul ⁴	1 July 2024	30 June 2027
Iain Evans	31 July 2020	31 August 2027
Jon Butterworth	28 September 2017	31 July 2026
Loraine Woodhouse	1 December 2022	30 November 2025
Dorothy Burwell	1 December 2022	30 November 2025
Andrea Blance ⁵	8 April 2025	7 April 2028

(1) Susan Davy held a previous service contract dated 1 February 2015 in respect of her appointment as Chief Financial Officer, Pennon, and was appointed to the Board of SES Water.

(2) Laura Flowerdew was appointed to the Board of SES Water on 19 November 2024, following her appointment as Chief Financial Officer, Pennon Group plc 11 July 2024.

(3) Andrew Garard was appointed to the Board of SES Water on 14 June 2024.

(4) David Sproul was appointed to the Board as Chair Designate on 1 July 2024 and assumed the role as Chair on 24 July 2024.

(5) Andrea Blance was appointed to the Board of SES Water on 8 April 2025.

The policy is for Executive Directors' service contracts to provide for 12 months' notice from either side.

The policy is for Non-Executive Directors' letters of appointment to contain a three-month notice period from either side. All Non-Executive Directors are subject to annual re-election and letters of appointment are for an initial three-year term.

Copies of Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office.

The dates of Directors' service contracts and letters of appointment and details of the unexpired term are shown above.

Outside appointments

Executive Directors may accept one Board appointment in another company. Board approval must be sought before accepting an appointment. Fees may be retained by the Director. Susan Davy remained a non-executive director of Restore plc throughout 2024/25. Laura Flowerdew does not hold any additional appointments. No other outside Company appointments are held by the Executive Directors other than with industry bodies or governmental or quasi-governmental agencies.

Additional contextual information

Percentage change in Directors' remuneration

The table below shows the percentage change between 2021/22, 2022/23 and 2023/24 in base salary, benefits and annual bonus of the SES Water Director, Ian Cain and the SES Finance Director, Paul Kerr. Percentage changes in remuneration for the Pennon Executive Directors and Non-Executive Directors are disclosed in full in the Pennon Group Annual Report and Accounts 2025 on page 179 to 180.

	Percentage change in salary/fees								
	2024/25	2023/24	2022/23	2024/25	2023/24	2022/23	2024/25	2023/24	2022/23
Executive Directors									
Ian Cain	4.5%	6.5%	3.5%	4.5%	6.5%	3.5%	(100%)	6.8%	6.0%
Paul Kerr ¹	–	6.5%	3.5%	–	6.5%	3.5%	–	5.5%	7.0%
SES Water	4.5%	6.5%	3.5%	0%	0%	0%	(23.0%)	0.7%	(12.5%)

(1) Paul Kerr stepped down from the Board on 28 February 2025 so did not have a full year for comparison purposes.

Annual report on remuneration continued

Relative importance of spend on pay

	2024/25 £'000	2023/24 £'000	Percentage change (%)
Overall expenditure on pay ¹	17,708	15,748	12.4%
Net interest charges	19,949	30,491	-34.6%
Capital expenditure	20,776	22,446	-7.4%

1. Excludes employer's social security costs and non-underlying items.

The above table illustrates the relative importance of spend on pay compared with distributions to shareholders and other Company outgoings. The distributions to parent company, interest charges and the purchase of property, plant and equipment (cash flow) have been included as these were the most significant outgoings for the Company in the last financial year.

Chief Executive Officer pay ratio

Our Group CEO pay ratio stands at 18:1 for the median employee across the wider Pennon Group. The ratio is slightly lower than in 2023/24 due to differences in the LTIP as the only variable pay element for the CEO. For 2024/25 the Pennon Group CEO is the reference point, for prior years the SES CEO data was used.

Year	Method	25th percentile (P25) pay ratio	50th percentile (P50) pay ratio	75th percentile (P75) pay ratio
2024/25	Option A	24:1	18:1	13:1
2023/24	Option A	25:1	18:1	15:1
2022/23	Option A	20:1	16:1	11:1
2021/22	Option A	14:1	14:1	10:1
2020/21	Option A	14:1	14:1	9:1
2019/20	Option A	17:1	12:1	9:1

Option A has been used for the calculations as per the disclosure regulations. The employees at the lower quartile, median and upper quartile (P25, P50, and P75, respectively) have been determined based on a calculation of total remuneration for the financial year 1 April 2024 to 31 March 2025.

Basic salary for part-time employees and new joiners within the applicable period have been converted to full-time equivalents for the purpose of the calculations.

The total remuneration of 2024/25 for the employees identified at P25, P50 and P75 is £33,510, £45,690, and £63,865, respectively. The base salary of 2024/25 for the employees identified at P25, P50 and P75 is £29,960, £40,315, and £31,820, respectively. The individual at P75 received a large amount of variable pay during the year.

The CEO pay ratio calculation to the median employee, on the same compensation elements as the wider workforce stands at 13:1.

Share award and shareholding disclosures (audited information)

Share awards granted during 2024/25

No share award was made to Ian Cain or Paul Kerr during 2024/25 due the ongoing integration, and their existing arrangements.

Details of the share awards for the Group Chief Executive Officer, Group Chief Financial Officer and Group General Counsel and Company Secretary are detailed in the Pennon Annual Report and Accounts 2025 on page 181.

Directors' shareholding and interest in shares

The Remuneration Committee believes that the interests of Executive Directors and senior management should be closely aligned with the interests of Pennon Group plc shareholders.

To support this, the Committee operates shareholding guidelines. For 2024/25, this guideline was 200% for the Group Chief Executive Officer and Chief Financial Officer. In line with best practice guidelines, deferred bonuses and LTIP awards subject to a holding period may only count towards the guidelines on a net tax basis.

The Executive Directors are expected to build up a shareholding in the Company within the first five years of joining the Company, or appointment to a new role.

The beneficial interests of the Pennon Group Executive Directors in the ordinary shares (61.05p each) of Pennon Group plc as at 31 March 2025 and 31 March 2024, together with their shareholding guideline obligation and interest are shown in the Pennon Group Annual Report and Accounts 2025 on pages 181 to 182.

The Executive Directors of SES excluding the Pennon Group Executive Directors do not have a Pennon shareholding at present, are not required to build one at present and have not been awarded any shares during 2024/25.

Annual report on remuneration continued

Long-term incentive awards during 2024/25

In line with the legacy SES Remuneration Policy, Ian Cain and Paul Kerr were granted LTIP awards in 2024. The maximum opportunity for Ian Cain is 70% of base salary, and for Paul Kerr a maximum opportunity of 60% of base salary. These LTIP awards are for a three-year period and are cash awards. Paul's award has now lapsed in full.

The performance measures are detailed below and were agreed by the Remuneration Committee. These awards remain discretionary and can be adjusted or removed at the Company's discretion.

Target	Measurement criteria	Weighting
Business resilience		40%
Systems-based resilience	Progress on key aspects of the Company-wide resilience plans with a focus on network and operational resilience ⌚ Such progress will be achieved through effective Totex spend to minimise leakage, supply interruptions and supply failures and efficient capex programmes to minimise unplanned outages and ensuring performance commitment are met. Digital resilience will be a key part of achieving this overall systems-based resilience	-15%
Financial resilience	Ensure that customers benefit from a stable financial business that allows prioritisation of customer service ⌚ Outperformance of budget (allowing delivery to customers in an economically efficient manner) ⌚ Business plan financial covenant and gearing ratios are met ⌚ Progress on enduring financial resilience solutions, including long-term refinancing and sinking fund solutions	-25%
Customer service and support		30%
Value to customers	⌚ Development, deployment and delivery of a Company-wide, cost-effective customer plan that solidifies our position as a customer-oriented organisation and drives improvement in our C-MeX standing	-15%
Financial hardship	⌚ Achievement of social tariff and Priority Services Register targets in line with the Company's business plans to ensure appropriate support for our most vulnerable customers	-15%
Environmental and reputational resilience		30%
Proactive sustainability and social steps	⌚ Proactive steps taken to enhance reputation, including embracing and implementing a social value agenda and bring to life the Company's environmental agenda (aligned to the water sector's Public Interest Commitments, including net zero carbon)	-20%
Reactive management	⌚ Appropriateness of steps taken by management in light of potential reputational issues	-10%

Non-Executive Directors' shareholding

The beneficial interests of the Non-Executive Directors, including the beneficial interests of their spouses, civil partners, children and stepchildren, in the ordinary shares of the Pennon Group, are shown in the Pennon Group Annual Report and Accounts 2025 on page 182.

Malus and clawback

Malus and clawback provisions are embedded in the employment contracts of Group Executive Directors and relevant scheme documentation.

Malus and clawback provisions apply to all Group incentive awards. These provisions enable awards to either be forfeited prior to delivery, repaid or made subject to further conditions where the Committee considers it appropriate in the event of any significant adverse circumstances. For awards granted under the term of this policy, the circumstances in which malus and clawback may be applied include a financial misstatement, error in calculation, material failure of risk management, serious reputational damage, serious corporate failure or misconduct.

In respect of the annual bonus, clawback may be applied for the period of three years following determination of the cash bonus.

Leadership, transparency and governance

Meeting Ofwat's 2019 objectives

Ofwat's updated principles on Board leadership, transparency and governance came into force on 1 April 2019. The Board considers that it has met these objectives as summarised below.

Ofwat objective and underlying provisions	Board's view
Purpose, values and culture The regulated Company Board establishes the Company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.	
The Board develops and promotes the Company's purpose in consultation with a wide range of stakeholders and reflecting its role as a provider of an essential public services	Our purpose has been aligned with that of the Pennon Group and is laid out in the 'Our Business model and strategy' on pages 8 to 9. This is developed to align with our regulatory business plans which are themselves based around the eight outcomes which our customers and other stakeholders have identified as their top priorities.
The Board makes sure that the Company's strategy, values and cultures are consistent with its purposes.	'Business model and strategy' on pages 8 to 9 lays out our strategy, values and culture which have been developed in line with our purpose and the linkage is outlined in that section.
The Board monitors and assesses values and culture to satisfy thorough understanding of our purpose and how they can itself that behaviours throughout the business is aligned with help us achieve it through the roles they do the Company's purpose. Where it finds misalignment, it takes corrective actions.	All employees are provided with our Code of Conduct which outlines the behaviours expected in line with the values and culture which we expect. An independent 'Speak Up' whistleblowing process is made available to all staff to raise any relevant matters. These are reviewed by the Head of Legal Compliance and summaries of matters raised are then reviewed by the Board and corrective actions to any matter requiring correction are also reviewed. Further details are provided on pages 32 and 50.
Companies' annual reporting explains the Board's activities and any corrective actions taken. It also includes an annual statement from the Board focusing on how the Company has set its aspirations and performed for all those it serves.	The activities of the Board are detailed on page 33. Page 44 details continued employee engagement. The Risk and Compliance Statement on pages 69 to 70 focuses on how the Company has set its aspirations and performed for all those it serves.
Standalone regulated Company The regulated Company has an effective Board with full responsibility for all aspects of the regulated Company's business for the long term.	
The regulated Company sets out any matters that are reserved for shareholders or parent companies (where applicable) and explains how these are consistent with the Board of the regulated Company having full responsibility for all aspects of the regulated Company's business; including the freedom to set, and accountability for, all aspects of the regulated Company strategy.	The Board leads the Company both in terms of accountability and legitimacy and is responsible for the setting of and ownership of the Company's strategy together with the ability to make ongoing strategic and sustainable decisions in the interests of the Company for the long term. Pennon endorses significant decisions impacting Group strategy. These are detailed within the Governance section alongside detail of the operation of the SES Water Board. We believe this approach is compatible with this provision.
Board committees, including but not limited to Audit, Remuneration and Nomination Committees, report into the Board of the regulated Company, with final decisions made at the level of the regulated Company.	The SES Water Annual Report and Financial Statements details the operation of SES Water's Audit, Remuneration, Nomination, Health and Safety and ESG Committees, each of which reports into the Board. Other than in areas identified in this report as reserved for the parent company, final decisions are made by SES Water's Board and Committee.
The Board of the regulated Company is fully focused on the activities of the regulated Company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholding, and ensure that the influence of third parties does not compromise or override independent judgement.	Our Corporate governance report discusses in detail the focus of the Company Board, and how Board matters are discussed and reviewed utilising the skills and objectivity of the entire Board, with no areas of judgement being compromised by the influence of third parties. This includes the Board's monitoring of Directors' interests and transactions with associated companies.

Leadership, transparency and governance continued

Meeting Ofwat's 2019 objectives continued

Ofwat objective and underlying provisions	Board's view
Purpose, values and culture	
The board of the regulated company is fully focused on the activities of the regulated company; takes action to identify and manage conflicts of interest, including those resulting from significant shareholdings; and ensures that the influence of third parties does not compromise or override independent judgement.	The role of the Board and updates on its activity during the year are detailed on page 33 and throughout the Governance section and it is fully focused on the activities of SES Water. The approach to conflicts of interest, including in respect of third parties, is detailed on page 44.
Board leadership and transparency	
An explanation of group structure.	See page 45
An explanation of the principal risks to the future success of the business, and how these risks have been considered and addressed.	See 'Managing our risks' pages 81 to 83.
The annual report includes details of board and committee membership, number of times met, attendance at each meeting and where relevant, the outcome of votes cast.	These are included in the Governance section (pages 32 to 50)
An explanation of the company's executive pay policy and how the criteria for awarding short and long-term performance related elements are substantially linked to stretching delivery for customers and are rigorously applied. Where directors' responsibilities are substantially focused on the regulated company and they receive remuneration for these responsibilities from elsewhere in the group, policies relating to this pay are fully disclosed at the regulated company level.	See pages 51 to 66.
Board structure and effectiveness	
Boards and board committees have the appropriate balance of skills, experience, independence and knowledge of the company. Boards identify what customer and stakeholder expertise is needed in the boardroom and how this need is addressed.	This linkage between LTIP incentivisation and customer delivery was strengthened in the prior year executive pay policy as documented in the Remuneration Committee report within the Annual Report and Accounts 2024.
Independent non-executive directors are the largest single group on the board.	The majority of the Board is comprised of Independent Non-Executive Directors (five of a total of nine Directors, including the Chair).
The chair is independent of management and investors on appointment and demonstrates objective judgement throughout their tenure. There is an explicit division of responsibilities between running the board and executive responsibility for running the business.	The Chair is independent of management, although is also the Chair of the parent company Pennon Group plc. There is a clear and explicit division of responsibilities between the Board and Executive, and a summary of their roles is provided on page 42 to 43.
There is an annual evaluation of the performance of the board. This considers the balance of skills, experience, independence and knowledge, its diversity, how stakeholder needs are addressed and how the overarching objectives are met. The approach is reported in the annual report and any weaknesses are acted on and explained.	See page 35.
There is a formal, rigorous and transparent procedure for new appointments which is led by the nomination committee and supports the overarching objective.	See pages Nomination Committee Report in the SES Water Annual Report and Financial Statements.
To ensure there is a clear understanding of the responsibilities attached to being a non-executive director in this sector, companies arrange for the proposed, final candidate for new non-executive appointments to the regulated company board to meet Ofwat ahead of a formal appointment being made	New non-executive appointments have been made this year. When they are made, new Board members are provided with inductions. The Board receives training, including in respect of the roles of Non-Executive Directors throughout the year. Further details of their support and training are provided on page 46.
There is a majority of independent members on the audit, nomination and remuneration committees and the audit and remuneration committees are independently led.	Summaries of Committee membership and attendance is provided in the SES Water Annual Report and Financial Statements. Each of these Committees has a majority of Independent Non-Executive members.




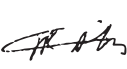






Risk and Compliance Statement – Board Assurance Statement

The SES Board considers that the Company has applied its processes and internal systems of control in a manner that has enabled it to satisfy itself, to the extent that it is able to do so from the facts and matters available to it, that the company:

- ① has a full understanding of, and we meet all, of our relevant statutory, licence and regulatory obligations in all material respects, subject to the exception listed below in this section
- ② has taken appropriate steps to understand and meet customer expectations (see more below)
- ③ has sufficient processes and internal systems of control to meet our obligations in all material aspects, subject to the exception listed below in this section
- ④ has appropriate systems and processes in place to identify, manage, mitigate and review its risks (see more in this section)
- ⑤ We meet the Ofwat objectives on board leadership, transparency and governance (see more on pages 67 to 68)
- ⑥ has appropriate governance to ensure it conducts the regulated company operations as if it were a public limited company separate from any other business (see more below)

In order to comply with relevant laws and regulations, performance monitoring and reporting is key. In addition, in providing regulatory reporting to regulators and other bodies, it is critical that this information is accurate, complete and timely.

The Board is satisfied that the data and information which SES Water plc has provided to Ofwat in the reporting year 2024/25 (including annual reporting data provided following the year end in respect of 2024/25) is accurate and complete (see more below). The Board is also satisfied that other data which the Company has published in our role as a water and sewerage undertaker is accurate and complete.

Name	David Sproul	Iain Evans CBE	Andrea Blance	Jon Butterworth MBE	Dorothy Burwell	Loraine Woodhouse	Susan Davy	Laura Flowerdew	Ian Cain	Andrew Garard
Position	Chair	Independent Non-Executive Directors					Chief Executive Officer	Chief Financial Officer	Chief Executive Officer	Group General Counsel and Company Secretary
Signed										

The Board has received external third-party assurance in making its Board Statements:

Technical assurer's statement on the Risk and Compliance Statement

The Board has received external third-party assurance in making its Board Statements. Section C of Mott MacDonald's assurance technical assurance report on pages 94 to 99 of this report summarises their conclusions and assurance statement in respect of the Risk and Compliance Statement.

Risk and Compliance Statement – Board Assurance Statement continued

Departures from the statement

As described on page 70, the Board has concluded that the Company has a full understanding of, and meets all, of our relevant statutory, licence and regulatory obligations in all material respects, subject to the exceptions listed below. Although these have been assessed by the Board to have a low impact, these have been disclosed for transparency and in line with our values. We note that at any given time, there may be matters under ongoing discussion or investigation with regulators or others to determine whether a material departure occurred. Where relevant, these matters will generally be disclosed following the conclusion of such processes.

2023/24 Annual Performance Report

Annual reporting of our performance data and other industry regulatory data.

Following publication of our 2023/24 Annual Performance Report in July 2024, we identified a number of areas where data improvements could be made, whether through internal reviews, the availability of further retrospective information, or through the annual regulatory query process. As a result and consistent with good practice, we republished this Report in April 2025.

Basis of statement

In making the Risk and Compliance Statement set out above, the SES Water Board has taken into account the following in respect of each confirmation made above relating to:

- Ⓢ Statutory, licence and regulatory obligations
- Ⓢ Customer experience
- Ⓢ Processes and internal controls
- Ⓢ Risk management
- Ⓢ Board leadership, transparency and governance
- Ⓢ Resilience and viability of the Company

As described on page 70, the Board has concluded that the Company has a full understanding of, and meets all, of our relevant statutory, licence and regulatory obligations in all material respects, subject to the exceptions listed below.

Although these have been assessed by the Board to have a low impact, these have been disclosed for transparency and in line with our values. We note that at any given time, there may be matters under ongoing discussion or investigation with regulators or others to determine whether a material departure occurred. Where relevant, these matters will generally be disclosed following the conclusion of such processes.

Statutory, licence and regulatory obligations

The Company has a wide range of statutory, licence and regulatory obligations including those detailed within the Water Industry Act, the Companies Act, the SES Water Licence, and the Competition Act.

Since privatisation, the Company has developed and established processes and procedures for ensuring obligations are adhered to in all material aspects. The Board outlines compliance with its statutory and regulatory obligations as well as performance against targets through Regulatory Reporting. This year's performance is again summarised in the Company's Annual Performance Report and Regulatory Reporting.

As described in the SES Water plc Annual Report and Financial Statements (pages 73 to 74), SES Water operates within a comprehensive and mature frameworks to address the risk of non-compliance with laws and regulation, which include second line compliance functions, to ensure compliance with permit and other requirements of Ofwat, the Environment Agency and other relevant regulators. These frameworks are reviewed and assured to try and ensure the Company remains compliant with the increasingly complex legal and regulatory landscape. The control framework continues to be enhanced with the embedding of a dedicated internal Environmental Permit Assurance Team, which conducted 213 site visits in the year.

Pennon's risk management and internal control frameworks ensure that it does not take any action that would cause SES Water to breach licence obligations.

Further, the Group's governance and management structures mean that there is full understanding and consideration of SES Water's duties and obligations under its respective licences, as well as an appropriate level of information sharing and disclosure to give SES Water assurance that they are not exposed as a result of activities elsewhere within the Group.

The Company also maintains a comprehensive internal compliance framework, overseen by the Legal Compliance function, to ensure compliance with corporate laws applicable to public limited companies, reinforced through key policies approved by the Board and compliance training provided to staff. This has been enhanced this year through the creation and roll out of a new Code of Conduct and interactive eLearning module which is mandatory for all employees.

SES Water utilises the Group's confidential whistleblowing process. This is overseen by the Executive-led Ethics Management Committee. To underpin our commitment to continuous improvement, we have led on the creation of a Water Industry Whistleblowing Best Practice Forum consisting of 12 water and waste companies across England and Wales. There remains an increased appetite amongst regulators for pursuing enforcement action for perceived non-compliance, with industry-wide investigations of wastewater treatment works permit compliance and operational issues ongoing.

The SES Water Board has received reports from the business detailing the applicable statutory licence and regulatory obligations (for which Ofwat is the relevant enforcement authority) and the means by which compliance in all material aspects with those obligations is assured within SES Water for 2024/25.

The Board further receives regular reporting and action plans in respect of our targets, performance commitment and wider regulatory, licence and statutory obligations, in order to enable it to monitor and manage performance. This includes, but is not limited to, reporting with regard to:

- ② our performance commitments in respect of the outcomes laid out in both our 2020–25 Business Plan, which were set following extensive customer and other stakeholder engagement to reflect the priorities of stakeholders;
- ② delivery against our environmental and regulatory outcomes, including matters impact of our network on the environment, etc; and
- ② additional KPIs which have been included to provide performance information in respect of SES Water's performance in other areas deemed important to stakeholders (such as our 'Engagement Index' and performance in respect of our Lost Time Injury Frequency Rate (LTIFR) which are important to our people).

Our wider focus on robust governance is key to ensuring a strong compliance culture and aligns with our Code of Conduct and related policies, more on which is set out on page 43 to 47, alongside our focus on training and awareness.

All performance data demonstrates the linkage between our purpose and values, our business outcomes, our business model and the risks to achieving these, as well as being designed to ensure adherence with relevant laws and regulations.

Accuracy and completeness of data and information

The Board statement on the accuracy and completeness of data is underpinned by the operation of our Integrated Assurance Framework (see page 83) and our response to how the Board is able to make this statement in line with each significant area for assurance. For each of these areas the Board reviews how it has:

- ② engaged and challenged the assurance approaches which have been taken;
- ② taken action to ensure that any exceptions and weaknesses in the assurance approaches have been addressed;

② satisfied itself that approaches have been appropriately identified and addressed any risks to the provision of accurate and complete data in particular areas; and

② utilised individual Directors and committees in carrying out its activities in this area.

The statement is not limited to the Annual Performance Report.

However, these are the areas which the Board deems most significant to provide clear and detailed descriptions of the specific procedures performed in line with our Integrated Assurance Framework.

The Board is committed to reviewing its assurance framework at least annually. However, where circumstances change during a year the Board also acts to provide a greater degree of focus and assurance as it deems necessary. As a result, and as performance has not improved as quickly as anticipated in certain areas, the Board has added these areas as specific significant areas for assurance going forward and additional scrutiny and oversight of recovery plans will be provided.

We have confirmed that sufficient assurance activity has been performed, including assurance commissioned from independent external assurance providers, to allow the Board to make this statement.

The Board also notes the report of the WaterShare+ Advisory Panel in respect of their role providing an independent challenge of our business plan commitments and Board pledges (see page 09).

The Board has considered both the assurance performed over the data we are reporting as well as the executive oversight and processes in place to ensure consistency of the narrative throughout the report with the data, our performance, how the Company operates, and any descriptions of assurance undertaken.

Section 172 (Companies Act 2006)

We have complied with the requires of s.172 and our full statement can be found on page 73 to 74 of the SES Water Annual Report and Financial Statements.

Customer expectations

Customer expectations and licence condition C

SES Water aims to deliver a trusted experience to the customers and communities it serves. We recognise that as a monopoly provider of a services that is essential for the health and economic wellbeing of our customers and communities, we are in a privileged position and must ensure we work tirelessly to deliver on the expectations of our customers.

As such, the Company has developed approaches and appropriate processes for engaging with customers to ascertain priorities and expectations.

The Company continually gathers customer feedback and engages with customers in order to understand their expectations. SES Water has considered how communications adhere to Ofwat's information principles with the aim of ensuring information is accurate, transparent, clear, accessible and timely.

Our Codes of Practice meet licence conditions G and H, providing information to customers describing the nature of the services to domestic customers, giving guidance to domestic customers who have difficulty paying their bills and advising customers of their options and rights about the help available when they have a leaking supply pipe. They also meet the requirements of condition G to ensure customers are well informed, customers have confidence their company will put things right when something goes wrong, and the full diversity of customers' needs is identified, understood and met by companies (see more detail on page 6).

Our approach for producing and reviewing customer information is consistent with Ofwat's information principles. Customer research and feedback is acquired through our quarterly tracking survey and on specific topic areas to support the quality of our communications.

Customer-focused licence conditions

In February 2024, Ofwat introduced a new condition in the licence of each water company in England and Wales, which set new standards for customer care and support. Companies can be fined up to 10% of their annual turnover if they fall short of these standards.

The licence condition is based on six principles, set out below.

Proactive communications

Principle: The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.

We use multiple channels to help us reach as many customers as possible with our proactive communications so they are well-informed about all aspects of their service. These range from contacting customers directly via email or letter with more tailored and personalised information to using several social and traditional media channels to share our wider messaging.

We run awareness campaigns on topics like water efficiency and support available for customers who need extra care, utilising customer data to help target and tailor our approach. These roll out across different channels to maximise exposure and reach.

Where possible, we try to speak to customers face-to-face, including one-to-one visits, attendance at community events and visiting job centres, food banks and community hubs.

We publish information about the support schemes we offer on our website, social media channels, customer emails, bills, and printed on our envelopes. While also utilising our partners' channels to help extend our reach even further.,

During water supply outages, we update our website and social media channels and put a recorded message on our telephone system (when appropriate) so that customers who prefer to call can receive the latest information even before they speak to an agent.

Customers can also register for automatic updates on our interactive In Your Area map.

For more severe incidents, we also direct emails, SMS messages, hand-deliver letters to affected residents and liaise with local councillors and MPs to help keep people up to date. This can also extend to local radio and television.

We also provide extra support, including home visits and deliveries of bottled water, to customers on our Priority Services Register (PSR). Our smart water network allows us to identify the location of a burst, and the area affected, more quickly so we can mobilise our customer teams and identify customers who may need more support.

When delivering planned engineering works, we provide affected customers with information in advance, and for more disruptive schemes we work with the local community on how best we can deliver them.

Finally, after an incident we proactively contact our customers for their feedback on how well we supported them.

Our Autumn/ Winter campaign

For the first time, we proactively targeted customers who need extra help through a dedicated events programme, which ran from September 2024 to March 2025. By working with partners such as Together for Sutton, the Sutton Housing Partnership, the NHS, Jigsaw 4 U, Christians Against Poverty and Sutton primary Care Networks, we were able to reach an audience of over 2,500 people across 20 separate events. These events ranged from flu clinics, drop-in sessions at churches, cost-of-living campaigns, domestic violence coffee mornings and a Christmas Fayre. SES colleagues were able to sign up 146 customers to one (or more) of our support schemes, as well as raise awareness of other support available.

This was coupled with a social media campaign, which ran across our social media channels in January and February.

Next steps

In future, we will revamp our website to help customers find information and manage their account more easily and use Artificial Intelligence (AI) to help us deliver tailored communications to customers, about day-to-day queries and incidents. We will also extend the use of SMS and email across all our customer journeys.

Ease of contact

Principle: The Appointee makes it easy for its customers to contact it and provides easy-to-access contact information.

Details of how to contact us are displayed on our website and on water bills. This includes email addresses, social media channels, phone numbers, face-to-face locations and postal address. Customers can self-serve to pay bills, submit meter readings and see how much water they use via our online My Account platform. In an emergency, customers can call us 24/7, 365 days a year.

Our website has an inbuilt accessibility tool, Recite Me, which allows users to access a screen reader, translate the information into more than 100 languages and enlarge the text.

In 2023 we introduced SignVideo, which allows customers who use British Sign Language to speak to us via a translator or via live chat. This service is available 24/7, so customers can also contact us in the event of an emergency.

Our core customer information is easily 'findable' on our website, located in our new Customer Information Hub. Details of how to access our core customer information is also clearly displayed in the help section on our water bills.

Improving our core customer Information

In 2024, we updated our Customer Charter and a number of our Codes of Practice. These documents were written using accessibility guidelines, and support screen reader functionality. As part of this work, we also consulted with our customer panel and CCW.

Next steps

We will introduce new contact channels such as live chat, which customers have told us would be useful. Our customer service agents will have access to new technology to help them determine the best next action to take when customers contact us.

Support when things go wrong

Principle: The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.

Our Customer Care team aims to resolve any issue immediately, through a number of different actions:

- ② Cross training our teams to support on a wider range of topics so queries can be answered in one call.
- ② Through our new Training Academy, train our colleagues to spot any extra care needs (be it financial, non-financial or otherwise) that our customers might have, so the appropriate support can be offered there and then.
- ② Regularly review what our customers are calling us about, and what our front-line agents are saying, so we continually improve our services.
- ② Tailor our contact to customers' preference where possible, working to make sure our data is accurate as possible.

To help us rectify issues before they become complaints, we encourage employees to flag potential issues so our senior management team can review these, alongside negative comments received from customers.

If issues can't be rectified, we will raise the complaint for further investigation and action. We aim to respond within ten working days (if not sooner) and will keep customers up to date with our progress while they wait. If we can't resolve the problem, we can conduct an internal review to make sure we did our best.

We have updated our online complaints form so customers can tell us if they would like us to reply by phone or email, and what they would like us to do to resolve their complaint. Customers can also tell us if they have any health, access or extra communication needs, or if they'd prefer for us to speak to someone else on their behalf about their complaint.

Our complaints procedure is available on our website, so customers understand the process. This was fully updated last year and as part of this process we also consulted with CCW.

Working with CCW

We enjoy a close working relationship with our customer regulator CCW, where we regularly share the root cause analysis of our complaints and the identified areas where we need to improve. We now contact customers proactively about known issues and making sure customers understand our complaints procedure. We continually learn from other water companies that perform well in this area and have recently joined CCW's financial redress scheme working group.

Next steps

We will further increase the amount of customer contacts we resolve first-time, by sharing data internally and building integrated teams to resolve customers' queries at the first point of contact, and harness data and research to drive down complaints.

Learning from experience

Principle: The Appointee learns from its own past experiences and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.

Details

We monitor how we are performing for our customers in several ways and use what we learn to drive improvements. In addition to analysis of our quarterly C-MeX results, we routinely conduct post-call surveys to gather immediate feedback and carry out root cause analysis of unwanted and repeat contacts and complaints.

Each quarter, we carry out a Voice of the Customer survey, covering topics including our vulnerability support, clarity of bills and whether customers feel we offer value for money. Furthermore, following water supply incidents, we ask all affected customers, including those on the Priority Services Register, for their feedback so we can identify lessons learned.

This process is helping us understand where things are going wrong (and right), identifying key themes and trends, and where different types of customers may have specific needs that we need to address. We use this insight to help us replan the customer journey and design-out areas that are causing issues so we can deliver a smoother service that reflects the needs of all our customers.

We regularly meet with local councillors, MPs and CCW to listen to their feedback and use it to shape our policies and customer communications. We also work with organisations that represent customers who may have additional needs to help us design inclusive services and policies and communicate better with their service users. Our Customer Scrutiny Panel advises and challenges us as we deliver change and monitors our performance, reporting annually on our progress.

Post incident feedback CCW

We're always looking for ways to improve how we support customers during incidents. We proactively contact customers after an incident and invite them to take part in a short survey. This helps us understand what went well, and what we can do better in the future. Key themes and any improvement actions are shared with our senior management team and wider stakeholders, including CCW.

Next steps

Over the coming year we will be making improvements to our bill design, customer communication methods and the home move process, using insight from our customers and stakeholders.

Understanding and supporting customers

Principle The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, including during and following incidents.

We pride ourselves on our 'equal service for all' approach which was developed alongside customers and community representatives. This shapes how we provide information, the training we give our employees and how we develop and implement our policies.

More than 160 employees have received Dementia Friends training, and many are trained to help customers who contact us about a bereavement or who have additional needs. Our Extra Care team also offers home visits for customers who cannot come to our office due to a disability, health condition or other vulnerability.

Customer-focused licence conditions continued

Our dedicated community support team helps customers in a range of circumstances and works with partners such as Age UK, the Orpheus Centre and the Lucy Rayner Foundation to enhance our understanding of how to help customers who need extra support.

Last year, we provided 865 hours of volunteering time to charities and community groups which serve our customers.

In June 2024 we published our draft vulnerability strategy following Ofwat's release of their 'Service For All' guidance. The strategy did not fall short in any of Ofwat's assessment areas and was exemplary in addressing objectives three and four of the guidance. We will publish our final strategy at the end of June 2025.

Data sharing

In April 2023, we began sharing our Priority Service Register with UK Power Networks, to help us identify customers who may need extra support. Instead of having to register separately for each utility, customers now only need to contact one company to receive emergency help during a gas, water or electricity outage. Following this initiative, the number of customers on our Priority Services Register increased by 36% in one year. Since then, we have also completed data shares with the Department for Work and Pensions (DWP) and Southern Water. This is to ensure we capture all our customers with additional needs and register them for the appropriate support.

Next steps

We will work more closely with local charities and community partners to help us be more proactive when supporting customers with additional needs or who may be struggling to pay their bill. We will share data with more trusted organisations, to help us identify more customers who may need our help.

Financial support

Principle: The Appointee provides support for its customers who are struggling to pay and for customers in debt.

Our Here For You programme encompasses our Priority Services Register and financial support tariffs. Depending on their circumstances, customers may be able to have their water bill deducted from their benefit payments, have their metered bill capped or receive a 50% discount on their bill. Many customers also benefit from payment holidays or flexible payment plans.

Under our trusted partner scheme, some charities, housing associations and local authorities can apply for our support services on a customer's behalf. We also refer customers to specialist debt support, where needed, and this information is readily available on our recently launched partner page on our website. <https://seswater.co.uk/about-us/our-partners>

Targeting our support

We are using demographic data to help us target our Here For You programme to those who need it most, and reach those who aren't currently receiving support. By looking at the geographical areas where customers are likely to be less affluent, receiving benefits or already on one of our support tariffs, we can boost awareness and take-up of our support schemes.

Next steps

By the end of 2025, we'll have 25,000 customers receiving a 50% bill discount via our Water Support scheme while tailoring our support more to make sure we're helping those who need it most. Our smart metering programme will give customers more frequent access to their billing data, enabling us to offer even greater support to keep their bills low.



Processes and internal systems of control

The SES Water Board has in place a well-established and effective set of policies and processes covering corporate governance, internal control and risk management.

The Board is responsible for maintaining the system of internal control to safeguard shareholders' investment and the Company's assets and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing the significant risks faced by SES Water that has been in place from integration into Pennon governance structure, up to the date of the approval of this Annual Performance Report. Prior to this, processes as described in the SES Water 2024/25 Annual Performance Report remained in place.

The Group's system of internal control is consistent with the UK Corporate Governance Code, FRC's 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' (FRC Internal Control Guidance). This assurance section of the Annual Performance Report provides a general overview of our assurance framework and processes as well as an update on the assurance performed in respect of the Annual Performance Report and Regulatory Reporting.

The processes and policies serve to ensure that a culture of effective control and risk management is embedded and that the Company is in a position to react appropriately to new risks as they arise.

The Group-wide internal control framework is designed to ensure that no action is taken that would cause SES Water or South West Water to breach licence obligations.

South West Water's Integrated Assurance Framework ensures, utilising a risk-based approach, that an appropriate balance of varied providers of assurance are deployed to assure the internal processes, controls and reporting dependent on the assessed risk and complexity of assurance requirements.

A more comprehensive overview of SES Water's integrated assurance framework is described in the Assurance section of this report (pages 83 to 84)

As part of an annual review of the effectiveness of the system of risk management and internal control under the Pennon Group risk management policy, all Executive Directors and senior managers are required to certify on an annual basis that they have effective controls in place to manage risks and to operate in compliance with legislation and other procedures.

The SES Water Audit Committee oversees the programme of internal audit on an annual basis, and considers the resources for carrying out internal audits in key Company specific areas – this activity is carried out by the Independent Pennon Internal Audit team.

The Group is committed to continuously improving its internal control and assurance processes. Examples of improvements during the year include:

- ② The Group's confidential Speak Up process has been reviewed and further enhanced.
- ② A dedicated second line function has been established focused on environmental permit assurance across the Group's water and wastewater sites, providing an additional layer of assurance in this area.
- ② SES Water has successfully achieved external ISO 45001 certification of its Occupational Health and Safety Management System as part of the Pennon Group.

There is also a programme of assurance coordinated by the Risk and Compliance team as part of the Company's ISO and British Standards. SES Water currently holds and held the following accreditations/certifications throughout the year:

- ② ISO 9001:2015 (quality management)
- ② ISO 14001:2015 (environmental management)
- ② ISO 45001:2018 (occupational health and safety)

ISO 22458:2022 Customer vulnerability is an international standard aiming to increase positive outcomes for vulnerable customers when companies deal with them. This aligns to our aims, our licence and with our business plan for 2025–30. We are aiming to achieve this certification during 2025. As well as the standard, we aim to be certified to the BSI Kitemark for inclusive service, which is focused on how companies' services can be accessible to all.

Risk management and mitigation

The Company operates within a complex and evolving risk environment which includes responding to operational risks and incidents, a changing regulatory environment, increasing customer and public expectations and evolving digital and cyber risks. Risk management and mitigation is therefore critical, and the Company has robust systems and processes in place to identify, manage, mitigate and review its risks.

The system for profiling and monitoring key risks is embedded in our normal business practices. We regularly review how we have sustained specific risk control measures, to decide if the probability and consequence of certain risks have changed, and if necessary to recommend further actions or investment to ensure the effectiveness of our corporate governance. Horizon scanning of emerging risks and opportunities is embedded within the risk and opportunity review process.

For the purposes of assessing and managing risk within SES Water, the individual departments review risks to the business associated with their accountabilities and responsibilities within the Company's strategy. An overall risk register is updated on an ongoing basis as a result of any changes in the nature and extent of risks.

Throughout the year the Executive formally review and update the risk register on a regular basis, with a particular emphasis on assessing and challenging, where necessary, the controls and mitigating factors recorded on the risk register. Risks are also formally reviewed as part of the forecasting and annual business planning processes. The Compliance Committee considers deep-dive reports of particular risk areas and escalates material issues and risks to the Executive Committee.

Further detail of the risk management and mitigation process, including oversight framework and the role of the first, second and third lines of assurance are set out in SES Water's Annual Report and Financial Statements (pages 32 to 45).

Board leadership, transparency and governance

The SES Water Board is dedicated to developing and improving the governance structures and activities in accordance with best practice and Ofwat's board transparency and governance requirements.

For 2024/25 SES Water had a fully functioning and standalone Board, as well as Committees, although as part of the Pennon Group, also benefits from the wider Group governance and processes. The business of the Board with associated Audit, ESG, Remuneration and Nomination Committees covers a full range of corporate issues including strategy, performance, delivery, compliance and governance.

The members of the Board are considered to have the appropriate skills, experience in their respective disciplines and personality to bring independent and objective judgement to the Board's deliberations and to represent customers' interests.

The Company has complied with the UK Corporate Governance Code 2018 subject to a number of exceptions which relate to certain responsibilities being reserved by the Board and Committees of Pennon Group plc (the parent company), which itself fully complies with the UK Corporate Governance Code. The exceptions are explained in the SES Water Annual Report on page 53.

The SES Water Board composition changed upon integration into the Pennon Governance Framework in July 2024. Up to this point governance structures outlined on page 35 were in place. The remainder of 2024/25 and in accordance with the established governance framework, the SES Water Board convened before each Pennon Group Board meeting to consider Company strategy, performance and regulatory planning.

The governance framework is set out in the governance section on pages 32 to 50. The regulatory ring-fence around the SES Water business is protected through efficient and transparent decision-making.

The Board has a 'matters reserved' schedule setting out its responsibilities. Each Committee has detailed terms of reference setting out its responsibilities and accountabilities. Further details of the responsibilities of each of the Committees are set out in the report of each Committee on pages 75 to 94 of the SES Water Annual Report and Financial Statements.

These, together with the risk management and internal controls frameworks, form an effective and robust governance structure.

The SES Water Board includes the Chair, the Chief Executive Officer, the Chief Financial Officer, the Senior Non-Executive Director and four further Non-Executive Directors, convenes before each Pennon Board meeting, and considers SES Water strategy, performance and regulatory planning.

Pennon and SES Water Boards have consistent Chair and Non-Executive Director memberships in line with the focus of the Group on the Water sector.

The SES Water Board is committed to ensuring transparency and strong governance in how it operates. Both as a regulated water company, as well as part of a Group listed on the London Stock Exchange, ensuring the highest level of governance and transparency of reporting is critical to the success of the Company and the wider Pennon Group.

As such, the 2024/25 SES Water Annual Performance Report and Regulatory Reporting highlights Company performance for the final year of the five-year 2020–25 regulatory period and provides detail on operational performance metrics throughout the period.

The Outcome Delivery Incentives (ODIs), which are SES Water's Key Performance Indicators, incorporate the metrics used by the SES Water Board and Ofwat, our economic regulator, to monitor performance. They were developed in line with customer and other stakeholder priorities following comprehensive engagement exercises in each area while developing the 2020–25 business plan.

The Company also seeks to ensure transparency in the way it operates, including through its commitment to open data, ongoing reporting at half year and full year reporting periods, and in ongoing sharing of performance and operational plans with stakeholders, including through its WaterShare+ customer panel.

Executive Director remuneration is linked to Company performance via the performance related bonus arrangements. This linkage and comprehensive disclosures of Director remuneration are provided, including the specific performance targets used in the bonus calculations on page 51 to 66.

Resilience and viability of the business

Under Condition P of the regulatory licence held by SES Water, the Board is required to provide an annual certificate to confirm that we are operating in line with the regulatory ring-fence set out under that Condition. This Condition requires SES Water Limited to be able to operate on a standalone basis, separate from any other business, and to be able to do so in a way that ensures its financial and operational resilience. SES Water is also required to hold investment grade credit ratings for the purposes of compliance with this Condition.

In addition, the Board is also required under the licence to confirm the Company has considered its long-term viability as a business as well as the sufficiency of financial and management resources.

Ring-fencing certificate

The following summarises key matters taken into account in considering the ability of SES Water to operate effectively and for the long term as an organisation, in line with the regulatory ring-fence and ensuring it acts as if it were a public limited company separate from any other business. The following matters are considered in making this assessment.

Financial resources and facilities to enable the Board to carry out the regulated activities	<ul style="list-style-type: none"> ⓪ The Appointee's historical performance and future performance expectations are in line with current and future expected business plans ⓪ Available cash resources and borrowing facilities ⓪ The long-term viability statement (see page 78) ⓪ The Appointee's compliance with financial covenants ⓪ The Appointee's financial position as at 31 March 2025
Management resources	<ul style="list-style-type: none"> ⓪ Our Values, sitting within our overall purpose and oversight of our culture (see page 26) ⓪ Our People strategy ensuring sufficient recruitment and retaining talent (see page 26 to 29) ⓪ Our experienced Board bringing a wide range of skills and oversight (see page 35), including our Independent Non-Executive Directors, who form a majority of the Board
Systems of planning and internal control	<ul style="list-style-type: none"> ⓪ The oversight and insight of the Audit Committee ⓪ The Company's risk management process (see summary on page 32 and full detail in the SES Water Annual Report and Financial Statements) ⓪ The Annual Certification of Internal Control Effectiveness provided by Executive members and overall certification by the Chief Operating Officer ⓪ Our Risk Based Assurance Framework as well as Mott MacDonald's assurance of ODIs and other technical data ⓪ The Company's Code of Conduct and Whistleblowing 'Speak Up' programme (see page 45) ⓪ Our Anti-Bribery and Anti-Corruption Policy
Rights and resources other than financial resources	<ul style="list-style-type: none"> ⓪ Aligned to our values of 'Be Rock Solid,' 'Be You' and 'Be the Future' we seek as our purpose 'Bringing Water to Life,' Supporting the lives of people and the places they love for generations to come' ⓪ Our monitoring systems in place over our treatment processes and networks, in respect of drinking water ⓪ Our suite of core policies, including quality, environmental and health and safety
Contracting	<ul style="list-style-type: none"> ⓪ Major contracts, such as those associated with our new 2025–30 'amplify' alliance, are undertaken through a full and thorough procurement process ensuring contracts are with resilient organisation and we have multiple suppliers engaged. ⓪ The Board also confirms that all contracts entered into between SES Water and any associated companies include the necessary provisions and requirements in respect of the standard of service to be supplied to SES Water, to ensure that SES Water is able to carry out the Regulated Activities ⓪ The full disclosures of transactions between the appointee and associated companies in line with Ofwat's guidance (see page 180)
Material issues or circumstances	<ul style="list-style-type: none"> ⓪ Matters identified as not material for the purposes of this certification are described on page 70

Ring-fencing certification

The ring-fencing certificate was approved by the Board at its meeting on 4 July 2025. It has been subject to third-party assurance, by our financial auditor, PwC. PwC's statement of assurance for the Annual Performance Report is included on pages 91 to 93 and it has provided a separate report submitted to Ofwat in respect of the ring-fencing certificate.

Statement to Condition P-26

Moody's and Fitch have affirmed the company's ratings at Baa1 (2023/24: Baa2) which is as required at Investment Grade.

We aim to maintain such ratings, which are subject to regular review, noting methodologies of agencies are subject to change and assessments can include sector wide as well as Company specific considerations.



Laura Flowerdew

Group Chief Financial Officer

15 July 2025

Resilience and viability of the business continued

Viability statement

The Directors of SES Water are responsible for ensuring the long-term viability of the Company. The Directors need to ensure the resilience of the Company by identifying, managing, avoiding or mitigating risks which may impact viability.

The Board's consideration of longer-term viability of the Company is an extension of the strategic business planning which is managed through regular long-term modelling and monitoring of key measures including gearing, debt covenant headroom and level of liquidity. The resilience of the business and these key viability measures are appropriately assessed by a number of mechanisms including a robust risk management assessment, sensitivity analysis and stress tests of financial performance.

The overall market context is a cornerstone of the viability assessment. SES Water is a long-term business characterised by multi-year investment programmes, with associated revenue streams with high levels of future visibility.

The viability assessment has been made with reference to the Company's current position and prospects, including consideration of the ongoing impacts of the Ukraine crisis, climate change, its longer-term strategy, the Board's risk appetite and the Company's principal risks and how these are managed, as detailed on pages 81-82.

Period of assessment

The Board regularly considers the appropriate period for the viability assessment to be performed in line with the UK Corporate Governance Code. The Board considers the appropriate period to assess the Company's viability should be increased to seven years, previously until the end of 2030, which recognises the longer-term visibility in the regulatory environment of the SES Water business to the end of the next price setting period in 2030 and beyond. This period gives visibility beyond the current regulatory AMP, testing the long-term viability of the business.

Risks

The Board considers the preventative and risk management actions in place and the potential impact of the principal risks (as detailed on pages 79 to 80) against our ability to deliver the business plan. This assessment has considered the potential impact of these and other risks arising on the business model, future performance, solvency and liquidity over the period in question. The Company has a strong liquidity and funding position with £113.4m of cash and committed facilities as at 31 March 2025.

The Company has a mixture of fixed, floating and index-linked debt financing. In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Company's viability. Over the course of the year the Board, either directly or through the activities of the Audit Committee, has considered a deep-dive review of the following principal risks to enable a thorough assessment of the impact of these risks on ongoing viability:

- ⊗ Incident management
- ⊗ Cyber security

Stress testing

The Company's business plan has been stress-tested. Whilst the Company's risk management processes seek to mitigate the impact of principal risks as set out on pages 80-82, individual sensitivities (shown in the table below) have been identified. These sensitivities, which are individually ascribed a value with reference to risk weighting, factoring in the likelihood of occurrence and financial impact, were applied collectively to the baseline financial forecast which uses the Company's annual budget for 2025/26 and longer-term strategic business plan through to March 2032, based on the Final Determination for the first five years.

The impact of climate risks has been considered on pages 81-82.

The stress-testing scenarios applied during the viability assessment period do not include specific reference to climate change-related risks alone as climate change has been considered as part of the principal risks identified.

Principal risk	Viability sensitivities tested	Modelled Impact
A: Changes in Government policy	Changes in Government policy affecting the water industry, such as additional environmental legislation may impact operational performance or investment requirements. The estimated average adverse impact on the Company's cash flows from a range of potential policy changes has been applied as a sensitivity.	£2.0m
B: Changes in regulatory frameworks and requirements	Whilst we have seen greater stability in the regulatory framework post PR24 Price Review, there are still significant changes expected in the water sector over the next few years.	£2.0m
C: Non-compliance with laws and regulations	The estimated impact of financial penalties and reputational damage from failure to comply with laws and regulations has been modelled as a sensitivity.	£2.0m
D: Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments	The impact of reduced availability of financing resulting in increased costs has been modelled as a sensitivity.	£1.4m
E: Non-compliance or occurrence of an avoidable health and safety event	The financial impact and cash outflows related to a major health and safety event has been applied as a sensitivity.	£2.0m
F: Failure to pay all pension obligations as they fall due and increased costs for the Company should the defined benefit pension scheme deficit increase	The financial impact on the Company's gearing from additional funding being required to support the Company's defined benefit pension scheme has been applied as an adverse scenario.	£1.4m
G: Macroeconomic near-term risks impacting on inflation, interest rates and power prices	The adverse impacts of higher operating and finance costs from increasing power prices and general inflation increases over and above increases assumed in base financial plans, including the impact on Totex underperformance on regulatory returns and impact on debt financing costs have been applied as a sensitivity, as well as a reduction in the collection of customer debt from adverse economic conditions.	£5.7m
H: Failure secure, treat and supply clean drinking water	The adverse impact from non-delivery of regulatory performance targets which result in ODI penalties, other financial penalties and required additional investment reducing Company revenues and cash inflows have been applied as a sensitivity to the base plan.	£3.4m
I: Failure to provide excellent service to meet the needs and expectations of our customers and communities		
J: Difficulty in recruiting and retaining staff with the skills required to deliver the Group's strategy	Whilst the business has robust processes to retain and develop staff, viability testing considers the impact of increasing costs including staff-related costs.	£2.0m
K: Insufficient capacity and resilience of the supply chain to deliver the Company's operational and capital programmes in K8	Supply chain capacity shortages will impact on the costs required to deliver on the programme, which, whilst specific cost protections exist in the regulatory framework against construction costs, have been considered as part of the sensitivity testing.	£0.8m
L: Inadequate technological security results in a breach of the Company's assets, systems and data	The adverse financial impacts of a cyber-attack resulting in operational disruption, potential loss of data, potential detrimental impacts on customers with potential for financial penalties have been included in the sensitivity analysis.	£2.0m

A combined stress testing scenario has been performed to assess the overall impact of these individual scenarios impacting the Company. The combined weighted impact of the risks occurring is c.£15.9m, this value is considered equivalent to an extreme one-off event that could occur within the going concern period to 31 October 2026, the probability of such an event happening is deemed unlikely.

Resilience and viability of the business continued

Stress testing evaluation and mitigations

Through this testing, it has been determined that none of the individual principal risks would in isolation, or in aggregate, compromise the Company's viability over the seven-year period. The assessment has been considered by reviewing the impact on the solvency position as well as debt and interest covenants, the modelled impact on each of the individual risks and combined stress tested scenario did not breach the headroom or covenant calculations over the viability period. The financial impacts of the risks were probability weighted to obtain a value that was used in the stress testing. While mitigations were not required in any of the above individual or combined scenarios to ensure that the Company was viable, additional mitigations could be deployed to reduce gearing and increase covenant headroom. These include:

- ② Reduction in discretionary operational expenditure.
- ② Deferral of capital expenditure and/or cancellation of essential capital expenditure.
- ② Reduction in the amount of dividend payable.

The Company has confidence in its ability to raise additional funding if required should it be required to ensure the Company maintains solvency.

In addition, a reverse engineered scenario that could possibly compromise the Company's viability over the seven-year assessment period has been modelled. This scenario builds on the factors above and additionally assumes all the Company's principal risks occurring in any given year across the viability period, with no probability weightings attached. The Board considered the likelihood of this scenario on the Company's viability over the seven-year viability period, as remote, concluding the Company could remain viable. Mitigations, as noted above, could also be deployed over the period if deemed necessary.

In making its assessment of the Company's viability, the Directors have taken account of the Company's strong capital solvency position, the Company's latest assessments of forward power and other commodity prices, latest inflation forecasts, its ability to raise new finance and a key potential mitigating action of restricting any non-contractual payments. In assessing the prospects of the Company, the Directors note that, as the Company operates in a regulated industry which potentially can be subject to non-market influences, such assessment is subject to uncertainty, the level of which depends on the proximity of the time horizon. Accordingly, the future outcomes cannot be guaranteed or predicted with certainty. As set out in the Audit Committee's report on pages 79 to 86 of SES Water's Annual Report and Financial Statements, the Directors reviewed and discussed the process undertaken by management, and also reviewed the results of the stress testing performed.

Viability assessment conclusion

The Board has assessed the Company's financial viability and confirms that it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a seven-year period, the period considered to be appropriate by the Board in connection with the UK Corporate Governance Code.

Condition F and long-term resilience and viability statement

In addition to internal assurance performed over the viability statement and external assurance in line with PwC's role as statutory external auditor of the financial statements, the Audit Committee has provided extensive oversight and review of SES Water's long-term financial resilience (see pages 79 to 86 of the Annual Report and Financial Statements) and we commissioned further specific 'Agreed Upon Procedures' to be performed by PwC covering the calculations and assessments made as well as challenge of the underlying assumptions and judgements. The Board of Directors of SES Water plc has resolved that a Certificate be issued to the Water Services Regulation Authority confirming:

- ② That in the opinion of the Directors, the Company will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Company's obligations under the Appointment).
- ② That in the opinion of the Directors, the Company will, for at least the next 12 months, have available to it management resources which are sufficient to enable it to carry out those functions. In making this declaration, the Directors have taken into account:
 - › The net worth of the Company and the strength of key performance indicators as shown in the Company Annual Performance Report for the year ended 31 March 2025 and the Company's Business Plan for the next seven years (as described on page 78).
 - › Borrowing facilities which include significant committed undrawn bank facilities.
 - › Parental support provided by the holding company which will provide financial support to the Company to enable it to meet its liabilities as they fall due.
 - › The Company's formal risk management process which reviews, monitors and reports on the Company's risks and mitigating controls and considers potential impact in terms of service, compliance, value, people, society and partners.
 - › The Company's employment policies and strategy.

The Directors also declare that in their opinion all contracts entered into with any associated company include all necessary provisions and requirements concerning the standard of service to be supplied to the Company to ensure that it is able to meet all its obligations as a water undertaker, as required in Section 6 of Condition F of the Instrument of Appointment. This opinion has been formed following examination of the documents in question.



Laura Flowerdew

Group Chief Financial Officer
15 July 2025

Managing our risks

Summary of risk report

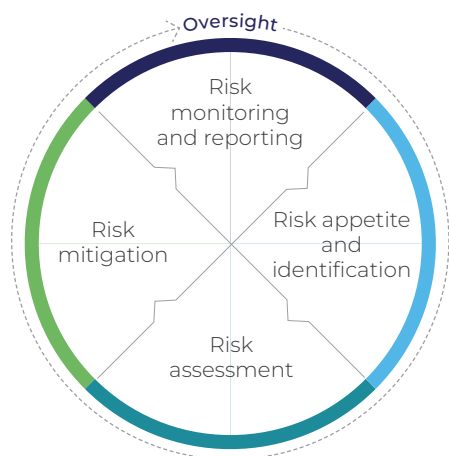
SES Water operates within a complex and evolving risk landscape which includes changing Government policy, multiple regulatory frameworks and increasing customer and wider societal expectations.

The long-term success of the Company is dependent on the effective management of risks and opportunities and remains a key focus for the Board and Executive.

Our risk management framework considers risk from both a strategic (top-down) and tactical (bottom-up) perspective. This enables a common understanding of risks and opportunities and their interdependencies, allows risks and opportunities to be cascaded and escalated effectively and provides a multi-layered approach to the review and challenge of risk.

Our risk management framework

Our risk management framework, risk assessment methodology and detailed assessment of risks are described on pages 32 to 45 of the SES Water Annual Report and Financial Statements.



Horizon scanning

Emerging risks and opportunities are considered to be factors and events which could have a future impact on the achievement of the Company's strategic priorities but lack the required clarity or certainty in order to adequately assess their impact. Horizon scanning of emerging risks and opportunities is embedded within the risk management process.

Emerging risks are reviewed by the Executive and Board as part of their regular assessment of the Company's risk profile. Notable emerging risks and opportunities are detailed within the table below:

Risk/opportunity

Geopolitical tensions

Comment	Risk category impact
Increased escalation of conflict in the Middle East combined with the ongoing war in Ukraine could further impact the global economy, heighten energy resilience risks and disrupt key supply chains such as chemicals.	⌚ Market and economic conditions
Time horizon: Short-medium term	

Artificial intelligence and machine learning

Comment	Risk category impact
There is a risk that automated intelligence and learning deployed within operational processes develops faster than Government regulations and standards.	⌚ Operating performance.
Time horizon: Medium term	

Quality of water resources

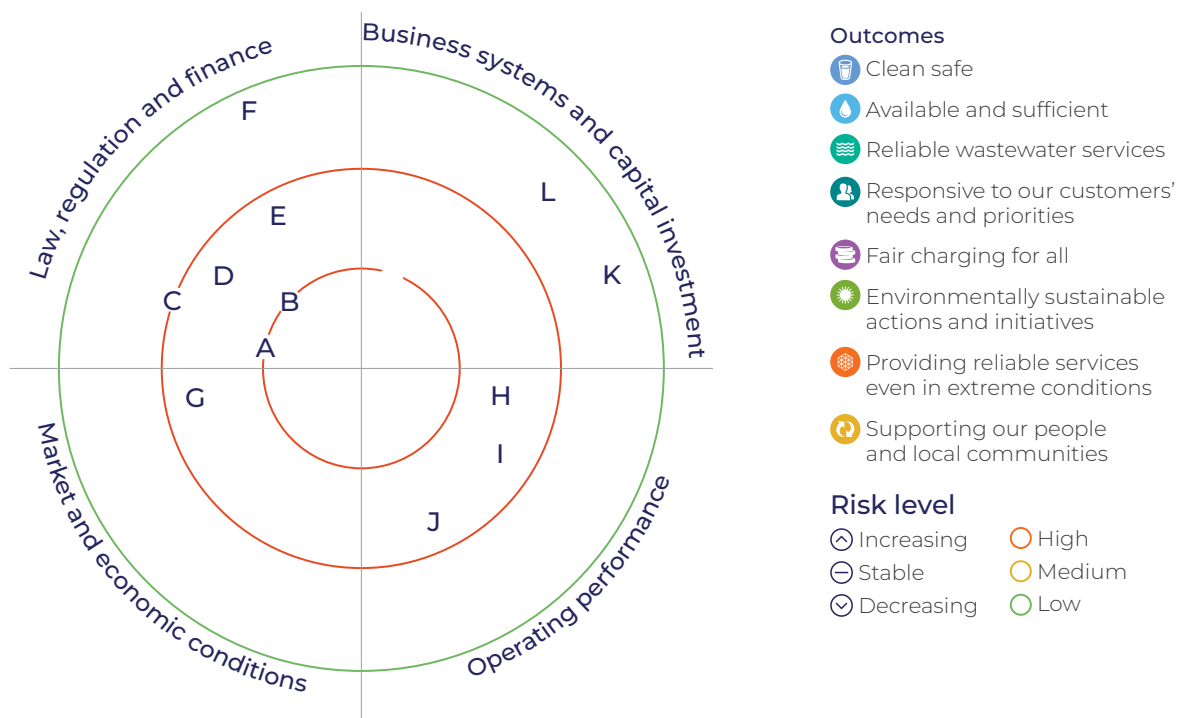
Comment	Risk category impact
Changes in regulatory requirements over the treatment of micro-plastics, micropollutants and 'forever chemicals' (e.g. PFAS) as a result of ongoing research may require significant changes in operational processes in the water treatment process.	⌚ Operating performance ⌚ Business systems and capital investment.
Time horizon: Medium-term	

Changes to the demographics within the areas that we serve

Comment	Risk category impact
Increases in population, climate change and an increasingly aging population could place further demand on our resources and assets.	⌚ Operating performance.
Time horizon: Medium-term	

Managing our risks continued

Overview of SES Water's principal risk profiles



Category	Ref	Strategic priorities – outcomes	Risk description	Net risk
Law, regulation and finance	A		Changes in Government policy	
	B		Changes in regulatory frameworks and requirements	
	C		Non-compliance with laws and regulations	
	D		Inability to secure sufficient finance and funding, within our debt covenants, to meet ongoing commitments	
	E		Non-compliance or occurrence of an avoidable health and safety incident	
	F		Failure to pay all pension obligations as they fall due and increased costs to the Company should the defined benefit pension scheme deficit increase	
Market and economic conditions	G		Macroeconomic near-term risks impacting inflation, interest rates and power prices	
Operating performance	H		Failure to secure, treat and supply clean drinking water	
	I		Failure to provide excellent service or meet the needs and expectations of our customers and communities	
	J		Difficulty in recruiting and retaining staff with the skills required to deliver our strategy	
Business systems and capital investment	K		Insufficient capacity and resilience of the supply chain to deliver the Company's operational and capital programmes during 2025-30	
	L		Inadequate technological security results in a breach of the Company's assets, systems and data	

Assurance

Introduction

This assurance section of the Annual Performance Report provides a general overview of our assurance framework and processes as well as an update on the assurance performed in respect of the Annual Performance Report and Regulatory Reporting.

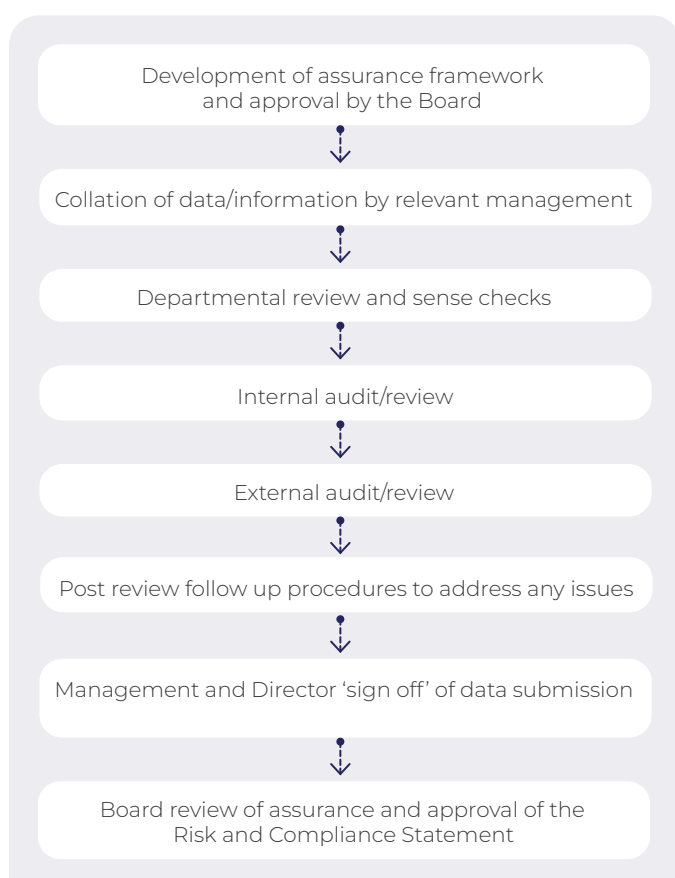
In any significant area or projects where assurance is required over submitted data or information, certificates will be prepared by those responsible to confirm that the submission is robust and all material issues have been addressed.

Independent internal review is used to ensure that processes are robust and adhered to.

External review and audit processes are utilised whenever significant data is provided by SES Water externally (such as the Business Plan, tariffs/charges submissions and Annual Performance Report and Regulatory Reporting). The allocation of assurance work between external providers (including financial and technical auditors) is based upon the content of the data submission and multiple providers of external assurance are frequently engaged on the same project. The professional credentials of the third-party assurance providers are considered in detail to ensure they have the relevant knowledge and experience.

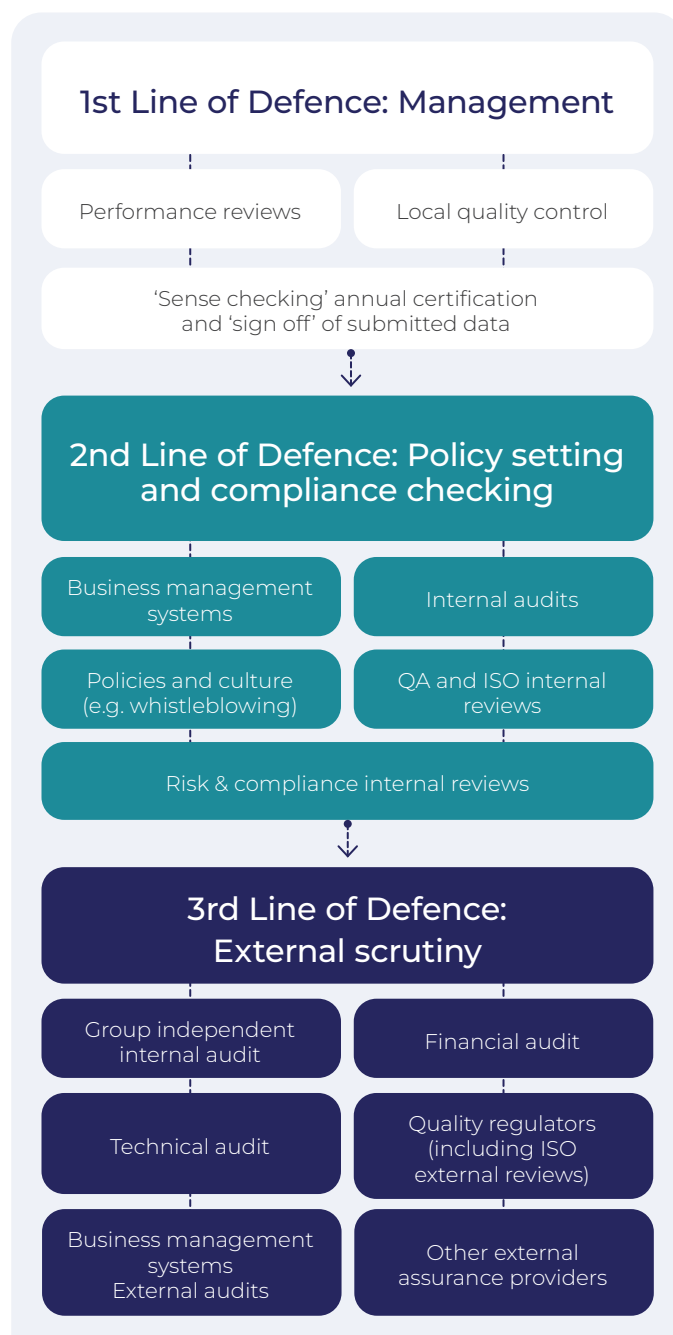
Robust feedback processes are established to ensure that issues or queries raised during internal and external assurance processes are followed up to ensure that any changes required or follow up work is completed as appropriate.

In addition to strategic leadership provided by the Board, for significant projects a Steering Group is formed to give direction, monitor project delivery and issue regular updates to the Board. The Board and Audit Committee review and challenge assurance applied in each case under this framework.



SES Water's integrated assurance framework

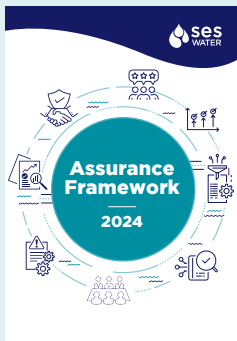
As part of SES Water's integration into the Pennon Group it has adopted the Group's assurance framework. Assurance processes are embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis and appropriate mitigation is in place to suit the risk appetite. The methodology for identification and mitigation of risk is similar at individual business unit and corporate levels.



This risk-based Integrated Assurance Framework is applied to all areas of the business, including all key projects as they arise. The mix of assurance methods used is reviewed by the SES Water Audit Committee, which is responsible for ensuring robust and comprehensive assurance frameworks are in place to support Board assurance and compliance requirements.

Assurance continued

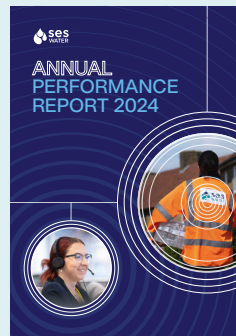
SES Water publishes a range of documents which provide key information which customers and other stakeholders require. We publish performance information in this Annual Performance Report and Regulatory Reporting as well as in summary formats. In this section of the report we summarise the assurance we perform, however further detail on the assurance we perform can be found in related documents.



Assurance Framework and Data Assurance Plan

This document outlines our assurance framework for data and plan for data assurance over the coming year, including 2023/24 annual reporting – such as the Annual Performance Report.

<https://seswater.co.uk/-/media/files/seswater/about-us/publications/annual-report-2024/ses-water-assurance-framework-2024.pdf>



Annual Performance Report and Regulatory Reporting

The Annual Performance Report lays out our performance against the regulatory targets we have committed to achieve. Our Regulatory Reporting lays out key financial and non-financial performance for the year.

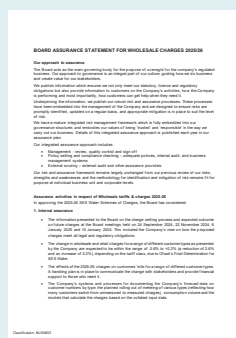
<https://seswater.co.uk/-/media/files/seswater/about-us/publications/annual-report-2024/ses-water-annual-performance-report-signed-2024.pdf>



Annual Report and Financial Statements

Our Annual Report and Financial Statements is published in line with Companies Act requirements and as well as reporting on overall performance, provides a more detailed review of our financial performance during the year.

<https://seswater.co.uk/-/media/files/seswater/about-us/publications/annual-report-2024/ses-water-annual-report-signed-2024.pdf>



Assurance

Our Data Assurance Statement is on page 63, and we provide relevant Board Assurance Statements for other significant submissions alongside.

<https://seswater.co.uk/-/media/files/seswater/your-account/your-charges-explained/charges-2025-26/ses-board-assurance-statement-2025-26.pdf>



Business Plan 2025-30

In October 2023 we published our Business Plan for 2025-30 'Right deal for Right now', which was given outstanding status by Ofwat's Draft Determination on 11 July 2024. For further information on SES Water's Business Plan visit:

<https://seswater.co.uk/-/media/files/seswater/about-us/publications/dd-pdfs/ses101-business-plan-2025-to-2030-draft-determination-representation---28-august-2024.pdf>



DiscoverWater.co.uk

We share our key comparable data with

www.DiscoverWater.co.uk who provide a user-friendly summary of English and Welsh water companies' data. We voluntarily obtain specific assurance from our technical auditor Jacobs in view of the importance of this data.

Our websites

The documents listed here are published on our websites

www.seswater.co.uk.co.uk alongside other useful documents – such as our charges to customers for the year.



Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting

Section 1	External Assurer	Type of Assurance	Table reference	External Assurance Summary
1A Income statement	PwC	Regulatory Audit Opinion	Page 106	Pages 91 to 93
1B Statement of comprehensive income	PwC	Regulatory Audit Opinion	Page 108	Pages 91 to 93
1C Statement of financial position	PwC	Regulatory Audit Opinion	Page 109	Pages 91 to 93
1D Statement of cash flows	PwC	Regulatory Audit Opinion	Page 111	Pages 91 to 93
1E Net debt analysis	PwC	Regulatory Audit Opinion	Page 112	Pages 91 to 93
1F Financial flows	PwC	Regulatory Audit Opinion	Page 113	Pages 91 to 93
Section 2	External Assurer	Type of Assurance	Table reference	External Assurance Summary
2A Segmental income statement	PwC	Regulatory Audit Opinion	Page 116	Pages 91 to 93
2B Totex analysis – by wholesale price controls	PwC	Regulatory Audit Opinion	Page 117	Pages 91 to 93
2C Cost analysis – retail	PwC	Regulatory Audit Opinion	Page 118	Pages 91 to 93
2D Historical cost analysis of fixed assets – by price control	PwC	Regulatory Audit Opinion	Page 119	Pages 91 to 93
2E Analysis of 'grants and contributions' – water resources, water network plus and wastewater network plus	PwC	Regulatory Audit Opinion	Page 120	Pages 91 to 93
2F Residential retail	PwC	Regulatory Audit Opinion	Page 121	Pages 91 to 93
2G Non-household water – revenues by tariff type	N/A	N/A	N/A	N/A
2I Revenue analysis & wholesale control reconciliation	PwC	Regulatory Audit Opinion	Page 122	Pages 91 to 93
2J Infrastructure network reinforcement costs	PwC	Regulatory Audit Opinion	Page 123	Pages 91 to 93
2K Infrastructure charges reconciliation	PwC	Regulatory Audit Opinion	Page 123	Pages 91 to 93
2L Analysis of land sales	PwC	Regulatory Audit Opinion	Page 123	Pages 91 to 93
2M Revenue reconciliation	PwC	Regulatory Audit Opinion	Page 124	Pages 91 to 93
2N Residential retail – social tariffs	PwC	Regulatory Audit Opinion	Page 125	Pages 91 to 93
2O Historic cost analysis of intangible fixed assets – by price control	PwC	Regulatory Audit Opinion	Page 126	Pages 91 to 93

Assurance continued

Summary of external assurance in respect of the Annual Performance Report and Regulatory Reporting continued

Section 3	External Assurer	Type of Assurance	Table reference	External Assurance Summary
3A Outcome performance – water common performance commitments	Mott MacDonald	Technical audit – agreed upon procedures	Page 127	Pages 94 to 99
3C C-MeX	Mott MacDonald	Technical audit – agreed upon procedures	Page 132	Pages 94 to 99
3D D-MeX	Mott MacDonald	Technical audit – agreed upon procedures	Page 133	Pages 94 to 99
3E Outcome performance – non-financial performance commitments	Mott MacDonald	Technical audit – agreed upon procedures	Page 135	Pages 94 to 99
3F Underlying calculations for common performance commitments – water and retail	Mott MacDonald	Technical audit – agreed upon procedures	Page 138	Pages 94 to 99
3H Summary information on outcome delivery incentive payments	Mott MacDonald	Technical audit – agreed upon procedures	Page 144	Pages 94 to 99
3I Summary outcomes information	Mott MacDonald	Technical audit – agreed upon procedures	Page 144	Pages 94 to 99
Section 4	External Assurer	Type of Assurance	Table reference	External Assurance Summary
4A Bulk supply information	PwC & Mott MacDonald	Financial & Technical agreed upon procedures	Page 143	Page 91 to 99
4B Analysis of debt	PwC	Financial agreed upon procedures	Page 143	Pages 91 to 93
4C Impact of price control performance to date on RCV	PwC	Financial agreed upon procedures	Page 144	Pages 91 to 93
4D Totex analysis – wholesale water resources and water network+	PwC	Financial agreed upon procedures	Page 145	Pages 91 to 93
4F Major project capital expenditure by purpose – wholesale water	PwC & Mott MacDonald	Financial & Technical agreed upon procedures	Page 146	Pages 91 to 99
4H Financial metrics	PwC	Financial agreed upon procedures	Page 146	Pages 91 to 93
4I Financial derivatives	PwC	Financial agreed upon procedures	N/A	Pages 91 to 93
4J Base expenditure analysis – wholesale water	PwC	Financial agreed upon procedures	Page 148	Pages 91 to 93
4L Enhancement expenditure – water resources and water network+	PwC	Financial agreed upon procedures	Page 149	Pages 91 to 93
4N Developer services – water resources and water network+	PwC	Financial agreed upon procedures	Page 151	Pages 91 to 93
4P Expenditure on non-price control diversions	PwC	Financial agreed upon procedures	Page 151	Pages 91 to 93
4Q Developer services non-financial data	Mott MacDonald	Technical audit – agreed upon procedures	Page 152	Pages 94 to 99
4R Non-financial information – Properties, customers and population	Mott MacDonald	Technical audit – agreed upon procedures	Page 153	Pages 94 to 99
4W Defined Benefit Pension Scheme – Additional Information	PwC	Financial agreed upon procedures	Page 156	Pages 91 to 93
4Z Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments	Mott MacDonald	Technical audit – agreed upon procedures	Page 156	Pages 94 to 99

Section 5		External Assurer	Type of Assurance	Table reference	External Assurance Summary
5A	Water resources asset and volume data	Mott MacDonald	Technical audit – agreed upon procedures	Page 161	Pages 94 to 99
5B	Water resources operating cost analysis	PwC	Financial agreed upon procedures	Page 162	Pages 91 to 93
Section 6		External Assurer	Type of Assurance	Table reference	External Assurance Summary
6A	Raw water transport, raw water storage and water treatment	Mott MacDonald	Technical audit – agreed upon procedures	Page 164	Pages 94 to 99
6B	Treated water distribution – assets and operations	Mott MacDonald	Technical audit – agreed upon procedures	Page 166	Pages 94 to 99
Section 6		External Assurer	Type of Assurance	Table reference	External Assurance Summary
6C	Water network+ – Mains, communication pipes and other data	Mott MacDonald	Technical audit – agreed upon procedures	Page 168	Pages 94 to 99
6D	Demand management – metering and leakage activities	Mott MacDonald	Technical audit – agreed upon procedures	Page 169	Pages 94 to 99
6F	WRMP annual reporting on delivery – non-leakage activities	Mott MacDonald	Technical audit – agreed upon procedures	Page 169	Pages 94 to 99
Section 9		External Assurer	Type of Assurance	Table reference	External Assurance Summary
9A	Innovation competition	PwC	Financial agreed upon procedures	Page 171	Pages 91 to 93
Section 11		External Assurer	Type of Assurance	Table reference	External Assurance Summary
11A	Greenhouse gas emissions reporting for the 12 months ended 31 March 2024	NQA	Technical audit – agreed upon procedures	Page 174	Jacobs report to Pennon Group
Other Annual Performance Report Information		External Assurer	Type of Assurance	Table reference	External Assurance Summary
A	Long-term resilience & viability statement	PwC	Regulatory Audit Opinion	Page 73	Pages 86 to 88
B	Annual performance information provided for the Discover Water website	Mott MacDonald	Technical audit – agreed upon procedures	N/a	Report provided to Water UK

Assurance continued

Other items

Many of our required annual disclosures are contained within this Annual Performance Report and Regulatory Reporting, however some are contained in our other related publications:

Disclosure	Location
Statement on Directors' pay	Detailed disclosures in the Remuneration Report
Statement on disclosure of information to auditors	See page 69
Dividend policy	See page 104
Accounting policy note for price control units	See page 102
Revenue recognition note	See page 102
Capitalisation policy note	See page 103
Bad debt policy note	See page 30
Tax strategy for the appointed business	See page 30
Long-term viability statement	See page 77
RoRE summary	See page 31
Totex – difference between actual and allowed totex in table 4C	See page 144
Accounting Methodology Statement	https://seswater.co.uk/-/media/files/seswater/about-us/publications/annual-report-2025/ses-water-assurance-framework-2025.pdf

Open data

SES Water has again published its Annual Performance Report data in spreadsheet form on our website in addition to the Annual Performance Report document. We have reviewed the structure of commentary in respect of our performance data within our Annual Performance Report document and aligned this to the data tables in section 3 of this report.

SES Water is a member of the 'Stream' project to transform customer services in the water sector by driving innovation through data sharing.

As one of the Stream member companies, we also intend to work together as part of this initiative to progress the publication of supporting datasets associated with the APR tables. This will ensure we focus on facilitating data re-users to more easily join up data from individual companies to maximise the potential benefits of publication. Stream's Use Case and Market Needs advisory group will consider the APR performance table data and conduct an assessment to create a prioritised pipeline of datasets to publish.

See more on pages 20 to 21.



Customer and environmental panel



Alison Thompson

The completion of the PR24 price review process.

- › The ongoing integration of SES Water into the wider Pennon Group family of companies, alongside South West Water, Bristol Water and Bournemouth Water, with all the structural and personnel changes that process entailed.
- › The integration of SES Water's own customer and environmental challenge panels into the Group-wide WaterShare+ architecture, and the merger of our separate Customer and Environmental Scrutiny Panels into one combined panel looking at both aspects of Company performance, with the two of us as co-chairs.

Change is often uncomfortable to live through, and at times, the last year has been challenging. It has had highlights, too, and we hope that the SES 'brand' will emerge stronger in the end, not least because of the additional financial resilience that new ownership will bring. There were many admirable things about SES Water as it was before the change of ownership, but there is no question that it was not financially sustainable in the long term. SES Water is now in a good position to capitalise on its already sector-leading performance in areas such as supply interruptions, and to enjoy the new benefits of joining Pennon Group plc, a FTSE 250 company.

PR24

The outcome of PR24 for SES Water, which resulted in a bill reduction, came as an enormous shock to us. As we have previously reported (link to Assurance report on website), it took quite some time to get the relationship right with the team leading customer and stakeholder research and engagement, moving to one where we could see the 'golden thread' running through their work and where we felt we were able to add value at a strategic level rather than simply signing off on marketing collateral at a late stage. But we did get there, and we felt that the company's Long-Term Delivery Strategy (LTDS) was robust, informed by high-quality research and engagement, and reflected both what customers and stakeholders wanted and the Company's underpinning, environmentally led purpose statement. This was the rock on which the Company's PR24 business plan was built, and Ofwat's draft determination, which mandated bill reductions and an increased burden on future bill payers, bore little if any relationship to what we felt the Company's customer research had concluded.

We heard customers telling the Company that they wanted to see investment in environmental improvements and that they were prepared to pay more so that future generations wouldn't have to. This was not reflected in the draft determination and shifted only slightly at Final Determination.

Change of ownership

When the Competition and Markets Authority gave the green light to Pennon's acquisition of SES Water last spring – much earlier than some of us had anticipated – there was a general expectation that change and integration into the new, expanded Group would happen rapidly. It has been more of a 'slow burn' than we thought, beginning later and lasting longer than expected as Chief Executive Susan Davy and her team sought to build a new organisational structure that operates consistently across all four 'brands' rather than bolting together parts from each constituent company. This was an admirable objective, and we appreciate the importance of Susan and her colleagues taking the time to get it right – it's not often that a company gets to fundamentally rebuild itself without being forced to by a crisis.

As a result of this change, we have lost some long-serving SES team members, at all levels of the business, who contributed a huge amount towards the Company's success stories. It would take too long to name them all here, but we wish them the very best for the future, while thanking those who have stayed with the organisation.

We have already established an excellent working relationship with David Harris, MD, for Water Services across the Group, and Ketan Hindocha, our new Customer Director, and we value the time they have spent getting to know SES Water and the CESP.

One of the key challenges we foresee is how the Company will balance the need to have consistent policies, practices and messaging for all its customers with the need for a tone of voice that is appropriate for and reflects the customers and communities it serves in the SES licence area. We look forward to working with David, Ketan and their respective teams to help ensure that this is delivered.



Steve Crabb

The Cunliffe Review of the water industry is a once-in-a-generation opportunity to reset how we manage water in this country, and there's no question it is needed.

Water companies are under ever-increasing pressure to demonstrate higher levels of ambition and performance and, critically, to rebuild the public trust that's needed to enable long-term water security.

The fact that the last 12 months have seen significant change for SES Water, its customers and stakeholders, and all of us involved in providing scrutiny and constructive challenge on behalf of customers and the environment is, therefore, unsurprising. However, the sheer scale of change has been unprecedented in the years we have worked with the Company.

This change breaks down into three major pillars:

Customer and environmental panel continued

The new scrutiny panel

The third pillar of change – the restructuring of customer and environmental scrutiny at SES Water – has been the most rewarding of the three. We are merging our customer and environmental panels with positive intentions, as we fall in line with the WaterShare+ family and ensure a thoughtful approach to planning so that we cover both elements effectively. It has been a pleasure getting to know our new colleagues from South West Water, Bristol Water and Bournemouth Water, led by our excellent WaterShare+ Chair Lord Matthew Taylor and Deputy Chair, Peaches Golding OBE CStJ. We are excited to leverage our expertise on sustainability, behaviour change and consumer vulnerability for the benefit of the Group as a whole. WaterShare+ is an industry-leading challenge group with formidable resources, and we are proud to be appointed as Regional Chairs. We also said a fond farewell to some long-serving panel members who have made a huge contribution over many years, including Simon Bland, Karma Loveday and Steph Fox.

Beyond the pillars

The past year has had many more highlights (and some lowlights) than just these three pillars of change. SES Water's new draft Vulnerability Strategy – written with strong support from our panel members – was praised by Ofwat for its adherence to best practice on accessibility guidelines, making it inclusive for customers, which the SES team were rightly proud of. It is positive that SES is on track with its commitments to priority services customers, too, with around 15% of households served now on the Priority Services Register (PSR), compared to fewer than 2% five years ago. While the 'CMeX' measure of customer experience continues to be disappointing, performance on the whole has been good. Recently, customers experienced unprecedented and significant supply interruptions at Cheam and Godstone, and we were pleased with the way the Company prioritised those on the PSR and remain open to learn from their experience, those of other companies and implement lessons from CCW, Ofwat and the Environment Agency's incident management guidance. However, there is still a challenge about how the Company provides a consistent end-to-end experience for customers and completes jobs the way they should – a challenge we have been highlighting for over four years now. We are confident that Ketan's team understand this and will be making it a priority to get this right.

On the environmental front, it is positive that SES consistently holds top performer status by Ofwat in drinking water quality. It usually does, too, in the area of supply interruptions. However, it was unfortunate that the incidents above impacted performance data in the short term. There was a wider decline seen in environmental performance data, including a category 2 pollution incident, and the Company was found to be off target for its WINEP delivery scheme on the Upper Darent restoration. More broadly, the per capita consumption target and mains repairs are areas we are watching, but it is positive to note that SES is one of only a handful of companies to outperform a challenging leakage target. Kudos to the Company for its industry-leading work on smart networks, enabling this in the first place.

Looking ahead

Over the next year, we expect our key focus areas to be:

- › The accelerating smart meter roll-out, which will be a key driver of reduced per capita consumption, leakage and water wastage.
- › The delivery of SES Water's vulnerability strategy, including ensuring hard-to-reach vulnerable customers are able to fully engage and receive the services they need.
- › Drilling down into past incidents and other sources of insight (including from regulators) to understand best practice in incident management to provide the right challenge to the Company.

In conclusion, we would like to thank the SES team members who have supported CESP over the past year, particularly Cate Searle, Lorraine Taylor and Dani Twelvetreets, and all the members of CESP for their excellent contributions over the past year. It has been a pleasure working with you.

Alison Thompson

Steve Crabb

Independent Auditors' report to the Water Services Regulation Authority (WRSA) and the Directors of Sutton and East Surrey Water Plc

Opinion

We have audited the tables within Sutton and East Surrey Water plc's Annual Performance Report for the year ended 31 March 2025 ('the Regulatory Accounting Statements') which comprise:

- † the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (appointed activities) (table 1E), the financial flows and for the price review to date (table 1F) and the related notes; and
- † the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis – wholesale (table 2B), the cost analysis – retail (table 2C), the historic cost analysis of tangible fixed assets (table 2D), the analysis of 'grants and contributions' – water resources and water network+ (table 2E), the residential retail (table 2F), the revenue analysis (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation – wholesale (table 2M), the household affordability support (table 2N) and historic cost analysis of intangible fixed assets (table 2O) and the related notes.

We have not audited the Outcome performance tables (3A to 3I) and the additional regulatory information in tables 4A to 4Z, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10H and 11A.

In our opinion, Sutton and East Surrey Water plc Company's Regulatory Accounting Statements have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WRSRA (RAG 1.09, RAG 2.08, RAG 2.09, RAG 3.15, RAG 4.13 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.15, appendix 2), set out on page 101.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)'), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to listed/public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe

that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.15, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WRSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WRSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WRSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice (UK GAAP). Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 101 to 126 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- † Testing the mathematical integrity of the cash flow forecasts and the models supporting these forecasts and reconciling them to Board approved budgets. The directors' assessment covered the period of 15 months from the date of approval of the Annual Report and Financial Statements to October 2026, we focused on this period and also considered the subsequent five months to March 2027;
- † Understanding the key assumptions the directors have applied in developing their

base case and severe but plausible downside scenarios. We challenged various aspects of the directors' base case and downside scenarios including consideration of other potential downside risks that were not factored into the directors' downside scenario;

- † Assessing the accuracy of the cash flow forecast prepared in the prior years so as to obtain assurance of the ability of the directors to prepare accurate forecasts;
- † Obtaining and understanding the terms of the Company's financing and available credit facilities and in particular the financial covenants that the Company is subject to. We have verified the existence of the facilities in place on which the directors have based their liquidity forecast;
- † Reviewing the directors' analysis of both liquidity and covenant compliance to ensure there is sufficient liquidity and no forecast covenant breaches during the going concern period;
- † Assessing the extent of mitigating actions that could be taken by the directors, if necessary, to increase liquidity or to prevent a trigger or default event arising against the covenants in place; and
- † Assessing the appropriateness of the disclosures within the financial statements as disclosed in the accounting policies, relating to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material

Independent Auditors' Report

Water Services Regulation Authority (WSRA) and the Directors of Sutton and East Surrey Water Plc

misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 47, the Directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.15, appendix 2).

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations.

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the Company's industry and its control environment and reviewed the Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Company

operates in, and identified the key laws and regulations that:

- † had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, pensions legislation, tax legislation etc; and
- † do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- † Discussions among the engagement personnel covering the potential for material misstatements due to error or fraud, the risks associated with related parties and emphasis on the need to maintain professional scepticism throughout the engagement;
- † Inquiries of the directors and others within the entity, including those outside of finance, as to their knowledge, awareness and concerns regarding fraud, or breaches in laws and regulations;
- † Identification and testing of journal entries that met our risk criteria, in particular any journal entries posted with unusual account combinations that hit our risk criteria and incorporating an element of unpredictability in the nature, timing and extent of audit procedures performed;
- † Testing significant accounting estimates and judgements made by the directors;
- † Reading the minutes of the Board meetings to identify any inconsistencies with other information provided by management;
- † Reviewing internal audit reports insofar as they related to the financial statements; and
- † Reviewing legal expense accounts and other correspondence to identify items which may indicate the existence of material legal claims.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ('Condition F'). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

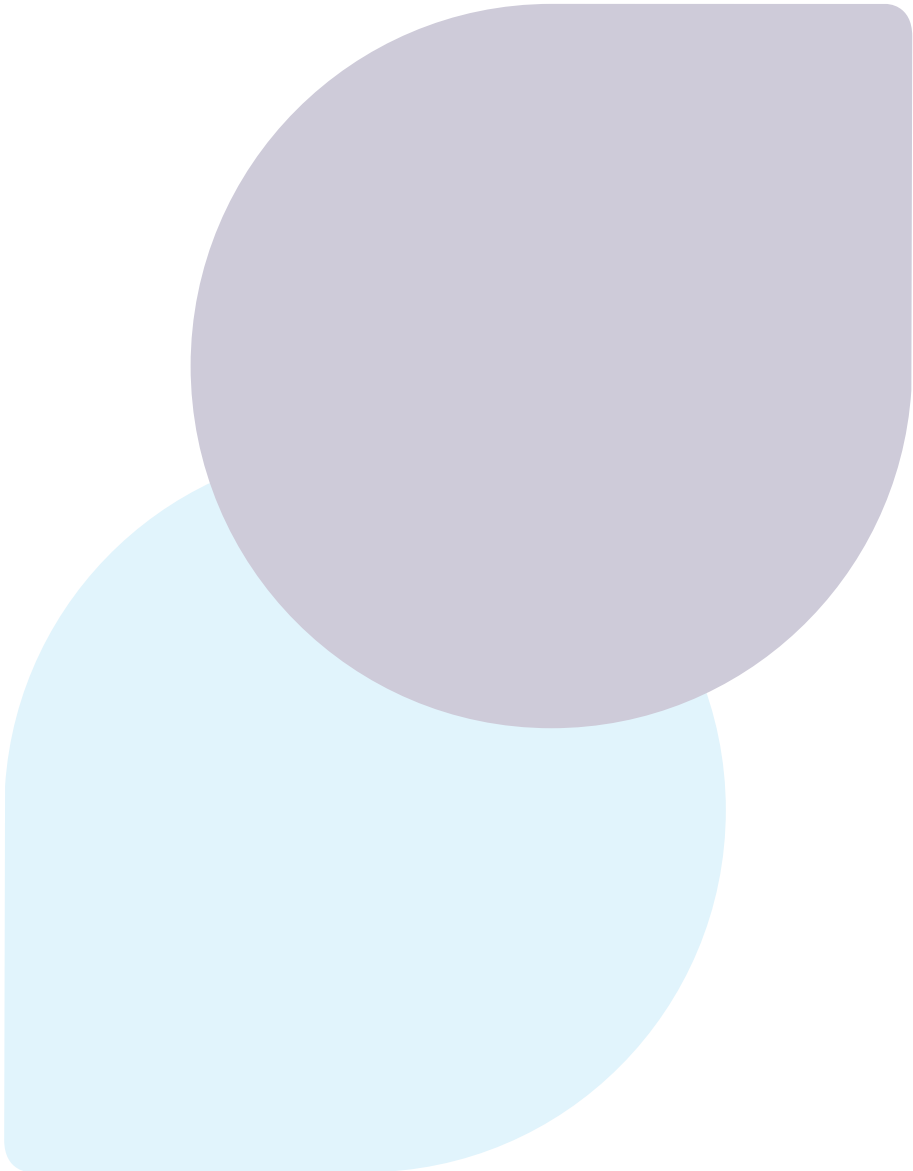
Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2025 on which we reported on 10 July 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our 'Statutory audit') was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose.

In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Bristol

15 July 2025



Technical assurance report

Introduction and background

Water company annual performance reporting includes technical performance results. Company boards are responsible for the accuracy and completeness of the data they provide to Ofwat, published in their role as a statutory water undertaker.

Our assurance is intended to support your decision making as you prepare to publish your annual performance reporting for 2024-25 (APR25), and is based on the agreed scope, limited sampling of processes, data and controls. You should read this document in the context of your full knowledge of SES Water.

As required by Ofwat's information notice 'IN 25/02 Expectations for monopoly company annual performance reporting 2024-25'¹, we confirm that we have reviewed 24 of your 25 performance commitments for APR25.

Our work was carried out under the extension to our 'AMP6 engineering and technical consultancy services contract' with SES Water.

Scope of our technical assurance

Our technical assurance covered audit of the following individual APR25 table lines as agreed through our letter on 14 February 2025, your email of 25 February 2025 and a subsequent revision of the 12 audit tests, to align with those of other Pennon Group companies, agreed by email on 9 and 30 April 2025. Our compliance tests used the Ofwat RAG 4.13 line descriptions² and the latest PR19 performance commitment definitions³. The scope of our audits is stated overleaf by table line reference.

- ③ 3A.1-14 Outcome performance – financial performance commitments, water (excl. GHG emissions⁴).
- ③ 3C.1,3-8 C-MeX.
- ③ 3D.1-5,W1,W1-13 D-MeX.
- ③ 3E.1-12 Outcome performance, non-financial performance commitments.
- ③ 3F.1-9 Underlying calculations for common performance commitments.
- ③ 3I.1-2 Supplementary outcomes information.
- ③ 4A Water bulk supply information.
- ③ 4Q.1-14 Developer services information (excl. GHG emissions).
- ③ 4R.1,4,5,8,9,10-15,17-26,28,30-32 Connected properties, customers, and population.
- ③ 4Z.A1-10,B1-24 Household bill reduction schemes, debt and GSS payments.
- ③ 5A.1-30 Water resources and volumes data.
- ③ 6A.1-39 Raw water transport, storage and treatment data.
- ③ 6B.1-67 Treated water distribution, assets and operations data.
- ③ 6C.1-25 Water networks+ - mains, communication pipes, and other data.

- ③ 6D.1-25 Demand management – metering and leakage activities.
- ③ 6F. WRMP annual reporting on delivery – non-leakage activities.
- ③ DG2 pressure at risk of receiving low pressure.
- ③ An additional data request from Ofwat on the average time for which customers experience low pressure (based on the corresponding data request guidance⁵)
- ③ Water balance review (undertaken ahead of APR audits)

After each audit, our findings were provided to the data compiler including post-audit actions arising from the tests. Actions were noted as closed when addressed/completed, or when a reasonable reason for their non-completion, within the timescales of our audit and assurance, was provided. A summary of our findings is appended.

We also considered your reported compliance with the 'compliance checklists' that apply to five PR19 common performance commitments (email correspondence of 29 April 2025). In each case we asked the person compiling the data to explain their completion of the compliance checklist and compared the results with our findings at audit. These were reviewed for:

- ③ PR19SES_A.1: Water supply interruptions
- ③ PR19SES_C.4: Leakage
- ③ PR19SES_E.1: Per capita consumption
- ③ PR19SES_A.2: Mains repairs per 1,000km
- ③ PR19SES_C.3: Unplanned outages

Risk and compliance statement

After completion of our audits you asked us to assure your Risk and Compliance Statement, in line with the reporting requirements this year¹. This contains statements on whether you: understand your relevant statutory obligations; have taken steps to understand and meet customer expectations; have satisfied yourself that you have sufficient processes and internal systems of control to fully meet your obligations; and have appropriate systems and processes to identify, manage, mitigate and review your risks.

Our scope of technical assurance did not cover compliance with your licence conditions, nor whether you are meeting all regulatory and regulatory conditions, although we were able to observe your awareness of these conditions. Our review of your performance commitment reports gave us a view on some aspects of your awareness of and action to meet statutory and regulatory obligations.

You showed us some additional material including your risk register and regulatory compliance manual (covering statutory obligations). Our findings and assurance statement for this can be found in Appendix C.

Conclusions

Across 38 audits we raised 62 corrective actions due to absent documentation or incorrect reporting values, 43 minor corrective actions, often due to insufficient detail in method statements. 29 of the actions were due to missing DocuSign at audit. We also made 22 suggestions or process improvements, of which 12 are to be considered for the next APR.

We found 4 new good practices which have improved our confidence in your reporting processes through improved checking and data accuracy. Two of these were outcomes to actions raised in the APR24 audits.

Where we identified errors in the reporting of performance commitments or data tables, they were corrected post-audit. We then observed the corrections by reviewing updated documentation on your SharePoint, or where more complex, via a short follow up audit. A total of 12 follow-up audits were required.

Table 4R (properties, population, and customers) has been difficult to report with confidence for several years, requiring multiple corrections and follow-up audits. We continue to recommend that a more robust process is developed, to ensure accuracy and consistency of reported values.

The introduction of DocuSign as a tool to improve internal sign off is a positive step, creating a record of the version approved. Absence of complete sign-off at the point of audit led to many audit actions again this year. We recommend you develop the process to capture when DocuSign evidence becomes outdated, due to post-audit reporting value changes, and to require an updated sign-off. All published tables that we audited were signed off before submission.

We have appended tables showing the tables audited and commenting on high-level findings. We have provided the individual audit summary sheets to your assurance coordination team.

¹ Ofwat, 31 March 2025. IN 25/02 Expectations for monopoly company annual performance reporting 2024-25.

² Ofwat, 31 March 2025. RAG 4.13 – Guideline for the table definitions in the annual performance report

³ Ofwat, 28 February 2023. Consolidated PR19 final determinations: SES Water – Outcomes performance commitment appendix

⁴ One performance commitment, 'PR19SES_E2 Greenhouse gas emissions', was excluded from our scope of assurance as you confirmed it would be assured by others.

⁵ Ofwat, 31 March 2025. Data request – average time properties experience low pressure – reporting guidance

To support assurance of your Risk and Compliance Statement, we observed that you have detailed records of your statutory obligations and to the extent revealed by our audits of performance commitment reporting and customer service measures (GSS, CMeX, DMeX etc.), staff appeared to be aware of your regulatory and legal obligations, and to understand and strive to meet customer expectations. In the context of the early stages of integrating SES Water into the Pennon group, we observed that you are transferring SES processes and internal systems of control to a common across the Pennon water companies, including systems and processes to identify, manage, mitigate and review risks. Full findings and our assurance statement for this can be found in Appendix C.

Assurance statement

I refer to my review of technical aspects of SES Water's annual performance report, which have been audited under my direction. We were given free access to people and information as necessary to complete our work.

In my professional opinion, based on and to the extent disclosed by sampling under the agreed tests:

1. The performance commitment data in tables 3A, 3C, have been completed appropriately.
2. The data in tables 4Q, 4R, 4Z, 5A, 6A, 6B, 6C, 6D, 6F has been compiled appropriately.
 - › We recommend that SES Water develops more robust processes for table 4R, properties, population, and customers, to ensure that customer data are reported on the same basis each year. The process should include a review of the medium-term trend in results, as a 'sense check' for unexpected changes that might indicate a mistake in reporting.
3. We were satisfied that the compliance checklists for reporting of PR19SES_A.1: Water supply interruptions, PR19SES_C.4: Leakage, PR19SES_E.1: Per capita consumption, PR19SES_A.2: Mains repairs per 1,000km, and PR19SES_C.3: Unplanned outages reflect SES Water's current level of compliance with Ofwat's reporting requirements.

4. Through our limited technical assurance of your performance commitments, other APR tables, risk and compliance documentation for your APR25 submission we saw evidence to support the following aspects. That the Company:

- › Considers that it has full understanding of, its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations.
- › Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations.
- › Has appropriate systems and processes to identify, manage, mitigate and review its risks.

Statements aligned to the guidance¹ and departures from them are qualified in SES Water's APR25 report.

5. Errors and omissions were corrected post-audit.

Dr Andrew Heather

Technical Assurer
Mott MacDonald Ltd



Technical assurance report continued

A. Our assurance tests

Table A.1: Assurance tests

Pre-audit checks:

6. Have the documents for audit been provided? If yes, provide the version numbers of the documents (SharePoint version and document version) at audit.
7. Has the method statement (MS), data table and commentary been signed off by the owner and director?

Audit tests:

8. If actions were raised last year, have they been completed?
9. Has reported performance been calculated in accordance with current definitions/requirements including FD19, corrigenda, and RAGs? Are there any changes or additional guidance captured?
10. Has the method statement (MS) been used to undertake the calculations and populate reporting values?
11. Is data stored and access managed to preserve integrity, including the upstream processes which generate the data?
12. Are there tracking, checking or other quality controls in place to provide accurate and complete data?
13. Is the data supported by audit trails, confirmed by sampling (suggested minimum of 3 samples)?
14. Does the commentary disclose material assumptions and explain performance (historical, forecast and previous submissions)?
15. Has there been any step change from last year? If so, check whether it been caused by errors in reporting.
16. Have any material assumptions and judgements been clearly documented, are reasonable, and alternatives been considered where appropriate?
17. Check that reported data is accurate, reliable and complete.

B. Our findings

Table B.1: Key to colour symbols

- No material issues affecting the reported value were identified. Corrections and recommendations may have been made.
- There are limitations in reporting this item, such as not being able to fully comply with the reporting requirements, or weak reporting processes.
- There are material uncertainties or errors in reported values within this table, including where the result depends on data which our audits found are unlikely to be correct.

PCL = performance commitment level

Table B.2: Findings for APR Table 3A: Financial Performance commitments

Performance commitments	2024-25 PCL	Observed value	PCL met?	Key findings
● A4: Water quality compliance (Compliance Risk Index)	0.0	0.0	Yes	No material issues.
● A1: Water supply interruptions, minutes per customer.	5'00"	26'40"	No	Increased from draft of 16'16" as result of corrections to Table 4R.
● C4: Leakage (3-yr average reduction), % reduction.	12.4	15.9	Yes	Corrections were made post- audit. The reporting process is well- structured and clearly assigned, as demonstrated by the comprehensive commentary and robust evidence supporting the underlying assumptions.
● E1: Per capita consumption, % reduction.	6.6	0.7	No	Corrections were made, post- audit.
● A2: Mains repairs, per 1,000km.	59	61.9	No	Recommendations to improve reporting process.
● C3: Unplanned outage, % peak week production capacity.	2.34	4.01	No	No material issues.
● A3: Customer concerns about their water (taste, odour, discolouration), number per 1,000 population.	0.50	0.58	No	Corrections were made, post- audit.
● B1: Supporting customers in financial hardship, number of customers.	25,000	25,379	Yes	No material issues.
● B4: Void properties, %.	2.20	1.99	Yes	Corrections were made, post- audit.
● D1: First contact resolution, % contacts.	90	90.7	Yes	No material issues.
E2 Greenhouse gas emissions.			–	Assured by others
● E6: River based improvement – delivery of WINEP, schemes, nr projects.	24	17	No	No material issues.
● A5: Water softening, mg/L above threshold.	0.0	10.4	No	No material issues.
● C2: Risk of supply failures, % of properties that can be supplied by more than one water treatment works.	100	91	No	No material issues.
● C-MeX: Customer measure of experience, annual score	–	69.72	–	No material issues.
● D-MeX: Developer services measure of experience.	–	74.55	–	No material issues. Initial audit on the basis of Q1-Q3 results; updated and re-audited once Q4 survey results were received.

Technical assurance report continued

Table B.3: Findings for APR table 3E Non-financial Performance commitments

Performance commitments	2024-25 PCL*	Observed value	PCL met?	Key findings
● C1: Risk of severe restrictions in a drought, %.	0.0	0.0	Yes	No material issues.
● B5: Priority services for customers in vulnerable circumstances – reach, % customers.	7.0	15.8	Yes	Corrections were made post- audit, to use final corrected data from table 4R.
● B5: Priority services for customers in vulnerable circumstances – attempted contact, % customers .	90.0	93.7	Yes	Corrections were made post- audit, to use final corrected data from table 4R.
● B5: Priority services for customers in vulnerable circumstances – actual contact, % customers.	35.0	72.2	Yes	Corrections were made post- audit, to use final corrected data from table 4R.
● B2: Vulnerable customer support scheme awareness, % surveyed.	68	40	No	No material issues.
● B3: Vulnerable customers support scheme helpfulness, % surveyed.	80	85	Yes	No material issues.
● E3: Pollution incidents, number of category 1 & 2.	0	1	No	No material issues.
● E4: Abstraction incentive mechanism, abstraction volume in ML per day when triggered.	-7	Not triggered	Not triggered	No material issues.
● E5: Land based improvement – biodiversity, number of sites with Wildlife Trust biodiversity benchmark certificate.	3	3	Yes	No material issues.
● B6: Perception of value for money, % dissatisfied or very dissatisfied.	6	8	No	Corrections were made.
● NEP01: delivery of WINEP requirements.	Met	Not Met	No	No material issues.

Table B.4: Findings for APR table 3I Supplementary outcomes information*

Outcome information*	2024-25 PCL*	Observed value	PCL met?	Key findings
● Planned outage, % peak week production capacity	–	0.93	–	No material issues.

*We report here only planned outage, which is not directly incorporated in a performance commitment. Other lines in tables 3F and 3I contribute to performance commitments and hence are covered by the findings listed for tables 3A and 3E above.

Table B.5: Findings for APR table

Other APR data tables	Key findings (and recommendations for APR26, where relevant)
● 3C Customer measure of experience (C-MeX) table	3C.5 'total household complaints' (and consequently 3C.7 'total household complaints per 10,000 connections') are populated from table 2.1a of your annual CCW return, which is beyond the scope of our audit. Therefore, we confirmed that data your CCW return was transcribed to lines 3C.5 and 3C.7, without assuring the compilation of the CCW return data.
● 3D D-MeX	The reporting value for 3D.4 'Developer services revenue (water)' was populated post-audit and is still awaiting financial assurance of dependent lines.
● 4A (Water bulk supply information) all populated lines.	No material issues. Peripheral to reporting NAV data, we suggest strengthening the business process for the NAV 'journey' from developer request through to water resource planning, connections, metering and billing and operational communications.
● 4Q (Developer services new connections, properties and mains) lines 1-14 except for PC PR19SES_E2 greenhouse gas emissions.	Suggestions to improve method statement.
● 4R (Connected properties, customers, and population) lines 1, 4, 5, 8, 9, 10-15, 17-26, 28, 30-32.	Uncertainty in interpreting Ofwat guidance, changes in reporting from the billing system, and insufficient internal review and cross-verification of property numbers with alternative sources contributed to year-end reporting issues. These can be addressed through a more robust methodology statement and closer alignment with processes established across other Pennon Group companies. This may include, for example, introducing a monthly reconciliation of property movements in the month (like a bank rec for properties).
● 4Z (Household bill reduction schemes, debt and GSS payments) lines A1-10, B1-24.	Corrections were made, post-audit.
● 5A (Water resources and volumes data) lines 1-30.	No material issues.
● 6A (Raw water transport, storage and treatment data) lines 1-39.	No material issues.
● 6B (Treated water distribution, assets and operations data) lines 1-67.	No material issues. Suggestion to ensure exact alignment of 6B.5-7 with adjacent data table lines at next APR.
● 6C (Water networks+ - mains, communication pipes, and other data) lines 1-21. NB does not include ERI which is assigned by the DWI.	No material issues.
● 6D (Demand management – metering and leakage activities) lines 1-25.	Corrections were made, post-audit. Suggestion to prepare method statements for 6D.22-23 at next APR. Requested confirmation of one data source for 6D.22.
● 6F (WRMP annual reporting on delivery – non- leakage) lines 1-5.	Corrections were made, post-audit.
11A Operational greenhouse gas emissions	Assured by others.
● An additional data request on the average time for which customers experience low pressure, based on the definition of a bespoke performance commitment of Affinity Water's. NB. This is not an ODI measure.	Impracticable to report to the required definition, because the Affinity Water PC calculates low pressure from critical point loggers, with a threshold of 15m head, whereas SES Water uses 10m head measured at the meter point or in the property. You have therefore reported 42 properties, in line your current DG2 methodology.

Technical assurance report continued

C. Risk and compliance statement assurance

C.1 Risk and compliance – Conclusions

To assure the risk and compliance statements required by Ofwat in this year's annual reporting (IN 25/02)¹, the following findings are detailed and assurance statement given.

To demonstrate SES Water understands the Company's relevant statutory obligations, it provided us with the Pennon Group Compliance Framework (20 September 2024). This document sets out the extensive legislative and regulatory requirements applicable to SES Water as a water undertaker licensee, the compliance processes it uses to meet these, and sets out the risks from non-compliance. We were also shown Board paper documentation setting out how licence conditions, statutory compliance and ODI assurance is acted upon within the business. Our technical assurance of the SES APR25 submission showed us how the Company implements compliance related to performance commitments and annual regulatory reporting to Ofwat.

To demonstrate SES Water has taken steps to understand and meet customer expectations, it provided us with the 'Customer and Environment Panel' section of the SES Water APR25 report. This reflects on customer and environmental outcomes, experiences over the last year and future areas of focus on these topics. Chapter 5 of the SES Water PR24 business plan demonstrates how customers and communities are engaged, how customer research on priorities and preferences have been used to inform the most recent (PR24) business plan and Long Term Delivery Strategy (LTDS). Our technical assurance of the SES APR25 submission gave us a good picture of how SES engage and perform on customer issues. Our assurance of customer related performance commitments include: outage, water supply interruptions, priority services for vulnerable customers, customer experience scoring (CMEx), customer contacts relating to water quality, first contract resolution, vulnerable support scheme awareness and helpfulness, perception of value for money.

To demonstrate SES Water has sufficient processes and internal systems of control to meet its obligations, it provided us with the 'Leadership, Transparency and Governance' section of the SES Water APR25 report and governance information which sets out the purpose, responsibilities, and structure of SES Water Board in line with UK corporate governance code and Ofwat's updated principles (which came into force 01 April 2019). Our technical assurance of the SES APR25 submission showed us how internal governance is applied to annual reporting using sign off structures with electronic forms and approvals.

To demonstrate SES Water has appropriate systems and processes to identify, manage, mitigate and review its risks, it provided us with the 'Risk Management' section of its APR25 report. This presents the SES risk management framework which sets out oversight and three lines of defence to identify, review, challenge and assure risks and opportunities across the business. Emerging risks are reviewed by the Board regularly which currently highlights geo-political tensions, AI and machine learning, quality of water resources, customer demographic changes and water sector reform. Risk appetite assessed and risk profiles identified to support risk management across a full spectrum of risks, with those related to climate clearly articulated.

The Company's corporate risk register (September 2024) demonstrates active collation and management of risks. As part of our APR25 technical assurance, we saw evidence of risk management through the methodological documentation and internal governance processes in producing annual reporting. SES Water became incorporated into the Pennon Group's governance framework on 02 October 2024. Integration of SES Water into the Pennon Group is ongoing. Progress has been demonstrated through the merging of SES Water's customer and environmental challenge panels into WaterShare+ architecture, and the combining of separate customer and environmental scrutiny panels. Outputs have included SES Water's new draft Vulnerability Strategy. Our technical assurance of the SES APR25 submission showed us the integration of DocuSign electronic sign off processes put in place for the first time at SES Water, applying revised sign off hierarchies across SES Water and the Pennon Group.

C.2 Risk and compliance – Assurance statement

Through our limited technical assurance of your performance commitments, other APR tables, risk and compliance documentation for your APR25 submission we saw evidence to support the following aspects. That the Company:

- ① Considers that it has full understanding of, its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations.
- ② Has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations;
- ③ Has appropriate systems and processes to identify, manage, mitigate and review its risks.

Statements aligned to the guidance¹ and departures from them are qualified in SES Water's APR25 report.

Dr Andrew Heather

Technical Assurer

Mott MacDonald Ltd

Regulatory accounts 2025

The regulatory accounts and additional information which form part of this Annual Performance Report (APR) are provided to comply with Condition F of the Instrument of Appointment (the 'Licence') of Sutton and East Surrey Water plc, trading as SES Water (the 'Company'), as a water undertaker under the Water Industry Act 1989. Our licence can be found on the Ofwat website at:

🌐 <https://www.ofwat.gov.uk/publication/sutton-and-east-surrey-water-plc-appointment/>

The regulatory accounts are prepared in accordance with the Regulatory Accounting Guidelines (RAGs) issued by the Water Services Regulatory Authority, 'Ofwat', and are based on UK Generally Accepted Accounting Practice (GAAP), FRS 101.

The regulatory accounts should be read in conjunction with the statutory Annual Report and Financial Statements for the year ended 31 March 2025.

The accounting policies adopted for these regulatory accounts are the same as these set out in the financial statements except where a different treatment is required in order to comply with the Regulatory Accounting Guidelines. The differences between statutory and RAG definitions are explained after each relevant table.

Definitions of appointed and non-appointed business

The regulatory accounts separate the results of Sutton and East Surrey Water plc into appointed and non-appointed activities.

Appointed activities are defined in Condition A of the Licence to be the 'functions of' and the 'duties imposed on' a water undertaker by the Water Industry Act 1991. Appointed activities are consequently those activities that are necessary in order for the Company to fulfil its functions and duties as a water undertaker.

In general, non-appointed activities are activities for which either the water undertaker is not a monopoly supplier (for example, the provision of billing and collection services for another undertaker) or the activity involves the optional use of an asset owned by the appointed business (for example, the provision of vehicle maintenance services to the public).

For the year ended 31 March 2025, there are no fundamental changes in the RAGs in terms of accounting principles for regulatory purposes. However, as this is the final year of the five-year price control cycle, the reporting format has been expanded on to include tables showing data over the current price control period, as well as the year to date, where applicable and required under the RAGs.

Production of regulatory accounts

All costs are extracted directly from the Company's accounting systems, with appropriate activity codes already assigned for direct costs. Indirect costs are allocated between wholesale (water resources and network+), and retail (household and non-household)

using appropriate activity drivers as required by Regulatory Accounting Guidelines RAG 2, RAG 3, RAG 4 and normal accounting practice. Our 'Accounting Separation Methodology Statement' is published on the Company's website.

The following regulatory accounts tables prepared in accordance with the Regulatory Accounting Guidelines are grouped into the following categories:

- 🕒 Tables 1A to 1F – Regulatory financial reporting tables showing financial information aligned to the way in which price controls have been set.
- 🕒 Tables 2A to 2O – Price control and additional segmental reporting tables which explain in more detail the revenue and costs to allow stakeholders to review performance against Final Determinations from Ofwat.
- 🕒 Tables 3A to 3H – Performance summary tables providing information on the performance of the appointed business against the performance commitments and outcome delivery incentives (ODIs).
- 🕒 Tables 4A to 4J – Additional regulatory information showing financial and non-financial information.
- 🕒 Tables 4N – 6D onwards provide additional financial and non-financial information.
- 🕒 Tables 4B and 4L are not published in this document due to their size.
- 🕒 Table 9A provides information on the innovation competition.
- 🕒 Table 10 – For green recovery, not relevant to SES.
- 🕒 Table 11A – CO₂ emissions.

Notes to the regulatory accounts

Basis of preparation

These regulatory accounts are prepared in accordance with regulatory accounting guidelines issued by the Water Services Regulation Authority (Ofwat), specifically:

- 🕒 RAG 1.09 – Principles and guidelines for regulatory reporting under the 'new UK GAAP' regime.
- 🕒 RAG 2.09 – Guideline for classification of costs across the price controls.
- 🕒 RAG 3.15 – Guideline for the format and disclosures for the annual performance report.
- 🕒 RAG 4.13 – Guideline for the table definitions in the annual performance report.
- 🕒 RAG 5.07 – Guideline for transfer pricing in the water and sewerage sectors.

They have been prepared under the historical cost convention, as modified by the revaluation of certain financial instruments, and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom except for the dis-application of certain parts of IFRS 18 in respect of the probability of collection of billed revenue and IAS 23 in relation to the capitalisation of interest incurred during the construction phase of items of property, plant and equipment.

The detailed accounting policies applied by SES Water are set out on pages in our Annual Report and Financial Statements. The accounting policies and disclosures set out in this section include those specifically required within RAG 3.15.

Going concern basis of preparation

The going concern basis has been adopted in preparing these financial statements. At 31 March 2025 the Company has access to undrawn committed funds and cash and cash equivalents totalling £101.0 million, including cash and other short-term deposits of £62.5 million and £38.5 million of undrawn facilities. Cash and other short-term deposits exclude £12.1 million of restricted funds deposited with lessors which are available for access, subject to being replaced by an equivalent valued security. The Company has an expected headroom of £78.6 million at 31 October 2026.

Notes to the regulatory accounts continued

In making their assessment, the Directors reviewed the principal risks and considered which risks might threaten the Company's going concern status, to do this the Company's business plan has been stress-tested. Whilst the Company's risk management processes seek to mitigate the impact of principal risks as set out on pages 73 to 74, individual sensitivities against these risks have been identified. These sensitivities, which are ascribed a value with reference to risk weighting, factoring in the likelihood of occurrence and financial impact, were applied to the baseline financial forecast which uses the Company's annual budget for FY 2025/26, and longer-term strategic business plan for the remainder of the going concern period to 31 October 2026. The risks and sensitivities include consideration of: legislative impacts such as change in government policy and non-compliance with laws and regulations, macroeconomic impacts such as inflation and interest rate increases and operational impacts such as ensuring adequate water resources and failure of operational assets. A combined stress testing scenario has been performed to assess the overall impact of these individual scenarios impacting the Company collectively. The combined weighted impact of the risks occurring is a cash outflow of c.£16 million; this value is considered equivalent to an extreme one-off event that could occur by 31 October 2026, the probability of such an event happening is deemed unlikely. Through this testing, it has been determined that none of the individual principal risks would in isolation, or in aggregate, compromise the going concern of the Company over the going concern period, the assessment has been considered by reviewing the impact on the solvency position as well as debt and interest covenants. In the combined scenario to ensure that the Company was able to continue as a going concern, additional mitigations could be deployed to reduce gearing and increase covenant headroom. In the combined stress test scenario, the company has sufficient liquidity and covenant headroom which reflects that no mitigations would be needed by the Company. However, if required additional mitigations could be deployed to reduce gearing and increase covenant headroom. Examples of mitigations could include: reduction in discretionary operational expenditure, deferral of capital expenditure and/or cancellation of non-essential capital expenditure, reduction in the amount of dividend payable, and raising additional funding.

We have considered the Company's funding position and financial projections which take into account a range of possible impacts, including the refinancing required within and immediately after the going concern assessment period. Having considered these factors, the Directors have a reasonable expectation that that the Company will meet the requirements of its covenants and has adequate resources to continue in operational existence for the period to at least the end of the going concern assessment period of 31 October 2026, and that there are no material uncertainties to disclose. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Revenue recognition

The regulatory accounts apply the same policy for revenue recognition as the statutory accounts, apart from the derecognition of income adjustments relating to amounts deemed as uncollectable under IFRS15. This difference in accounting treatment has resulted in £0.826m of revenue recognised within the Regulatory Reporting which is not recognised as revenue within the Financial Statements.

Following this accounting treatment additional £1.6m is recognised as an expected credit loss charge within operating expenses compared to the statutory financial statements, which results in no difference in operating profit or profit before tax.

All turnover is recognised in the regulatory accounts with the exception of rental income and contributions received from developers, which are included below operating profit in 'other income' in accordance with the regulatory accounting guidelines. Turnover comprises charges to and accrued income from customers and retailers for water and other services, exclusive of VAT. Turnover is recognised as the performance obligation is satisfied.

Income from unmetered supplies is based on either the rateable value of the property or on an assessed volume of water supplied. Income from metered supplies is based on actual or estimated water consumption.

An accrual is estimated for measured consumption that has not yet been billed. For domestic customers, the measured income accrual is an estimation of the amount of mains water and wastewater charges unbilled at the year end. The accrual for unbilled charges is estimated using a defined methodology reflecting historical consumption, estimated demand trends and current tariffs. The measured income accrual is recognised within revenue.

The methodology for calculating the measured income accrual is consistent with that applied in 2023/24. A retrospective review of the 2023/24 measured income accrual and the amounts actually billed during 2024/25 which would be expected to align to the accrual was performed and there was no material difference.

Non-household retailers are billed monthly, and the non-household unbilled accrual is based on the market monthly settlement reports. The estimation of measured income included in these reports is also based on historic consumption.

A domestic property which is believed to be occupied (due to meter activity or other occupancy indicator), but where the occupier's details are not known, is billed in the name of 'the occupier' as efforts are made to obtain the occupier's details.

The Company actively seeks to identify the name of 'the occupier' through multiple measures including visits to the property and land registry searches. If the occupier cannot be confirmed within 90 days of invoice, the bill is cancelled and the property classified as void.

Where an invoice has been raised or payment made but water or other services have not been provided, it is treated as billing or payment in advance accordingly. This will not be recognised within the current year's revenue but will instead be recognised within creditors.

Charges on income arising from court, solicitor and debt recovery agency fees are credited to operating costs and added to the relevant customer account. They are not recognised within turnover. A summary of the differences between revenue recognised in the statutory financial statements and Regulatory Reporting is included on page 102.

Accounting policy note for price control segments

In accordance with Regulatory Accounting Guideline 4.13 – 'Guideline for the definitions table definitions in the Annual Performance Report', a segmental income statement (table 2A) and other segmental analysis (tables 2B to 2O) are presented within the Regulatory Reporting as well as certain detailed analysis in sections 3 to 8.

This segmental analysis separates certain financial and non-financial information between the following regulatory price controls:

- ① Water resources
- ② Water network+
- ③ Retail household
- ④ Retail non-household (not applicable to SES Water, following exit from the non-household retail market in 2017).

Whilst these business units are not treated as organisationally separate businesses or separate companies by SES Water there are certain activities which are solely carried out by specific areas of the business due to more efficient and effective structures being in place to support the management and accountability of the business.

Certain departments (especially operational departments) may provide services for one regulatory price control segment, however many other departments perform services across two or more regulatory price control segments. Certain financial and non-financial information is therefore separated based upon a methodology which includes some assumptions and judgements utilising all available information.

Services

The allocation of operating costs within SES Water to specific service areas within the appointed business is based on activity analysis and principles which result in both direct and support costs being apportioned where not directly attributed. Activity levels between individual services are ascertained by reference to time allocations by individual employees along with other allocation bases in accordance with the underlying nature of resource utilisation. A full 'accounting separation' methodology statement can be found on the SES Water website. The methodology statement explains in detail the basis of allocations for costs and assets.

Capitalisation policy note

Definition of a fixed asset

The cost of property, plant and equipment capitalised includes the original purchase price of the asset and costs attributable to bringing the asset to its working condition for its intended use. The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Costs which meet the criteria for a capital asset and total in excess of £1,000 are capitalised.

Property, plant and equipment includes:

i) Infrastructure assets (being water mains and sewers, impounding and pumped raw water storage reservoirs, dams, pipelines and sea outfalls)

Infrastructure assets were included at fair value on transition to IFRS and subsequent additions at cost, less accumulated depreciation and impairment charge. Expenditure to increase capacity or enhance infrastructure assets is capitalised where it can be reliably measured and it is probable that incremental future economic benefits will flow to the Company.

The cost of day-to-day servicing of infrastructure components is recognised in the income statement as it arises.

Infrastructure assets are depreciated evenly over their useful economic lives and are principally:

- ⊗ Water mains 15–100 years
- ⊗ Assets in the course of construction are not depreciated until commissioned.
- ii) Other assets (including property, overground plant and equipment). Other assets are included at cost less accumulated depreciation. These are generally categorised as non-infrastructure. Freehold land is not depreciated. Other assets are depreciated evenly over their estimated economic lives to their residual value and are principally:
 - ⊗ Buildings, including reservoirs and boreholes 5–150 years
 - ⊗ Fixed and moveable equipment 2–100 years.
 - ⊗ Assets in the course of construction are not depreciated until commissioned.

The cost of assets includes directly attributable labour and overhead costs which are incremental to the Company. Assets transferred from customers are recognised at fair value.

The assets' residual values and useful lives are reviewed annually.

Gains or losses on disposals are determined by comparing the proceeds of sale with the carrying amount and are recognised within the income statement.

In line with IAS 23, within the Statutory Accounts and Financial Statements, borrowing costs directly attributable to the construction of a qualifying asset (an asset necessarily taking a substantial period of time to be prepared for its intended use) are capitalised as part of the asset. However, within the Regulatory Reporting, in a deviation from IAS 23 and in line with Ofwat RAG 3.14, borrowing costs are not capitalised.

Expected credit loss note

The consolidated statutory current gross trade receivables balance at the reporting date is £31.7m, against which £7.5m had been provided for ECLs, resulting in net trade receivables of £24.2m (Note 15 in the SES Water Annual Report and Financial Statements).

SES does not have a provision for non-household debt as under the non-household retail market codes, retailers provide collateral for their debt. However, specific provision will be made if collateral is not sufficient to cover any identified risk.

The ECL charge and the provision exclude the adjustments made in the statutory accounts for amounts deemed uncollectable under IFRS 15.

SES

SES has a material level of exposure to the collection of trade receivables. Provisions in respect of these balances are calculated based on assumptions of historical credit loss experience, adjusted for forward looking factors which by their nature are subject to uncertainty. Analysis of actual recovery compared with provisioning levels have not, to date, resulted in material variances.

Under its regular review procedures, at the balance sheet date, SES applies a simplified approach in calculating ECLs for trade receivables and contract assets. Therefore, SES does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. SES has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the receivables and the economic environment.

SES recognises the pressure the cost-of-living crisis poses to our customers, and we are focused on providing a broad range of affordability measures to support those in financial need. Across the businesses, the potential impact of significant increases in the cost of living on affordability has been considered in assessing our expected credit loss charges. Despite the ongoing cost-of-living pressures felt throughout the UK economy, SES has not seen any material deterioration in collection rates as a result of its robust debt management and customer collection processes.

This will continue to be carefully monitored as an operational risk. The actual level of debt collected may differ from the estimated levels of recovery.

There has been no change to the write-off policy or bad debt provisioning policy.

Directors' emoluments

Payments related to performance against agreed standards As required by the Water Act 2014 and Regulatory Accounting Guidance from the Water Services Regulation Authority (Ofwat), additional information is given regarding this aspect of remuneration.

Full and detailed disclosures of Directors' remuneration are included on pages 54 to 66 of the Remuneration report including details of the performance-related bonus arrangements and the amounts paid to Directors under those arrangements.

As the price controls are not organisationally separated in SES Water, they do not have their own separate management and support functions and they do not trade with one another.

Directors' emoluments continued

To represent them as distinct controls

Notes to the regulatory accounts continued

requires the allocation of costs and assets to them.

Wherever possible, direct costs and assets have been directly attributed to business units. Where this is not possible, appropriate cost allocations have been applied linked to the key metric which best reflects the nature of the activity and costs.

The allocation between activities is reviewed annually to ensure the basis of allocation is still appropriate.

Where no direct allocation is possible management judgement is applied to allocate costs separately. The resulting costs reported for these business units do not necessarily represent what the costs would be if they were operated as separate business units.

Dividend policy

Ofwat amended the Condition P of the Company's licence effective from 17 May 2023 introducing specific requirements for declaring and paying appointed dividends. The Company's existing dividend policy applicable for the year-ended 31 March 2024, set out below, is consistent with these licence changes.

The Board considers that the base level of ordinary dividend for the appointed business should reflect the return on regulatory equity (defined as regulatory capital value less net debt) allowed in the regulator's most recent price review, subject to the Company having adequate resources available to fulfil its overall service commitments and its other financial obligations that includes compliance with the covenants associated with its index-linked bond (which are designed to protect the interests of the Company's creditors).

The Board will consider variations from this base level of ordinary dividend reflecting:

- ② The overall level of service delivered to customers and the environment over time, compliance with statutory obligations, progress with the delivery of regulatory and other obligations and efficiency and the management of risks.
- ③ Such other obligations will include delivering to our communities and employees – ensuring that 'in-the-round' delivery is considered.
- ④ Known and forecast financial and non-financial performance against regulatory assumptions and internal targets, taking account of the relative importance to customers and stakeholders of such targets.
- ⑤ The Board will explain the way in which these factors have been taken into account in arriving at the dividend declared in the Company's

Annual Report and will refer to any quantitative analysis required by reporting standards in support of such explanations.

The Board will adjust base dividends, if appropriate, to reflect the Company's performance and delivery to customers and the environment over time, and will take account of the performance levels agreed with Ofwat as part of its most recent Final Determination.

These performance levels include consideration of such items as water quality, leakage levels, C-MeX performance, achieving our supply interruption target and ensuring improved resilience to reduce the risk of supply failures.

The Board carefully considered the payment of a dividend in line with our dividend policy, taking into account operational performance and delivery for customers, and financial results, the board concluded that no dividend would be declared or paid in the year.

Corporate taxation

The appointee company current tax charge was lower than the current tax charge allowed in the final determination for the following reasons:

- ② Profit before tax in the price determination was higher than the actual for the appointee company
- ③ Capital allowances in excess of depreciation are lower than those allowed in the price determination largely as a result of the business disclaiming capital allowances to minimise tax losses.
- ④ The final determination was based on a corporation tax rate of 17%. The actual rate is 25%.
- ⑤ Capital allowances have been disclaimed in the year to avoid generating any losses to carry forward as it is accepted that capital allowances are more flexible than losses when carried forward.

2024–25 results in a current tax credit of £0.1m for the year.

The UK main rate of corporation tax increased to 25% from 1 April 2024. This change was substantively enacted on 24 May 2021, as such deferred tax liabilities and assets were recalculated and recorded at the rate they are expected to unwind in prior years.

The Chancellor announced in the March 2023 Budget, that super deductions, will be replaced by full expensing and in the

Autumn 2023 statement announced that is going to become permanent in respect of plant and machinery assets. The 50% first year allowance in relation to special rate assets will also continue. The Company therefore anticipates generating tax losses in future years resulting in a current tax result of nil.

The Company made no group relief payments in the year.

The appointee deferred tax credit of £1.6m for the year relates to a charge in respect of timing differences between depreciation and capital allowances of £1.5m, largely due to the effect depreciation exceeding capital allowances in the year which have been disclaimed.

SES Water has disclaimed capital allowances in the year, in order to minimise tax losses. This will provide more flexibility and enable higher capital allowance claims in future periods to offset against taxable profits, hence optimising the appointee company's current tax position.

The Company's total tax contribution extends significantly beyond the UK corporation tax charge, including Value Added Tax (VAT), business rates, employment taxes, Carbon Reduction Commitment (CRC), Climate Change Levy and Fuel Excise duty.

	2024-25 actual Nominal £m	2024-25 Actual 2017/18 prices £m	2024-25 FD 2017/18 prices £m	Variance 2017/18 prices £m
(Loss)/Profit before tax	(6.7)	(5.2)	8.8	(14.0)
Tax at 17% (FD rate)	(1.1)	(0.9)	1.5	(2.4)
Tax rate difference - actual 25% to FD rate	(0.5)	(0.4)	0.0	(0.4)
Depreciation not deductible for tax purposes	3.2	2.5	2.1	0.4
Capital allowances relief available in place of depreciation	(6.5)	(5.1)	(2.4)	(2.7)
Capital allowances disclaimed	6.5	5.1	0.0	5.1
Tax relief on pension contributions	0.0	0.0	0.0	0.0
Allowable depreciation on finance leases	0.0	0.0	0.0	0.0
Tax relief on interest	0.0	0.0	(0.1)	0.1
Tax relief on (non-taxable)/non-deductible expenditure	(1.6)	(1.2)	0.0	(1.3)
Group relief - current year	0.0	0.0	0.0	0.0
Insurance proceeds	0.0	0.0	0.0	0.0
Tax losses carried forwards	0.0	0.0	0.0	0.0
Current year tax credit	(0.1)	(0.1)	1.1	(1.2)
Prior year adjustments	0.0	0.0	0.0	0.0
Current year tax credit including prior year adjustments	(0.2)	(0.1)	1.1	(1.2)

Regulatory financial reporting

Table 1A – Income statement
for the 12 months ended 31 March 2025

	Adjustments				Total appointed activities £m
	Statutory £m	Differences between statutory and RAG definitions £m	Non- appointed £m	Total adjustments £m	
Revenue	82.682	(0.826)	2.768	(3.593)	79.089
Operating costs	(70.331)	(0.359)	(1.133)	0.774	(69.558)
Other operating income	0.021	–	–	–	0.021
Operating profit	12.372	(1.185)	1.635	(2.820)	9.552
Other income	–	2.753	–	2.753	2.753
Interest income	1.197	–	–	–	1.197
Interest expense	(19.949)	(0.277)	–	(0.277)	(20.226)
Other interest expense	–	–	–	–	–
Profit before tax and fair value movements	(6.380)	1.291	1.635	(0.343)	(6.723)
Fair value gains/(losses) on financial instruments	–	–	–	–	–
Profit before tax	(6.380)	1.291	1.635	(0.343)	(6.723)
UK Corporation tax	(0.157)	0.489	0.409	0.080	(0.076)
Deferred tax	1.520	0.040	–	0.040	1.560
Profit for the year	(5.016)	1.820	2.043	(0.223)	(5.239)
Dividends	–	–	–	–	–
Tax analysis					
Current year	–	(0.510)	(0.409)	(0.101)	(0.101)
Adjustment in respect of prior years	0.157	0.021	–	0.021	0.178
UK Corporation tax	0.157	(0.489)	(0.409)	(0.080)	0.076
Analysis of non-appointed revenue					
Imported sludge			–		
Tankered waste			–		
Other non-appointed revenue			2.768		
Revenue			2.768		

Table 1A – Income statement continued

Non-appointed

Activities outside of the appointed business include income from conveyancing, garage services, rentals of non-regulated assets and commission received from billing waste customers. With the majority of revenue generated from the billing commission of wastewater. Non-appointed costs are the costs incurred to deliver the non-appointed activity, which includes cost for our customer service team delivering for both water and waste customers, maintenance and labour within the garage and appropriate overheads and payroll costs attributed to the non-appointed business.

Difference between statutory and RAG definitions

	Revenue £m	Operating costs £m	Other operating income £m	Other income £m	Net Interest expense £m	Profit for the year £m
Capital contributions ¹	(2.380)	–	–	2.380	–	–
STOR revenue ²	(0.013)	0.013	–	–	–	–
Meter reading income ³	0.336	(0.336)	–	–	–	–
Derecognised income ⁴	1.604	(0.036)	–	–	–	1.568
Environmental incentives ⁵	0.023	–	–	(0.023)	–	–
Rental income ⁶	(0.396)	–	–	0.396	–	–
Capitalised interest ⁷	–	–	–	–	(0.277)	(0.277)
Net adjustments	(0.826)	(0.359)	–	2.753	(0.277)	1.291

1) Grants and contributions treated as revenue in the statutory accounts, but as other income in the regulatory accounts (OFWAT clarification)

2) Income from National Grid's Short Term Operating Regime (STOR) for use of the appointed business standby generators to assist with peak electricity demand – treated as revenue in the statutory accounts, but as negative operating expenditure in the regulatory accounts.

3) Income from reading meters on behalf of retailers is offset against operating costs in the statutory accounts, but as revenue in the regulatory accounts.

4) Under RAGS, there are no derecognised revenue and therefore needs to be added back as well as any expected credit loss provision.

5) This relates to income that relates to environmental incentive, which comes under 'grant and contributions' as per the RAG 4.13, this should be recognised under 'other income'

6) Rental revenue is treated as revenue in the statutory accounts, but as other income in the regulatory accounts.

7) Capitalisation interest is treated against interest expense in the statutory accounts, OFWAT required this to be excluded from this line of the P&L.

Regulatory financial reporting continued

Table 1B – Statement of comprehensive income
for the 12 months ended 31 March 2025

	Statutory £m	Differences between statutory and RAG definitions £m	Adjustments		Total appointed activities £m
			Non- appointed £m	Total adjustments £m	
Profit for the year	(5.016)	1.820	2.043	(0.223)	(5.239)
Actuarial gains/(losses) on post-employment plans	(0.631)	–	–	–	(0.631)
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	(5.647)	1.820	2.043	(0.223)	(5.870)

Table 1C – Statement of financial position
for the 12 months ended 31 March 2025

	Statutory	Differences between statutory and RAG definitions	Adjustments		Total appointed activities
			Non-appointed	Total adjustments	
Non-current assets					
Fixed assets	382.502	(0.483)	–	(0.483)	382.019
Intangible assets	13.938	–	–	–	13.938
Investments – loans to Group companies	–	–	–	–	–
Investments – other	–	–	–	–	–
Financial instruments	–	–	–	–	–
Retirement benefit assets	6.093	–	–	–	6.093
Total non-current assets	402.534	(0.483)	–	(0.483)	402.050
Current assets					
Inventories	1.082	–	–	–	1.082
Trade & other receivables	44.328	3.956	0.814	3.142	47.470
Financial instruments	–	–	–	–	–
Cash & cash equivalents	74.637	–	2.934	(2.934)	71.704
Total current assets	120.048	3.956	3.748	0.209	120.257
Current liabilities					
Trade & other payables	(51.067)	3.907	(0.759)	4.666	(46.401)
Capex creditor	–	(3.907)	–	(3.907)	(3.907)
Borrowings	(26.720)	–	–	–	(26.720)
Financial instruments	–	–	–	–	–
Current tax liabilities	–	(0.019)	–	(0.019)	(0.019)
Provisions	–	–	–	–	–
Total current liabilities	(77.787)	(0.019)	(0.759)	0.740	(77.047)
Net current assets/(liabilities)	42.261	3.937	2.989	0.948	43.209
Non-current liabilities					
Trade & other payables	(2.300)	–	–	–	(2.300)
Borrowings	(264.506)	–	–	–	(264.506)
Financial instruments	–	–	–	–	–
Retirement benefit obligations	(1.188)	–	–	–	(1.188)
Provisions	–	–	–	–	–
Deferred income – grants & contributions	–	–	–	–	–
Deferred income – adopted assets	–	–	–	–	–
Preference share capital	–	–	–	–	–
Deferred tax	(33.306)	0.092	–	0.092	(33.215)
Total non-current liabilities	(301.300)	0.092	–	0.092	(301.209)
Net assets	143.494	3.546	2.989	0.557	144.051
Equity					
Called up share capital	143.489	–	–	–	143.489
Retained earnings & other reserves	0.006	3.546	2.989	0.557	0.563
Total equity	143.495	3.546	2.989	0.557	144.052

Regulatory financial reporting continued

TABLE 1C – Statement of financial position continued

The statement of financial position reflects the balance sheet as at 31 March 2025

	Fixed assets £m	Trade and Other Receivables £m	Trade and Other Payables £m	Deferred income G&Cs £m	Deferred tax £m	Net assets £m
Cumulative capitalised interest, depreciation and tax impact ¹	(63.885)	–	–	–	–	(63.885)
Conversion opening difference	(0.067)	–	–	–	–	(0.067)
New Supplies NPV	(2.977)	–	–	–	–	(2.977)
s185 diversions NPV	0.386	–	–	–	–	0.386
Administration of new supplies	(0.241)	–	–	–	–	(0.241)
Gross up sewer inspection fees	0.062	–	–	–	–	0.062
Revenue Deemed uncollectable	–	0.201	–	–	–	0.201
Innovation Fund Adjustment	–	–	0.216	–	–	0.216
s185 diversions G&Cs	–	–	–	(0.379)	–	(0.379)
Deferred tax treatment RAG Difference	–	–	–	–	21.031	21.031
Net adjustments	(66.722)	0.201	0.216	(0.379)	21.031	(45.653)

1. Cumulative capitalised interest of £68.767m and depreciation on capitalised interest of £4.882.

Both statutory financial statements and Regulatory Reporting are based on International Financial Reporting Standards (IFRS) with the above adjustments to reflect the Regulatory Reporting Guidelines (RAGs).

Trade and other receivables reflect debtors associated with non-appointed activities and trade payables are allocated based on operating costs with specific non-appointed activities removed.

Current tax assets represent the tax due on profits (less any payments in advance, which have resulted in the asset position) with deferred tax reflecting the capital allowances on fixed assets and the pension.

Retirement benefit obligations are allocated based on the deficit/surplus associated with the pension scheme member and applying this to the activities within their employment history.

As all of the Company's borrowings have been raised to fund appointee activities, none of these have been apportioned to the non-appointed business.

Table 1D – Statement of cash flows
for the 12 months ended 31 March 2025

	Statutory £m	Differences between statutory and RAG definitions £m	Adjustments		Total appointed activities £m
			Non- appointed £m	Total adjustments £m	
Operating activities					
Operating profit	12,372	(1,185)	1,635	(2,820)	9,552
Other income	–	2,753	–	2,753	2,753
Depreciation	16,147	–	–	–	16,147
Amortisation – Grants & contributions	–	–	–	–	–
Changes in working capital	(4,571)	(1,568)	(0,074)	(1,494)	(6,064)
Pension contributions	0,300	–	–	–	0,300
Movement in provisions	0,200	–	–	–	0,200
Profit on sale of fixed assets	–	–	–	–	–
Cash generated from operations	24,448	(0,000)	1,560	(1,560)	22,888
Net interest paid	(9,692)	0,846	–	0,846	(8,846)
Tax paid	–	(0,256)	(0,176)	(0,080)	(0,080)
Net cash generated from operating activities	14,756	0,590	1,385	(0,795)	13,961
Investing activities					
Capital expenditure	(20,300)	–	–	–	(20,300)
Grants & Contributions	–	–	–	–	–
Disposal of fixed assets	–	–	–	–	–
Other	0,146	(0,846)	–	(0,846)	(0,700)
Net cash used in investing activities	(20,154)	(0,846)	–	(0,846)	(21,000)
Net cash generated before financing activities	(5,398)	(0,256)	1,385	(1,641)	(7,039)
Cash flows from financing activities					
Equity dividends paid	–	–	–	–	–
Net loans received	(39,000)	–	–	–	(39,000)
Cash inflow from equity financing	70,000	–	–	–	70,000
Net cash generated from financing activities	31,000	–	–	–	31,000
Increase/(decrease) in net cash	25,602	(0,256)	1,385	(1,641)	23,961

Regulatory financial reporting continued

Table 1E – Net debt analysis (appointed activities)
at 31 March 2025

			Index linked		
	Fixed rate £m	Floating rate £m	RPI £m	CPI/CPIH £m	Total £m
Interest rate risk profile					
Borrowings (excluding preference shares)	41,500	26,500	224,600	–	292,600
Preference share capital	–				–
Total borrowings	41,500	26,500	224,600	–	292,600
Cash					(74,637)
Short-term deposits					–
Net debt					217,963
Gearing					
Gearing					59.305%
Adjusted gearing					59.100%
Interest					
Full year equivalent nominal interest cost	2,377	1,654	14,082	–	18,113
Full year equivalent cash interest payment	2,377	1,654	6,455	–	10,486
Indicative interest rates					
Indicative weighted average nominal interest rate	5.728%	6.242%	6.270%	–	6.190%
Indicative weighted average cash interest rate	5.728%	6.242%	2.874%	–	3.584%
Time to maturity					
Weighted average years to maturity	8.110	0.750	6.170	–	5.950

Table 1F – Financial flows
for the 12 months ended 31 March 2025 and for the price review to date

	12 months ended 31 March 2025					
	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
Regulatory equity						
Regulatory equity	112.957	112.957	111.396			
Return on regulatory equity						
Return on regulatory equity	4.09%	4.04%	4.09%	4.622	4.559	4.559
Financing						
Impact of movement from notional gearing		0.06%	0.53%		0.064	0.586
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		(0.05%)	(0.05%)		(0.060)	(0.060)
Group relief		–	–		–	–
Cost of debt		(2.75%)	(3.23%)		(3.104)	(3.602)
Hedging instruments		–	–		–	–
Return on regulatory equity including financing adjustments	4.09%	1.29%	1.33%	4.622	1.459	1.484
Operational performance						
Totex out/(under)performance		(3.57%)	(3.62%)		(4.038)	(4.038)
ODI out/(under)performance		(2.35%)	(2.38%)		(2.651)	(2.651)
C-Mex out/(under)performance		(0.16%)	(0.16%)		(0.177)	(0.177)
D-Mex out/(under)performance		(0.05%)	(0.05%)		(0.052)	(0.052)
Retail out/(under)performance		(1.63%)	(1.65%)		(1.839)	(1.839)
Other exceptional items		–	–		–	–
Operational performance total		(7.75%)	(7.86%)		(8.757)	(8.757)
RoRE (return on regulatory equity)	4.09%	(6.46%)	(6.53%)	4.622	(7.298)	(7.273)
RCV growth	3.45%	3.45%	3.45%	3.897	3.897	3.843
Voluntary sharing arrangements		–	–		–	–
Total shareholder return	7.54%	(3.01%)	(3.08%)	8.519	(3.401)	(3.430)
Dividends						
Gross dividend	–	–	–	–	–	–
Interest receivable on intercompany loans		–	–		–	–
Retained Value	7.54%	(3.01%)	(3.08%)	8.519	(3.401)	(3.430)
Cash impact of 2015–20 performance adjustments						
Totex out/(under)performance		(0.11%)	(0.11%)		(0.122)	(0.122)
ODI out/(under)performance		0.18%	0.19%		0.208	0.208
Total out/(under)performance		0.08%	0.08%		0.086	0.086

Regulatory financial reporting continued

Table 1F – Financial flows continued
for the 12 months ended 31 March 2025 and for the price review to date continued

The information has been produced in accordance with the guidance provided by Ofwat and allows a comparison between the returns under our actual capital structure and the returns set by the regulator under a notional capital structure.

For the year ended 31 March 2025, the Final Determination set our base return at 4.09%, applicable to Ofwat's notional capital structure with notional gearing of 60%.

Financing performance

Our financing activities decreased returns by 2.76%, from 4.09% (notional) to 1.33% (actual), which can be attributed to the following reasons:

- ① Our average gearing of 70% is higher than the 60% assumed by Ofwat for a notional company. This had the impact of increasing returns by £0.586m or 0.53%. The higher gearing amplifies the percentage return to external shareholders, as debt has a lower required return than equity. However, it also increases the volatility of these returns, making them more sensitive to performance fluctuations.
- ② The tax expense for the year had a minor positive impact due to minimal variance in corporation tax.
- ③ Cost of debt remains above the Final Determination allowance, reducing returns by £3.602m or 3.23%.

Operational performance

Our operational performance decreased returns for the financial year by 6.53% or £8.757m, due to several factors:

- ① Totex spend exceeded the Final Determination allowance by £4.038m, leading to a return impact of -3.62%. This relates largely to the water network plus price control, increased costs of new connections, power costs, enhanced capital investment in the price control combined with inflation-related pressures.
- ② Outcome Delivery Incentives (ODIs) underperformed, leading to a penalty impact of -2.38% or £2.651m.
- ③ C-MeX and D-MeX performance was below target, resulting in penalties of £0.177m and £0.052m, respectively (combined impact of -0.21%).
- ④ Retail cost underperformance caused an additional negative impact of -1.65% or £1.829m.

RCV growth

Inflation, particularly the average yearly growth in CPIH and RPI, increased RCV growth by 3.45%, equivalent to £3.843m. Improvement to the prior years with 4.53% (2024) and 11.83% (2023).

Total shareholder return

Total shareholder return for the year is -3.08%, which equates to a loss of £3.430m. This is primarily due to operational and financing underperformance offsetting the regulatory base return and RCV growth.

Dividends and retained value

There were no dividends or intercompany interest received during the year. Therefore, the entire shareholder return is reflected in the retained value figure of -3.08%.

Voluntary sharing

We do not have any voluntary sharing arrangements in place for AMP7.



Average 2020–25

	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity						
Regulatory equity	107.798	107.798	82.344			
Return on regulatory equity						
Return on regulatory equity	3.96%	3.02%	3.96%	4.268	3.260	3.260
Financing						
Impact of movement from notional gearing		0.93%	0.82%		1.008	0.672
Gearing benefits sharing		–	–		–	–
Variance in corporation tax		1.26%	1.65%		1.358	1.358
Group relief		–	–		–	–
Cost of debt		(2.52%)	(4.04%)		(2.717)	(3.329)
Hedging instruments		–	–		–	–
Return on regulatory equity including financing adjustments	3.96%	2.70%	2.38%	4.268	2.909	1.961
Operational performance						
Totex out/(under)performance		(2.27%)	(2.97%)		(2.444)	(2.444)
ODI out/(under)performance		(0.68%)	(0.89%)		(0.729)	(0.729)
C-Mex out/(under)performance		(0.13%)	(0.17%)		(0.141)	(0.141)
D-Mex out/(under)performance		(0.10%)	(0.13%)		(0.107)	(0.107)
Retail out/(under)performance		(2.50%)	(3.27%)		(2.694)	(2.694)
Other exceptional items		–	–		–	–
Operational performance total		(5.67%)	(7.43%)		(6.115)	(6.115)
RoRE (return on regulatory equity)	3.96%	(2.97%)	(5.05%)	4.268	(3.206)	(4.154)
RCV growth	5.36%	5.36%	5.36%	5.777	5.777	4.413
Voluntary sharing arrangements		–	–		–	–
Total shareholder return	9.32%	2.38%	0.31%	10.044	2.570	0.258
Dividends						
Gross dividend	0.76%	1.75%	2.29%	0.824	1.886	1.886
Interest receivable on intercompany loans		–	–		–	–
Retained Value	8.55%	0.63%	(1.98%)	9.220	0.684	(1.628)
Cash impact of 2015–20 performance adjustments						
Totex out/(under)performance		(0.11%)	(0.15%)		(0.122)	(0.122)
ODI out/(under)performance		0.19%	0.25%		0.208	0.208
Total out/(under)performance		0.08%	0.10%		0.086	0.086

Price review and other segmental reporting

Table 2A – Segmental income statement
for the 12 months ended 31 March 2025

	Residential retail £m	Business retail £m	Water resources £m	Water network+ £m	Total £m
Revenue – price control	6.074	–	7.139	64.252	77.465
Revenue – non-price control	–	–	0.162	1.462	1.624
Operating expenditure – excluding PU recharge impact	(7.332)	–	(5.886)	(40.196)	(53.413)
PU opex recharge	–	–	–	–	–
Operating expenditure – including PU recharge impact	(7.332)	–	(5.886)	(40.195)	(53.413)
Depreciation – tangible fixed assets	(0.001)	–	(0.744)	(13.711)	(14.457)
Amortisation – intangible fixed assets	(0.923)	–	(0.025)	(0.740)	(1.688)
Other operating income	0.004	–	0.001	0.017	0.022
Operating profit	(2.178)	–	0.647	11.084	9.553
Surface water drainage rebates					
Surface water drainage rebates					–

Table 2B – Totex analysis
for the 12 months ended 31 March 2025 – wholesale

	Water resources £m	Water network+ £m	Total £m
Base operating expenditure			
Power	2.501	5.145	7.646
Income treated as negative expenditure	–	(0.013)	(0.013)
Service charges/discharge consents	1.445	–	1.445
Bulk supply/bulk discharge	–	0.314	0.314
Renewals expensed in year (infrastructure)	–	–	–
Renewals expensed in year (non-infrastructure)	–	–	–
Other operating expenditure (including location-specific costs & obligations)	1.909	28.987	30.896
Local authority and cumulo rates	0.031	3.398	3.429
Total base operating expenditure	5.886	37.832	43.718
Other operating expenditure			
Enhancement operating expenditure	–	–	–
Developer services operating expenditure	–	2.363	2.363
Total operating expenditure excluding third-party services	5.886	40.194	46.080
Third-party services	–	0.001	0.001
Total operating expenditure	5.886	40.195	46.081
Grants and contributions			
Grants and contributions – operating expenditure	–	2.379	2.379
Capital expenditure			
Base capital expenditure	0.657	13.849	14.506
Enhancement capital expenditure	0.097	5.555	5.652
Developer services capital expenditure	–	0.404	0.404
Total gross capital expenditure excluding third-party services	0.754	19.808	20.562
Third-party services	–	–	–
Total gross capital expenditure	0.754	19.808	20.562
Grants and contributions			
Grants and contributions – capital expenditure	–	–	–
Net totex	6.640	57.624	64.264
Cash expenditure			
Pension deficit recovery payments	–	–	–
Other cash items	–	–	–
Totex including cash items	6.640	57.624	64.264

Price review and other segmental reporting continued

Table 2C – Cost analysis

for the 12 months ended 31 March 2025 – retail

	Residential £m	Business £m	Total £m
Operating expenditure			
Customer services	3.307	–	3.307
Debt management	0.496	–	0.496
Doubtful debts	0.100	–	0.100
Meter reading	0.474	–	0.474
Other operating expenditure	2.908	–	2.908
Local authority and cumulo rates	0.048	–	0.048
Total operating expenditure excluding third-party services	7.332	–	7.332
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	–	–	–
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	–	–	–
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	–	–	–
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	0.924	–	0.924
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	–	–	–
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	–	–	–
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	–	–	–
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	–	–
Net recharges costs	–	–	–
Total retail costs excluding third-party and pension deficit repair costs	8.256	–	8.256
Third-party services operating expenditure	–	–	–
Pension deficit repair costs	–	–	–
Total retail costs including third-party and pension deficit repair costs	8.256	–	8.256
Debt written off			
Debt written off	0.100	–	0.100
Capital expenditure			
Capital expenditure	0.046	–	0.046
Comparison of actual and allowed expenditure			
Cumulative actual retail expenditure to reporting year end			43.393
Cumulative allowed expenditure to reporting year end			27.851
Total allowed expenditure 2020–25			27.851

Table 2D – Historic cost analysis of tangible fixed assets
at 31 March 2025

	Residential retail £m	Business retail £m	Water resources £m	Water network+ £m	Total £m
Cost					
At 1 April 2024	(0.031)	–	29.807	608.989	638.765
Disposals	(0.025)	–	(0.013)	(0.088)	(0.125)
Additions	0.028	–	0.637	18.040	18.704
Adjustments	–	–	–	(0.058)	(0.058)
Assets adopted at nil cost	–	–	–	–	–
At 31 March 2025	(0.028)	–	30.430	626.883	657.286
Depreciation					
At 1 April 2024	0.022	–	(12.536)	(248.421)	(260.935)
Disposals	0.025	–	0.013	0.088	0.125
Adjustments	–	–	–	–	–
Charge for year	(0.001)	–	(0.744)	(13.711)	(14.457)
At 31 March 2025	0.045	–	(13.267)	(262.044)	(275.266)
Net book amount at 31 March 2025	0.018	–	17.163	364.839	382.019
Net book amount at 1 April 2024	(0.009)	–	17.271	360.569	377.830
Depreciation charge for year					
Principal services	(0.001)	–	(0.744)	(13.711)	(14.457)
Third-party services	–	–	–	–	–
Total	(0.001)	–	(0.744)	(13.711)	(14.457)

Price review and other segmental reporting continued

Table 2E – Analysis of ‘grants and contributions’ – water resources and water network+ for the 12 months ended 31 March 2025

	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	Total £m
Grants and contributions – water resources				
Diversions – s185	–	–	–	–
Other contributions (price control)	–	–	–	–
Price control grants and contributions	–	–	–	–
Diversions – NRSWA	–	–	–	–
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	–	–	–	–
Total grants and contributions	–	–	–	–
Value of adopted assets	–	–	–	–
Grants and contributions – water network+				
Connection charges	1,560	–	–	1,560
Infrastructure charge receipts – new connections	0,694	–	–	0,694
Requisitioned mains	0,457	–	–	0,457
Diversions – s185	0,112	–	–	0,112
Other contributions (price control)	0,001	–	–	0,001
Price control grants and contributions before deduction of income offset	2,824	–	–	2,824
Income offset	0,445	–	–	0,445
Price control grants and contributions after deduction of income offset	2,379	–	–	2,379
Diversions – NRSWA	–	–	–	–
Diversions – other non-price control	–	–	–	–
Other contributions (non-price control)	–	–	–	–
Total grants and contributions	2,379	–	–	2,379
Value of adopted assets	0,321	–	–	0,321
Movements in capitalised grants and contributions				
b/f	–	–	–	–
Capitalised in year	–	–	–	–
Amortisation (in income statement)	–	–	–	–
c/f	–	–	–	–

Table 2F – Residential retail
for the 12 months ended 31 March 2025

	Revenue £m	Number of customers 000s	Average residential revenues £
Residential revenue			
Wholesale revenue	60.706		
Retail revenue	6.074		
Total residential revenue	66.780		
Retail revenue			
Revenue recovered (RR)	6.074		
Revenue sacrifice	–		
Actual revenue (net)	6.074		
Customer information			
Actual customers (AC)		284.208	
Reforecast customers		281.542	
Adjustment			
Allowed revenue (R)	5.965		
Net adjustment	(0.109)		
Other residential information			
Average household retail revenue per customer			21.372

Price review and other segmental reporting continued

Table 2I – Revenue analysis
for the 12 months ended 31 March 2025

	Household £m	Non- household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water						
Unmeasured	20.073	4.023	24.096	2.410	21.687	24.096
Measured	40.633	6.662	47.295	4.729	42.565	47.295
Third-party revenue	–	–	–	–	–	–
Total wholesale water revenue	60.706	10.685	71.391	7.139	64.252	71.391
Wholesale charge – additional control						
Unmeasured	–	–	–			
Measured	–	–	–			
Total wholesale additional control revenue	–	–	–			
Wholesale Total	60.706	10.685	71.391			
Retail revenue						
Unmeasured	2.050	–	2.050			
Measured	4.024	–	4.024			
Retail third-party revenue	–	–	–			
Total retail revenue	6.074	–	6.074			
Third-party revenue – non-price control						
Bulk supplies – water			0.811			
Bulk supplies – wastewater			–			
Other third-party revenue – non price control			0.813			
Principal services – non-price control						
Other appointed revenue			–			
Total appointed revenue			79.089			

Table 2J – Infrastructure network reinforcement costs
for the 12 months ended 31 March 2025

	Network reinforcement capex £m	On-site/site-specific capex (memo only) £m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	–	–
Pumping and storage facilities	–	–
Other	–	–
Total	–	–

There have been no dedicated reinforcement schemes delivered for developer services because we haven't had a development of a scale or connection point to our network that has necessitated the requirement.

Table 2K – Infrastructure charges reconciliation
for the 12 months ended 31 March 2025

	Water £m	Total £m
Impact of infrastructure charge discounts		
Infrastructure charges	0.694	0.694
Discounts applied to infrastructure charges	–	–
Gross infrastructure charges	0.694	0.694
Comparison of revenue and costs		
Variance brought forward	(0.413)	(0.413)
Revenue	0.694	0.694
Costs	–	–
Variance carried forward	0.281	0.281

This table was introduced following the introduction of the new developer services charging regime on 1 April 2018. The new charging regime requires an approximate matching of total relevant developer services income (infrastructure charge receipts as reported in table 2E), since 1 April 2018, with infrastructure network reinforcement expenditure, taking account of both actual income and expenditure and income and expenditure forecast for the following five years.

Infrastructure network reinforcement expenditure is reported in the preceding table, table 2J, and covers capacity enhancements to treated water distribution, including some non-infrastructure assets such as service reservoirs and pumping stations.

Previous years have recorded an under recovery due to the cost of upsizing for the purposes of network reinforcement exceeding revenue however, this year there have been no dedicated reinforcement schemes delivered as SES did not have a development of a scale or connection point to our network that has necessitated the requirement. As at 31st March 2025, revenue of £0.694m has been recorded due to infrastructure charges, which has flipped the under-recovery from the start of the year to an over-recovery of £0.281m.

Table 2L – Analysis of land sales
for the 12 months ended 31 March 2025

	Water resources £m	Water network+ £m	Total £m
Land sales – proceeds from disposals of protected land	–	–	–

There have been no land sales in the year.

Price review and other segmental reporting continued

Table 2M – Revenue reconciliation
for the 12 months ended 31 March 2025 – wholesale

	Water resources £m	Water network+ £m	Total £m
Revenue recognised			
Wholesale revenue governed by price control	7.139	64.252	71.391
Grants & contributions (price control)	–	2.379	2.379
Total revenue governed by wholesale price control	7.139	66.631	73.770
Calculation of the revenue cap			
Allowed wholesale revenue before adjustments (or modified by CMA)	7.419	55.886	63.305
Allowed grants & contributions before adjustments (or modified by CMA)	–	5.273	5.273
Revenue adjustment	0.001	0.010	0.011
Other adjustments	–	–	–
Revenue cap	7.420	61.170	68.590
Calculation of the revenue imbalance			
Revenue cap	7.420	61.170	68.590
Revenue recovered	7.139	66.631	73.770
Revenue imbalance	0.281	(5.461)	(5.180)

In the 2024/25 reporting year, we recovered a total of £73.770 million in revenue, comprising:

- ⌚ £7.139 million from Water Resources, and
- ⌚ £66.631 million from Water Network+ services.

This recovery reflects a adjustment made in response to the £3.301 million under-recovery experienced in 2023/24. To address this imbalance, a 15% increase in tariffs was implemented for 2024/25.

The tariff adjustment was set to fully recover the prior year's shortfall, and as a result, the business achieved an over-recovery of £5.180 million, representing 7.6% of the total allowed revenue for the year.

Table 2N – Household affordability support
Section A – social tariffs

	Revenue £'000	Number of customers number	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs customers		23,495	
Residential wastewater only social tariffs customers		–	
Residential dual service social tariffs customers		–	
Number of residential customers not on social tariffs			
Residential water only no social tariffs customers		260,713	
Residential wastewater only no social tariffs customers		–	
Residential dual service no social tariffs customers		–	
Social tariff discount			
Average discount per water only social tariffs customer			104.150
Average discount per wastewater only social tariffs customer			–
Average discount per dual service social tariffs customer			–
Social tariff cross-subsidy – residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	1,546		
Total customer funded cross-subsidies for wastewater only social tariffs customers	–		
Total customer funded cross-subsidies for dual service social tariffs customers	–		
Average customer funded cross-subsidy per water only social tariffs customer			5.440
Average customer funded cross-subsidy per wastewater only social tariffs customer			–
Average customer funded cross-subsidy per dual service social tariffs customer			–
Social tariff cross-subsidy – Company			
Total revenue forgone by Company to fund cross-subsidies for water only social tariffs customers	0.901		
Total revenue forgone by Company to fund cross-subsidies for wastewater only social tariffs customers	–		
Total revenue forgone by Company to fund cross-subsidies for dual service social tariffs customers	–		
Average revenue forgone by Company to fund cross-subsidy per water only social tariffs customer			38.349
Average revenue forgone by Company to fund cross-subsidy per wastewater only social tariffs customer			–
Average revenue forgone by Company to fund cross-subsidy per dual service social tariffs customer			–
Social tariff support – willingness to pay			
Level of support for social tariff customers reflected in business plan			6.000
Maximum contribution to social tariffs supported by customer engagement			6.000

Price review and other segmental reporting continued

Table 2N – Household affordability support continued
Section B – WaterSure tariffs

	Revenue £'000	Number of customers number	Average amount per customer £
WaterSure tariffs			
Number of unique customers on WaterSure		0.696	
Total reduction in bills for WaterSure customers	–		
Average reduction in bills for WaterSure customers			–

Table 2O – Historic cost analysis of intangible fixed assets














	Residential retail £m	Business retail £m	Water resources £m	Water network+ £m	Total £m
Cost					
At 1 April 2024	6.634	–	0.284	28.873	35.791
Disposals	–	–	–	–	–
Additions	0.018	–	0.117	1.722	1.858
Adjustments	–	–	–	(0.043)	(0.043)
Assets adopted at nil cost	–	–	–	–	–
At 31 March 2025	6.652	–	0.401	30.552	37.605
Amortisation					
At 1 April 2024	(1.534)	–	(0.033)	(20.512)	(22.079)
Disposals	–	–	–	–	–
Adjustments	–	–	–	–	–
Charge for year	(0.923)	–	(0.025)	(0.740)	(1.688)
At 31 March 2025	(2.457)	–	(0.058)	(21.251)	(23.766)
Net book amount at 31 March 2025	4.195	–	0.343	9.301	13.839
Net book amount at 1 April 2024	5.100	–	0.251	8.361	13.712
Amortisation for year					
Principal services	(0.923)	–	(0.025)	(0.740)	(1.688)
Third-party services	–	–	–	–	–
Total	(0.923)	–	(0.025)	(0.740)	(1.688)

Performance summary

Table 3A – Outcome performance – Water performance commitments (financial)

	Unit	Performance level – actual	PCL met?	Outperformance or underperformance payment £m	Total 2020–25 outperformance or underperformance payment £m
Common PCs – Water (Financial)					
Water quality compliance (CRI)	number	0	Yes	–	(0.028)
Water supply interruptions	hh:mm:ss	00:26:40	No	(1.450)	(0.726)
Leakage	%	15.9	Yes	0.311	1.246
Per capita consumption	%	0.7	No	(0.766)	(1.382)
Mains repairs	number	61.9	No	(0.064)	(0.981)
Unplanned outage	%	4.01	No	(0.294)	(0.294)
Total				(2.262)	(2.165)
Bespoke PCs – Water and Retail (Financial)					
Customer concerns about their water (taste, odour and discolouration contacts)	nr	0.58	No	(0.064)	(0.334)
Supporting customers in financial hardship	nr	25,379	Yes	–	–
Void properties	%	1.99	Yes	0.051	(0.224)
First contact resolution	%	90.7	Yes	–	(0.005)
Greenhouse gas emissions	nr	38	Yes	–	–
River-based improvement – delivery of WINEP	nr	17	No	(0.030)	(0.038)
Water Softening	nr	10.4	No	(0.293)	(0.812)
Risk of supply failures	%	91	No	(0.058)	(0.166)
Total				(0.394)	(1.580)

Key

 Availability	 Area of focus
 Clean water	 Marginal performance
 Wastewater	 On track
 Customers	 Outperformance
 Service	 Area of excellence
 Environment	
 Resilience	
 Community	

Performance summary continued

3A.1 Water quality compliance (CRI)

The Compliance Risk Index (CRI) is a water quality performance metric defined by the Drinking Water Inspectorate (DWI) to illustrate the risk of treated water compliance failures. CRI is reported for each calendar year.

We continued to deliver excellent water quality performance in 2024. We have determined our CRI score to be just 0.00, with only three sample exceedances and one gross alpha exceedance at a supply point. None of these were significant enough to result in the CRI score to be greater than zero (to two decimal places).

Our performance throughout the regulatory period (2020–25) has been consistently industry leading and we strive for consistent performance going forward.

0.00



Water quality compliance (CRI)
Number

2025 Actual	0.00
2024 Actual	0.01
2023 Actual	0.01
2022 Actual	0.00
2021 Actual	0.00
Target 2026	0.00

3A.2 Water supply interruptions

Customers value a resilient and reliable water supply. So, when supply interruptions do happen, they want their water back as soon as possible. We measure this as the total number of minutes customers have been without water longer than three hours and divide this by the average total number of properties in the year.

This year the impact of two events has led to us exceeding the target. These events contributed 26 minutes and 2 seconds of the total outturn for the year. The events occurred at Godstone, where a sinkhole caused a significant interruption, and in Cheam, where a failure at the treatment works resulted in subsequent interruptions.

Without the above two unusual events, the full year performance would have been just 38 seconds, reflecting the typically high standards of service we have achieved in this area historically.

We can confirm our supply interruptions data includes interruptions that are greater than or equal to three hours in duration for the current reporting period.

00:26:40



Water supply interruptions
hh:mm:ss

2025 Actual	00:26:40
2024 Actual	00:03:35
2023 Actual	00:03:51
2022 Actual	00:02:58
2021 Actual	00:07:22
Target 2026	00:05:00

3A.3 Leakage

Our performance for 2024/25 report year represents our lowest ever annual leakage figure for the second year in a row and demonstrates our continuous improvement as reflected in the three-year rolling performance against target. Annual leakage (post-MLE) has decreased by 0.7MI/d following a 2.1 MI/d reduction in the previous year.

We remain confident that our approach to leakage management and leakage reduction is delivering the results we want it to. We are continuing to conduct work to ensure water balance reporting is fully compliant with all regulatory guidelines. Whilst we are confident in the accuracy of our leakage reporting, the availability and company own use components are amber and the water balance component (at 4.2%) is red with respect to the compliance checklists.

For consistency we are reporting our water balance (and leakage) in line with methodology used throughout the 2020–25 period, however we have run our shadow methodology for water balance, leakage and PCC performance in parallel to our current methodology. Going forward we will look to utilise this methodology and work consistently where possible with Group methodology to ensure the water balance gap is minimised. We will not seek to apply for any outperformance payments at this time in respect of this performance commitment, subject to further engagement.

21.2 (15.9%)



Leakage levels
Reduction from baseline (% and MI/d)

2025 Actual	21.2
2024 Actual	21.5
2023 Actual	23.0
2022 Actual	23.6
2021 Actual	24.9
Target 2026	22.1

3A.4 Per capita consumption

The per capita consumption (PCC) metric also operates on a three-year rolling average compared to the 2027–20 baseline. PCC is for households only and has been impacted by higher working from home levels during the 2020–25 regulatory period since the emergence of COVID-19.

Our PCC has seen a continued reduction demonstrating the benefits of our ongoing metering, water efficiency and customer engagement programmes. We acknowledge that our outturn result is higher than our target levels, which in part reflects altered consumption patterns post COVID-19. However, our average position for the last three years does show a slight reduction compared to the 2017–20 baseline and we will continue with plans throughout the 2025–30 regulatory period to further reduce PCC.

0.7% (147.9)



Per capita consumption
Reduction from baseline
(Litres / person / day)

2025 Actual	147.9 (0.7%)
2024 Actual	149.6 (-0.4%)
2023 Actual	155.2 (-4.2%)
2022 Actual	152.7 (-2.5%)
2021 Actual	154.5 (-3.7%)
Target 2026	139.2 (6.6%)

3A.5 Mains repairs

When our mains get damaged or fail, it is vitally important that these are repaired to ensure that we do not waste valuable water and that customers are kept in supply. We measure the number of mains that we have reactively repaired in the year and divide it by the total length of mains to indicate the performance of our mains network.

The report year saw a mains repairs total that was again close to the ten-year average and slightly lower than the 2023/24 reported number, however, we narrowly did not achieve our target set and will receive a small financial penalty from Ofwat.

Most of the main repairs were associated with bursts that we had proactively detected (142), rather than reactive repairs for mains failures (76) that had been reported by customers. Proactively identifying leaks means that we can begin to address issues before the public are aware and, finding-and-fixing leaks quickly minimises the impact on leakage.

3A.6 Unplanned outage

The performance commitment for unplanned outage is 2.34%. Unplanned Outage has increased this year to 4.01%, which is outside of targeted levels.

The major contributory factors to this year's reported value of unplanned outage are:

- ① An unplanned outage at Cheam Water Treatment Works following a valve failure causing a reduction to peak week production capacity
- ② Two unplanned outages at Godstone Water Treatment Works following raw water mains bursts
- ③ Two unplanned outages at Elmer Water Treatment Works following Rapid Gravity Filter feed pump failures.

Without the above incidents, SES Water would have achieved its unplanned outage target for the year.

OFWAT guidance calls for telemetry data to be used to determine an unplanned outage. Telemetry data was used to determine the peak production week and the various flow outputs from the sites.

Our ongoing focus on operating, maintaining and investing in our water treatment works continues to secure the delivery of our unplanned outage target in the future.

3A.7 Customer concerns about their water (taste, odour and discolouration contacts)

We have a very challenging target to minimise the number of customers that need to contact us about the taste, smell or appearance of their water. In 2024 we received 0.58 contacts per 1,000 population, which was above our target for the year of 0.50, and so we will receive a financial penalty from Ofwat.

Whilst it is disappointing that we did not meet the target set, we expect our contact rate performance to continue to be amongst the industry upper quartile. Our performance was at the same level as in 2023.

The aim of this performance commitment is to reduce water quality contacts made by our customers, relating to the taste, smell and appearance of their water. It is measured as the number of times we are contacted by consumers concerning their tap water in these respects, reported per 1,000 population. The calculation is the number of contacts for appearance multiplied by 1,000, divided by the resident water supplied population as reported to the Drinking Water Inspectorate (DWI). This performance commitment is reported in calendar years. 75% of these contacts for 2024 related to appearance/discolouration rather than taste or odour.

For the 2025–30 period we will continue to target minimising these contacts and have a performance commitment of 0.63 contacts per 1,000 population under a common industry definition. Given our performance as a consistent upper quartile Company, we are confident we can achieve these commitments.

61.9



Mains repairs Number



4.01



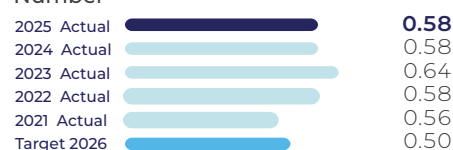
Unplanned outage %



0.58



Customer concerns about their water Number



Performance summary continued

3A.8 Supporting customers in financial hardship

We again exceeded our target for the number of customers benefiting from our Water Support Scheme, which provides eligible low-income households with a 50% discount off their water bill. In addition to this, SES Water also provides advice to applicants of the scheme on where to go for additional help.

Support is based on income thresholds which vary between inside and outside of London Boroughs.

We actively promote our support schemes, including Water Support, across all our digital and non-digital channels, including during our community engagements (foodbanks, community meetings etc) and trusted partnerships. Our advisors are also fully trained to identify where additional support may be required, even if the customer does not openly disclose it.

Customers can apply for our Water Support Scheme through a direct application form on our website seswater.co.uk, or when speaking directly with one of our Extra Care Specialist, Customer Care advisors or Here For You officers. The application (be it through our online application form or over the phone) is assessed to see if the criteria are met. Both metered and unmetered customers can apply for this – unlike some other water companies (who only give a discount to metered customers), we do not have any such restrictions.

Our teams continue to offer a 360 approach where they will offer other support (financial and non-financial) where deemed necessary. Finally, we also always look to add the sewage element known as 'Water help' that Thames Water offer to their customers, who we bill on behalf of for Thames Water.

A large proportion of taste and odour contacts are associated with internal plumbing systems within customers' homes. We continue to improve information available for customers on our website to allow customers to self-serve and resolve taste and odour problems as quickly and conveniently as possible.

3A.9 Void properties

The percentage of properties that are registered as void has reduced and remains below the targeted level for the third year in a row. As a business we have focused resource where necessary throughout the year to ensure we keep the number of void properties to a minimum and have achieved our lowest proportion of void properties in the five-year regulatory period.

3A.10 First contact resolution

Our high level of first-time call resolution has been maintained this year and we have met the target for first contact resolution again. The target for this measure was stretching increasing from 80% in 2020/21 to 90% in 2024/25.

Our aim is to prevent issues happening, however where things do go wrong, our focus is the speedy attendance and resolution of all queries or problems with emphasis on excellent customer experience. This can be measured through our achievement of this measure.

3A.11 Greenhouse gas emissions

Greenhouse gas emissions have been reported using the UKWIR Carbon Accounting Workbook (CAW) Version 18.03.01. This uses Global Warming Potential values for 100-year time horizon from the IPCC Sixth Assessment Report AR6 for the UK water industry specific calculations and AR5 where UK government conversion factors are used.

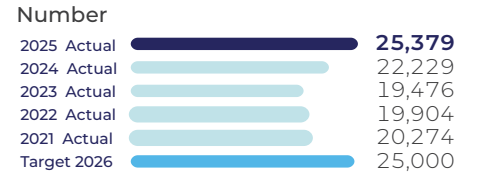
We have continued to use a supply of 100% REGO-backed renewable electricity, and continued to reduce the emissions associated with our operational fleet, through continued switching of internal combustion engine vehicles to electric vehicles.

In line with the requirements of this commitment's definition, third-party external assurance has been provided to the Board by NQA, an accredited body, able to certify companies in line with ISO 14064 – Greenhouse Gases.

25,379



Supporting customer in financial hardship



1.99



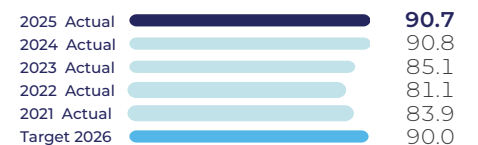
Void properties



90.7



First contact resolution



38



Greenhouse Gas Emissions



3A.12 River-based improvements – Delivery of WINEP

In 2024 we failed to meet our target, delivering 17 of the 24 required WINEP projects in advance of their completion dates agreed with Ofwat. Seven schemes, all associated with restoration on the River Wandle (i.e. the Shepley Mill project), have not been completed by the Ofwat agreed completion date.

SES Water's WINEP work focus heavily on working in collaboration with a variety of stakeholders and organisations, including, local landowners and charities (e.g. the South East Rivers Trust, Farming and Wildlife Advisory Group, Bore Place, Natural England/Catchment Sensitive Farming, River Catchment Partnerships, local authorities and other water companies). This collaborative, 'joined up' working in the catchment facilitates delivery at a catchment level, and ensures focus is also given to delivering multiple benefits in the wider community and environment, as well as ensuring our primary drivers are also being addressed. Various components of each of the schemes have been delivered in the catchment throughout the course of the AMP in advance of the completion dates set in the WINEP.

The Wandle restoration schemes have encountered considerable stakeholder and engineering challenges, which has added complexity to the schemes and unforeseen delays. Stakeholder engagement has been considerable on these schemes and aligning all stakeholders to a preferred solution particularly challenging. In consultation with the Environment Agency, SES Water are continuing to work through and address the current challenges and to progress the schemes, with delivery now planned by March 2027.

3A.13 Water softening

SES Water has obligations to provide softened water to around 239,000 properties. Its water softening obligations date from 1862 (the Caterham Spring Water Company Act) and 1903 (Sutton District Waterworks Act as amended in 1983). This measure shows the average number of milligrams of Calcium per litre by which five named water treatment works (requiring softening action under this measure) fail to meet the fortnightly target reported to one decimal place.

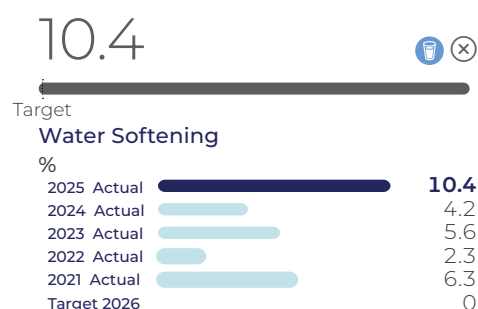
The performance commitment penalty was incurred at four works: Cheam (48%), Elmer (32%), Kenley (10%) and Woodmansterne (10%). Softening at these treatment works can sometimes be paused due to other operational priorities.

3A.14 Risk of supply failures

During the report year we have improved our performance level increasing the percentage of properties that can be supplied by more than one treatment works by 10% to 91%. This is aimed at minimising risk of supply interruptions as 91% of our customers by property can be served by more than one WTW in the case of a major extended shutdown at one of our water treatment works.

In 2024/25 we installed 40m of new water main pipes to connect two strategic main networks (Buckland and Headley trunk mains). This scheme was made up of several strategic cross connections and modifications to allow up to 30Ml/d to be transferred from Buckland to Headley. The completion of this scheme now provides resilience to the Elmer supply area and represents the additional 10% added to this metric in the year.

Our target was to achieve 100% of our customers that can be applied by two treatment works if and when necessary by 31 March 2025. The Purley Booster Station scheme, which will provide the remaining 9% for this metric, has been slightly delayed with completion in May 2025. This scheme will allow the transfer of up to 16Ml/d from the Woodmansterne into Kenley supply area in the event of an outage at Kenley Water Treatment Works. The scheme was near to completion at 31 March 2025, but completion of pressure testing on some fittings was not finalised.



Performance summary continued

Table 3C – Customer measure of experience (C-MeX) table

Item	Unit	Value
Annual customer satisfaction score for the customer service survey	Number	66.12
Annual customer satisfaction score for the customer experience survey	Number	73.31
Annual C-MeX score	Number	69.72
Annual net promoter score	Number	(9.00)
Total household complaints	Number	2,249
Total connected household properties	Number	297,228
Total household complaints per 10,000 connections	Number	75.666
Confirmation of communication channels offered	TRUE or FALSE	True

See below for further commentary in respect of our C-MeX performance and commentary on other metrics in this section for further details of our performance in respect of customer service in the round.

C-MeX

C-MeX is split into a customer service survey and a perception survey. In 24/25 SES improved remained in 14th place in the C-MeX table. The reputational element CES was in line with the industry average but our CSS or customer service element was significantly below the industry average. We are focused on improving this in the 2025–30 regulatory period the new AMP. In particular we plan to resolve customers issues more quickly and to their satisfaction.

As part of the Pennon Group, we plan to apply best practice from South West Water and Bristol Water. Bristol Water, a fellow Water Only Company, are in the top third performers for C-MeX.

SES Water has five channels available for customers to make contact. These are listed below:

- ① Phone
- ① Email
- ① Letter
- ① Via the SES Water corporate website (webforms)
- ① Via social media channels (Facebook/Twitter)

69.72



C-MeX score

%

2025 Actual	<div></div>	69.72
2024 Actual	<div></div>	72.45
2023 Actual	<div></div>	76.03
2022 Actual	<div></div>	76.35
2021 Actual	<div></div>	78.97
Target 2026	<div></div>	Median

Table 3D – Developer services measure of experience (D-MeX) table

Item	Unit	Value
Qualitative component annual results	Number	74.55
Quantitative component annual results	Number	99.85
D-MeX score	Number	87.20
Developer services revenue (water)	£m	2.824
Developer services revenue (wastewater)	£m	N/A

Calculating the D-MeX quantitative component

Water UK performance metric	Unit	Reporting period (1 April to 31 March)	Quantitative score (annual)
W2.1	%	99.60	
W3.1	%	100.00	
W4.1	%	99.86	
W5.1	%	100.00	
W6.1	%	96.77	
W8.1	%	100.00	
W16.1	%	100.00	
W17.1	%	100.00	
W19.1	%	100.00	
W20.1	%	100.00	
W22.1	%	100.00	
W23.1	%	100.00	
W25.1	%	100.00	
W26.1	%	100.00	
W27.1	%	100.00	
SLPM-S1/1	%	100.00	
SLPM-S1/2	%	100.00	
SLPM-S2/2a	%	100.00	
SLPM-S4/1	%	100.00	
SLPM-S5/1a	%	100.00	
SLPM-S3	%	100.00	
WN1.1	%	100.00	
WN2.1	%	100.00	
WN2.2	%	100.00	
WN3.1	%	100.00	
D-MeX quantitative score (for the reporting period)	%	99.85	
D-MeX quantitative score (annual)	Number		1.00

Performance summary continued

D-MeX

Ofwat publish D-MeX results, as a performance league table, at the end of the reporting year so that customers can clearly see how we perform against other water companies when providing services to developer customers.

We are pleased that we have seen an incremental improvement in our D-MeX score for 2024/25 in line with our ongoing service improvement strategy. The improvement has been influenced by the following parts of our strategy:

- ③ The creation and embedding of internal service level agreements which go beyond D-MeX requirements.
- ③ Transitioning of correspondence into our case management system.
- ③ The granular measuring of performance in respect of 'handover' processes, boosting efficiency.
- ③ Refining quotation documentation to more clearly distinguish between SES Water charges and third-party fees.

Our team recognise the importance of customer engagement and discussions on what is important to our developer customers.

As part of the Pennon Group, SES Water, South West Water and Bristol Water teams will be able to collaborate closely to learn from each other and introduce best practice to deliver a robust and consistent service to customers across the operating regions. We will maintain this focus over the coming year to bring greater alignment.

87.20



D-MeX score

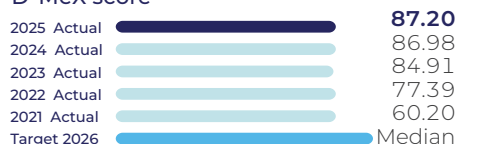


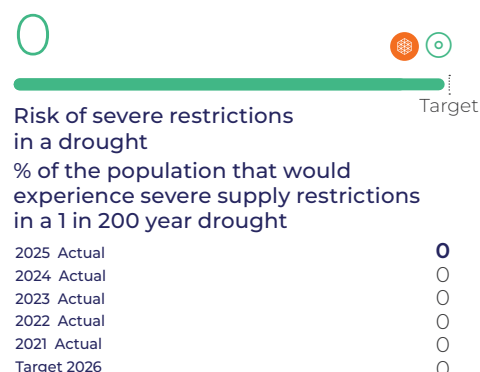
Table 3E – Outcome performance – Non-financial performance commitments

	Unit	Performance level – actual
Common		
Risk of severe restrictions in a drought	%	–
Priority services for customers in vulnerable circumstances – PSR reach	%	15.8
Priority services for customers in vulnerable circumstances – Attempted contacts	%	93.7
Priority services for customers in vulnerable circumstances – Actual contacts	%	72.2
Bespoke PCs		
Vulnerable support scheme awareness	%	40.0
Vulnerable support scheme helpfulness	%	85.0
Pollution incidents	nr	1
Abstraction incentive mechanism	nr	Not triggered
Land-based improvement – biodiversity	nr	3
Perception of value for money	%	8
WINEP Delivery	text	Not met

3E.1 Risk of severe restrictions in a drought

The 25-year average customers at risk for SES Water in 2024/25 was assessed as 0.0% of the 25-year average total population at risk. This is consistent with the assessment in each of the previous years of the regulatory reporting period.

SES Water has a single water resources zone (WRZ). In both the WRMP19 and WRMP24, the final plan risk remains at zero throughout the 25-year period.



3E.2 Priority services for customers in vulnerable circumstances – PSR reach &

3E.3 Priority services for customers in vulnerable circumstances – Attempted contacts &

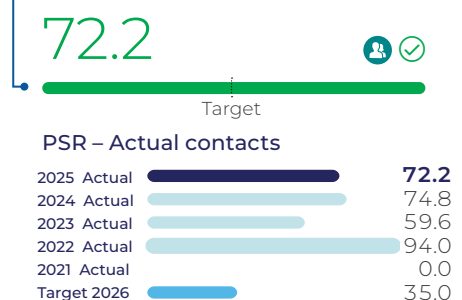
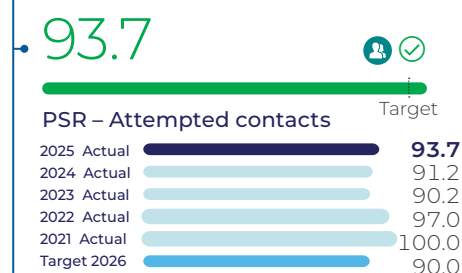
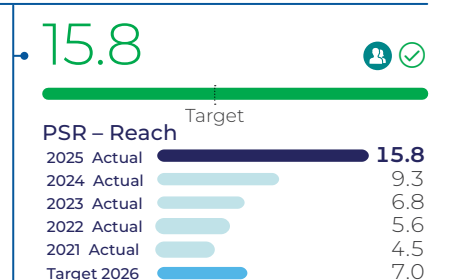
3E.4 Priority services for customers in vulnerable circumstances – Actual contacts

We have increased the number of customers register on the Priority Services Register in 2024/25, to 46,227. We have successfully completed the required cleanse and check of the accuracy of the data this year.

Our priority services register customers with extra needs are offered additional services to manage their accounts where possible. These services include extra support in the event of a water supply emergency. The services we provide on the PSR include:

- Ⓞ Individual notifications in emergencies
- Ⓞ Braille, large print and audio/CD services
- Ⓞ Text Relay Service
- Ⓞ Priority services for home dialysis users and patients convalescing at home
- Ⓞ Password schemes to protect from bogus callers
- Ⓞ Nominated correspondent to speak on behalf of customers when necessary
- Ⓞ Financial assistance depending on different eligibility criteria

Customers on the PSR are split into three categories to help us prioritise who needs our help the most.



Performance summary continued

3E.6 Vulnerable support schemes awareness

This performance commitment challenges the Company to increase awareness of vulnerable support schemes, which should lead to more customers accessing the support that they may need.

It is measured through a survey through the percentage of 'yes' responses to the question "Are you aware of the additional support SES Water offers customers in vulnerable situations through their 'Here For You' scheme and Priority Services Register?" The survey is conducted through a third-party research company. Internal checks of the collated quarterly questionnaire data are made following receipt of the third-party survey results.

As in the previous year the awareness figure remains below the target of 68%, this year having risen slightly to 40%. SES Water undertakes significant amounts of promotional activity through social channels, our website and community events. We also engage in direct email promotion and have newly formed partnerships throughout 2024/25.

We plan to leverage success across the wider Pennon Group in future to help us develop out approaches and improve awareness of our support schemes.

40.0



Vulnerable support schemes awareness

%

2025 Actual	40.0
2024 Actual	39.5
2023 Actual	38.0
2022 Actual	32.1
2021 Actual	36.5
Target 2026	68.0

3E.7 Vulnerable support schemes helpfulness

This performance commitment challenges the Company to increase the number of customers finding our vulnerable support schemes helpful. Again, this metric is determined through the percentage of positive responses to a survey. In this case the question is "Do you feel that the services offered by SES Water for customers in vulnerable circumstances are helpful?" The survey is conducted through a third-party research company. Internal checks of the collated quarterly questionnaire data are made following receipt of the third-party survey results.

As per last year, our helpfulness figure for FY 2024/25 remains above target. We achieved a figure of 85.0% against the target of 80.0%. This is flat year on year, where we reported 85.1%. We have continued focus in tailoring our support in the right way to help those who need it, and our work in this area is showing through in our end of year performance.

Examples of these include the promotion of our support schemes across all our channels to promote what's available and how this can support our customers, re-validation processes in place to check customers are on the correct schemes at the same time, and fully trained staff so they are fully equipped to support our customers when needed.

85.0



Vulnerable support schemes helpfulness

%

2025 Actual	85.0
2024 Actual	85.1
2023 Actual	80.8
2022 Actual	84.0
2021 Actual	95.0
Target 2026	80.0

3E.8 Pollution incidents

This commitment measures the number of severe pollution incidents that the Company causes. These are category 1 and 2 incidents as categorised and reported by the Environment Agency (EA) on an annual basis, for pollution to land, air or water.

As detailed in the operational overview section, this remains a key priority for us. This data is subject to finalisation by the EA ahead of the publication of the Environmental Performance Assessment (EPA)

1



Pollution incidents

%

2025 Actual	1
2024 Actual	0
2023 Actual	0
2022 Actual	0
2021 Actual	0
Target 2026	0

3E.9 Abstraction incentive mechanism (AIM)

During the 2024/25 reporting year, water levels at Well House Inn remained above the 43.2m (BGL) threshold and the AIM was therefore not activated during the course of the year. The Ofwat table therefore references N/A as there is no numerical value for the report year, and that we have 'met' the PCL.

N/A



Abstraction incentive mechanism (AIM)

2025 Actual	N/A
2024 Actual	N/A
2023 Actual	N/A
2022 Actual	N/A
2021 Actual	N/A
Target 2026	(7)

3E.10 Land-based improvement – biodiversity

This measure outlines the cumulative number of the Company's sites that achieve certification against the Wildlife Trust's Biodiversity Benchmark in the 2020–25 period. The first site selected for certification was Elmer WTW and Young Street Boreholes. This site has achieved its certification in January 2021. Certification is given for three years, and annual internal audits and surveillance audits are undertaken for the site. The latest external surveillance audit completed in December 2023 has recommended the site's continued certification under the scheme.

The second site selected was Fetcham Springs. The site has achieved its certification in January 2022. The certification is valid for three years, and annual internal audits and surveillance audits are undertaken for the site. The latest external surveillance audit completed in December 2023 has recommended the site's continued certification under the scheme.

The third site selected for certification was Bough Beech. The site has achieved its certification in February 2024.

With the third certification in place, SES Water has now a multi-site licence. Surveillance audits are completed at one site per year that ensure continuous certification. The surveillance audit for all certifications was held on 12 March 2025 at Fetcham Springs, it was successful, and no non-conformities were identified. The auditor has recommended continued certifications at the three SES Water sites.

3E.11 Perception of value for money

This metric is based on a survey of customers, asking on a scale of 1 to 5 how satisfied customers are with the value for money of SES Water services. The percentage reported is the percentage of customers answering with either 1 (very dissatisfied) or 2 (dissatisfied) and we aim to keep this percentage as low as possible.

Results in 24/25 have worsened. We achieved a full-year percentage of 8.4% against 7.2% for the previous year. We believe some customers are feeling the cost-of-living crisis and the media coverage of the water industry has led to some customers perceiving our product to be costing too much.

3E.12 WINEP delivery

This metric considers whether the Company has achieved all of its WINEP requirements during the reporting year. As per the latest EA tracker, 18 schemes were due for delivery in 2024/25. Ten schemes were completed during the period, however eight were not.

Seven of the undelivered schemes are associated with restoration on the River Wandle (i.e. the Shepley Mill project). These schemes encountered significant stakeholder and engineering challenges, which added complexity to the schemes and created unforeseen delays. Stakeholder engagement has been considerable on these schemes and aligning all stakeholders to a preferred solution particularly challenging. In consultation with the Environmental Agency, SES Water are continuing to work through and address the current challenges and to progress the schemes, with delivery planned by March 2027.

Further to this, the Upper Darent restoration scheme also failed to meet the agreed completion date. Work is ongoing on the scheme and is anticipated to be completed shortly.

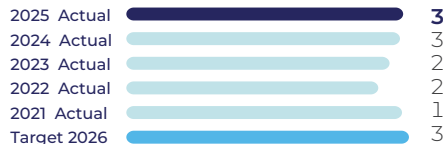
3



Land-based improvement – biodiversity

Target

Number



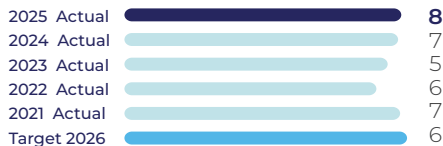
8



Value for money

Target

%



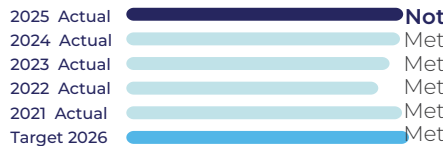
Not met



WINEP delivery

Target

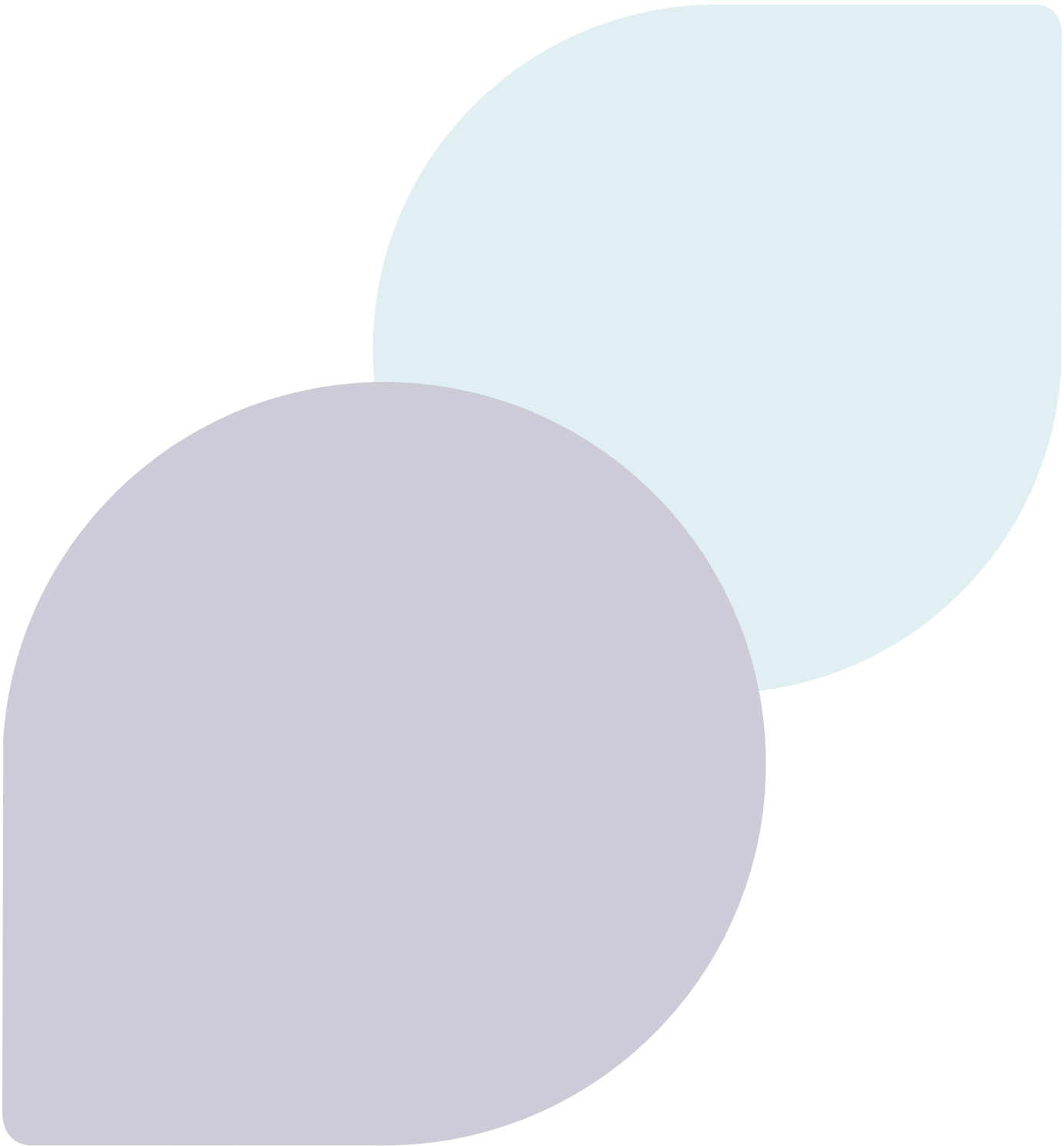
Number



Performance summary continued

Table 3F – Underlying calculations for common performance commitments – water and retail

	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Performance commitments set in standardised units – Water					
Mains repairs – Reactive	Mains repairs per 1,000 km	Mains length in km	3,523.60	76	21.57
Mains repairs – Proactive	Mains repairs per 1,000 km	Mains length in km	3,523.60	142	40.30
Mains repairs	Mains repairs per 1,000 km	Mains length in km	3,523.60	218	61.87
Per capita consumption (PCC)	lpd	Total household population (000s) and household consumption (Ml/d)	745.28	109	146.40



Performance summary continued

Table 3F – Underlying calculations for common performance commitments – water and retail continued

	Unit	Performance level – actual (2017–18)	Performance level – actual (2018–19)	Performance level – actual (2019–20)			
Performance commitments measured against a calculated baseline							
Leakage	MI/d	25.8	25.0	24.8			
Per capita consumption (PCC)	lpd	146.8	156.9	143.3			
	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level	
Water supply interruptions							
Water supply interruptions ≥ 3 hours		Average number of minutes lost per property per year	Number of properties (thousands)	311.45	8,303,614	14,361	0:26:40
Water supply interruptions							
Water supply interruptions ≥ 6 hours		Average number of minutes lost per property per year	Number of properties (thousands)	311.45	7,380,680	10,643	0:23:42
Water supply interruptions							
Water supply interruptions ≥ 12 hours		Average number of minutes lost per property per year	Number of properties (thousands)	311.45	5,638,870	5,156	0:18:06
Water supply interruptions							
Water supply interruptions ≥ 24 hours		Average number of minutes lost per property per year	Number of properties (thousands)	311.45	2,279,973	880	0:07:19

Baseline (average from 2017–18 to 2019–20)	Performance level – actual (2020–21)	Performance level – actual (2021–22)	Performance level – actual (2022–23)	Performance level – actual (2023–24)	Performance level – actual (2024–25)	Performance level 3 year average (current and previous 2 years)	Calculated performance level to compare against PCLs
25.2	25.0	21.1	22.8	20.7	20.0	21.2	15.9
149.0	163.4	151.5	150.8	146.4	146.4	147.9	0.7

Performance summary continued

Table 3F – Underlying calculations for common performance commitments – water and retail continued

	Current Company level peak week production capacity (PWPC) MI/d	Reduction in Company level PWPC MI/d	Outage proportion of PWPC %
Unplanned or planned outage			
Unplanned outage	244.30	9.79	4.01%
	Total residential properties (000s)	Total number of households on the PSR (as at 31 March)	
Priority services for customers in vulnerable circumstances			
Priority services for customers in vulnerable circumstances		292.86	46,227

PSR reach	Total number of households on the PSR over a 2-year period	Number of attempted contacts over a 2-year period	Attempted contacts %	Number of actual contacts over a 2-year period	Actual contacts %
15.8%	17,110	16,030	93.7%	12,357	72.2%

Performance summary continued

Table 3H – Summary information on outcome delivery incentive payments

	Initial calculation of performance payments (excluding CMeX and DMeX) £m (2017–18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	(0.010)
Water network plus	(2.086)
Wastewater network plus	–
Bioresources (sludge)	–
Residential retail	(0.051)
Business retail	–
Dummy control	–
Initial calculation of end of period revenue adjustment by price control	
Water resources	–
Water network plus	(0.766)
Wastewater network plus	–
Bioresources (sludge)	–
Residential retail	–
Business retail	–
Dummy control	–
Initial calculation of end of period RCV adjustment by price control	
Water resources	–
Water network plus	–
Wastewater network plus	–
Bioresources (sludge)	–
Residential retail	–
Business retail	–
Dummy control	–

Table 3I – Supplementary outcomes information

			Current Company level peak week production capacity (PWPC) MI/d	Reduction in Company level PWPC MI/d	Outage proportion of PWPC %		
Unplanned or planned outage							
Planned outage			244.30	2.27	0.93		
	Deployable output	Outage allowance	Dry year demand	Target headroom	Total population supplied	Customers at risk	
Risk of severe restrictions in drought							
Risk of severe restrictions in drought		192.55	4.47	161.04	8.25	753.62	–

Additional regulatory information

Table 4A – Water bulk supply information
for the 12 months ended 31 March 2025

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Southern Water	530.236	0.300	0.776
Leep Networks Ltd	36.473	0.014	0.036
Total bulk supply exports	566.709	0.314	0.811
Bulk supply imports			
Bulk supply 1	–	–	–
Total bulk supply imports	–	–	–

4B – Analysis of Debt

In accordance with RAG 3.14, point 2.7, table 4B is not required to be included as part of the APR due to its size, but it is included within the APR tables on our website

Additional regulatory information continued

Table 4C – Impact of price control performance to date on RCV

	12 months ended 31 March 2025		Price control period to date	
	Water resources £m	Water network+ £m	Water resources £m	Water network+ £m
Totex (net of business rates, abstraction licence fees and grants and contributions)				
Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	4.671	40.570	22.909	217.247
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	5.068	53.436	25.359	256.091
Transition expenditure	–	–	–	–
Disallowable costs	–	–	–	–
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	5.068	53.436	25.359	256.091
Variance	0.397	12.866	2.450	38.844
Variance due to timing of expenditure	–	–	1.245	1.360
Variance due to efficiency	0.397	12.866	1.205	37.484
Customer cost sharing rate – outperformance	55.37%	55.37%	55.37%	55.37%
Customer cost sharing rate – underperformance	44.63%	44.63%	44.63%	44.63%
Customer share of totex overspend	0.177	5.742	0.538	16.730
Customer share of totex underspend	–	–	–	–
Company share of totex overspend	0.220	7.124	0.667	20.754
Company share of totex underspend	–	–	–	–
Totex – business rates and abstraction licence fees				
Final determination allowed totex – business rates and abstraction licence fees	1.326	3.637	6.136	16.828
Actual totex – business rates and abstraction licence fees	1.476	3.398	7.114	15.001
Variance – business rates and abstraction licence fees	0.150	(0.239)	0.978	(1.828)
Customer cost sharing rate – business rates	75.00%	75.00%	75.00%	75.00%
Customer cost sharing rate – abstraction licence fees	75.00%	75.00%	75.00%	75.00%
Customer share of totex over/underspend – business rates and abstraction licence fees	0.113	(0.179)	0.733	(1.371)
Company share of totex over/underspend – business rates and abstraction licence fees	0.038	(0.060)	0.244	(0.457)
Totex not subject to cost sharing				
Final determination allowed totex – not subject to cost sharing	–	3.014	–	13.698
Actual totex – not subject to cost sharing	0.095	0.791	0.319	3.270
Variance – 100% Company allocation	0.095	(2.223)	0.319	(10.428)
Total customer share of totex over/under spend	0.290	5.563	1.271	15.359
RCV				
Total customer share of totex over/under spend	0.290	5.563	1.271	15.359
PAYG rate	81.279%	52.115%	81.283%	50.118%
RCV element of cumulative totex over/underspend	0.054	2.664	0.238	7.661
Adjustment for ODI outperformance payment or underperformance payment			–	–
Green recovery			–	–
RCV determined at FD at 31 March			17.633	349.893
Projected 'shadow' RCV			17.871	357.554

Table 4D – Totex analysis – water resources and water network+
for the 12 months ended 31 March 2025

	Network+					
	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure						
Base operating expenditure	5.886	0.595	–	11.491	25.745	43.718
Enhancement operating expenditure	–	–	–	–	–	–
Developer services operating expenditure	–	–	–	–	2.363	2.363
Total operating expenditure excluding third-party services	5.886	0.595	–	11.491	28.108	46.080
Third-party services	–	–	–	–	0.001	0.001
Total operating expenditure	5.886	0.595	–	11.491	28.109	46.081
Grants and contributions						
Grants and contributions – operating expenditure	–	–	–	–	2.379	2.379
Capital expenditure						
Base capital expenditure	0.657	–	–	3.524	10.325	14.506
Enhancement capital expenditure	0.097	–	–	–	5.555	5.652
Developer services capital expenditure	–	–	–	–	0.404	0.404
Total gross capital expenditure excluding third-party services	0.754	–	–	3.524	16.284	20.562
Third-party services	–	–	–	–	–	–
Total gross capital expenditure	0.754	–	–	3.524	16.284	20.562
Grants and contributions						
Grants and contributions – capital expenditure	–	–	–	–	–	–
Net totex	6.640	0.595	–	15.015	42.014	64.264
Cash expenditure						
Pension deficit recovery payments	–	–	–	–	–	–
Other cash items	–	–	–	–	–	–
Totex including cash items	6.640	0.595	–	15.015	42.014	64.264
Atypical expenditure						
Item 1	–	–	–	–	–	–
Total atypical expenditure	–	–	–	–	–	–

Additional regulatory information continued

Table 4D – Totex analysis – water resources and water network+ continued
for the 12 months ended 31 March 2025 continued

Operating expenditure

Overall cost is £46.08m in the year, this is higher than the PR19 final determination of £25.644m. Costs have increased on network maintenance activity to ensure we deliver on our performance commitments. Payroll, chemicals and electricity has increased driven by inflationary pressures.

Capital expenditure

Capital expenditure for the year totalled £20.562m, comfortably within the £22.42m allowance set out in the PR19 final determination. While capital spending across the Regulatory reporting period has generally aligned with the final determination, this year's underspend is notably higher. This variance is largely due to the recent acquisition of SES Water, during which a new strategic approach was being developed to align with the wider group. As a result, capital expenditure was temporarily restructured and did not follow typical spending patterns.

Table 4F – Major project expenditure for wholesale water by purpose
for the 12 months ended 31 March 2025

SES does not have any water projects that satisfy the Ofwat definition of a major project on the context of table 4F.

Table 4H – Financial metrics
for the 12 months ended 31 March 2025

	Current year £m	AMP to date £m
Financial indicators		
Net debt	217.963	
Regulatory equity	149.563	
Regulatory gearing	59.31%	
Post tax return on regulatory equity	(7.23%)	
RoRE (return on regulatory equity)	(6.46%)	(2.97%)
Dividend yield	–	
Retail profit margin – Household	(3.16%)	
Retail profit margin – Non-household	–	
Credit rating – Fitch	N/A	
Credit rating – Moody's	Baa1 (Negative)	
Credit rating – Standard and Poor's	N/A	
Return on RCV	3.42%	
Dividend cover	–	
Funds from operations (FFO)	20.025	
Interest cover (cash)	3.07	
Adjusted interest cover ratio (ACICR)	0.32	
FFO/Net debt	0.09	
Effective tax rate	1.51%	
Retained cash flow (RCF)	20.025	
RCF/Net debt	0.09	

Table 4H – Financial metrics continued
for the 12 months ended 31 March 2025 continued

	Current year £m	AMP to date £m
Borrowings		
Proportion of borrowings which are fixed rate	14.18%	
Proportion of borrowings which are floating rate	9.06%	
Proportion of borrowings which are index linked	76.76%	
Proportion of borrowings due within 1 year or less	9.05%	
Proportion of borrowings due in more than 1 year but no more than 2 years	–	
Proportion of borrowings due in more than 2 years but no more than 5 years	–	
Proportion of borrowings due in more than 5 years but no more than 20 years	90.92%	
Proportion of borrowings due in more than 20 years	0.03%	

The values included on the table do not include any rounding adjustments.

SES monitors several metrics (including those within the Regulatory Reporting table 4H) as outlined below:

Post-tax returns on regulatory equity have, in contrast to the RoRE estimate, been affected by both accounting policies and the impact of high inflation (on the indexation of the Company's principal long-term debt instrument). The accounting treatment of infrastructure renewals expenditure under FRS 101 continues to have a substantial effect upon accountingbased measures. All planned infrastructure asset renewal expenditure has been capitalised (in accordance with FRS 101) and depreciated over an estimated useful economic life of 100 years. Any residual book value of pipes being replaced has been written off on commissioning of new assets.

The Return on Regulatory Equity (RORE) for the financial year 2024/25 stood at (6.43)%, representing a 0.39 percentage point decrease compared to the previous year. Despite some positive movements – most notably an improvement in the retail segment from (£2.967m) to (£1.839m) underperformance, and a reduction in the cost of debt from (4.18%) to (2.75%) – these were offset by an in-period ODI penalty of £2.05m.

The return on regulatory equity this year was 2.61%, primarily driven by a reduction in net debt following the repayment of the £40m Revolving Credit Facility (RCF).

The AMP RORE has improved slightly by 0.15%, mainly due to this year's results helping to offset weaker returns seen earlier in the AMP period.

Interest Cost

In accordance with RAG 4.13, the interest cover metrics are calculated using the interest paid element of net interest paid reported in 1D.10.

	2024/25
Interest expense (1A.7)	19,949
Less: Non-cash items	
Indexation of bond	(5,619)
Net interest paid	(1,705)
AICR amendment fee	(649)
PP Coupon	(2,284)
Net Interest Paid (1D.10)	9,692

Effective tax rate

The tax rate differs from the standard rate of corporation tax primarily due to super deductions and first year capital allowances on qualifying assets.

Borrowings analysis

Full debt analysis can be found in tables 1E and 4B.

Additional regulatory information continued

Table 4J – Base expenditure analysis – water resources and water network+ for the 12 months ended 31 March 2025

	Water network+					Total
	Water resources	Raw water distribution	Raw water storage	Water treatment	Treated water distribution	
Operating expenditure						
Power	2.501	0.595	–	0.824	3.726	7.646
Income treated as negative expenditure	–	–	–	–	(0.013)	(0.013)
Bulk supply/bulk discharge	–	–	–	–	0.314	0.314
Renewals expensed in year (infrastructure)	–	–	–	–	–	–
Renewals expensed in year (non-infrastructure)	–	–	–	–	–	–
Other operating expenditure	1.909	–	–	7.089	18.023	27.021
Local authority and cumulo rates	0.031	–	–	0.048	3.350	3.429
Service Charges						
Canal & River Trust abstraction charges/discharge consents	–	–	–	–	–	–
Environment Agency/NRW abstraction charges/discharge consents	1.445	–	–	–	–	1.445
Other abstraction charges/discharge consents	–	–	–	–	–	–
Location specific costs & obligations						
Costs associated with Traffic Management Act	–	–	–	–	0.345	0.345
Costs associated with lane rental schemes	–	–	–	–	–	–
Statutory water softening	–	–	–	3.530	–	3.530
Total base operating expenditure	5.886	0.595	–	11.491	25.745	43.718
Capital expenditure						
Maintaining the long-term capability of the assets – infra	–	–	–	–	4.789	4.789
Maintaining the long-term capability of the assets – non-infra	0.657	–	–	3.524	5.536	9.717
Total base capital expenditure	0.657	–	–	3.524	10.325	14.506
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act					238	238

This table represents a calculation of the base wholesale operating expenditure, and is summarised in total in table 4D. A further comparison of these costs in relation to the wholesale allowance are outlined in the commentary associated with table 4D.

Table 4L – Enhancement expenditure – water resources and water network+ for the 12 months ended 31 March 2025

In accordance with RAG 3.14, point 2.7, table 4L is not required to be included as part of the APR due to its size.

A summarised version of this table, showing totex, is produced below showing the comparison between cumulative actual spend and cumulative allowed spend in 2022/23 prices.

	Cumulative expenditure on all schemes to reporting year end Total	Cumulative allowed expenditure on all schemes to reporting year end Total	Cumulative allowed expenditure on all schemes 2020–25 Total
EA/NRW environmental programme (WINEP/NEP)			
Ecological improvements at abstractions	–	–	–
Eels Regulations (measures at intakes)	–	–	–
Invasive Non-Native Species	–	0.103	0.103
Drinking Water Protected Areas (schemes)	–	–	–
Water Framework Directive measures	–	1.159	1.159
Investigations	–	–	–
Total environmental programme expenditure	–	1.262	1.262
Supply–demand balance			
Supply–side improvements delivering benefits in 2020–2025	–	–	–
Demand–side improvements delivering benefits in 2020–2025 (excl leakage and metering)	–	3.227	3.227
Leakage improvements delivering benefits in 2020–2025	–	10.729	10.729
Internal interconnectors delivering benefits in 2020–2025	9.273	–	–
Supply demand balance improvements delivering benefits starting from 2026	–	–	–
Strategic regional water resources	–	–	–
Total supply demand expenditure	9.273	13.956	13.956
Metering			
Total metering expenditure	17.240	23.826	23.826
Other enhancement			
Improvements to taste, odour and colour	–	–	–
Addressing raw water deterioration (grey solutions)	–	–	–
Addressing raw water deterioration (green solutions)	–	–	–
Addressing raw water deterioration (total)	–	–	–
Improvements to river flow	–	–	–
Enhancing resilience to low probability high consequence events	–	7.945	7.945
Conditioning water to reduce plumbosolvency	–	–	–
Lead communication pipes replaced or relined for water quality	–	–	–
Other lead reduction related activity	0.681	–	–
Meeting lead standards (total)	2.523	2.144	2.144
Security – SEMD	–	–	–
Security – Non-SEMD	–	0.498	0.498
Total other enhancement expenditure	2.523	10.587	10.587
Total enhancement			
Total enhancement expenditure	29.035	49.631	49.631

Additional regulatory information continued

Table 4L – Enhancement expenditure – water resources and water network+ continued
for the 12 months ended 31 March 2025

Total enhancement expenditure for the year amounted to £5.652m, a reduction from £6.269m in the previous year. The majority of this spend was categorised under capital expenditure.

As seen across the wider business, expenditure was partially paused during the year due to the development of a new strategy following the acquisition by Pennon Group.

The largest cost area was metering, with £2.718m spent on new meters installed by companies for existing customers in the year. However, the strategic shift led to a halt in the roll out of further new meters, resulting in lower spend than originally forecast for the (AMP). Over the five-year period, this has contributed to a total underspend of £6.586m. Similar patterns were observed in the supply and demand and environmental programmes, where activity was also scaled back.

Table 4N – Developer services expenditure
for the 12 months ended 31 March 2025 – water network+ (price control)

	Water network+		
	Treated water distribution		Totex £m
	Capex £m	Opex £m	
New connections	0.401	1.915	2.315
Requisition mains	–	0.103	0.103
Infrastructure network reinforcement	0.003	–	0.003
s185 diversions	–	–	–
Other price-controlled activities	–	–	–
Total developer services expenditure	0.404	2.018	2.422

Table 4P – Expenditure on non-price control diversions
for the 12 months ended 31 March 2025

	Water resources £m	Water network+ £m	Total £m
Capex			
Capex associated with NSWRA diversions	–	–	–
Capex associated with other non-price control diversions	–	–	–
Other developer services non-price control capex	–	–	–
Developer services non-price control capex	–	–	–
Opex			
Opex associated with NSWRA diversions	–	0.345	0.345
Opex associated with other non-price control diversions	–	–	–
Other developer services non-price control opex	–	–	–
Developer services non-price control opex	–	0.345	0.345
Totex			
Costs associated with NSWRA diversions	–	0.345	0.345
Costs associated with other non-price control diversions	–	–	–
Other developer services non-price control totex	–	–	–
Developer services non-price control totex	–	0.345	0.345

Additional regulatory information continued

Table 4Q – Developer services – New connections, properties and mains

	Water nr	Total nr
Connections volume data		
New connections (residential – excluding NAVs)	744	744
New connections (business – excluding NAVs)	39	39
Total new connections served by incumbent	783	783
New connections – SLPs	9	
Properties volume data		
New properties (residential – excluding NAVs)	1,116	1,116
New properties (business – excluding NAVs)	39	39
Total new properties served by incumbent	1,155	1,155
New residential properties served by NAVs	140	140
New business properties served by NAVs	1	1
Total new properties served by NAVs	141	141
Total new properties	1,296	1,296
New properties – SLP connections	124	
New water mains data		
Length of new mains (km) – requisitions	3	
Length of new mains (km) – SLPs	2	

Table 4R – Connected properties, customers and population

	Unmeasured 000s	Measured 000s	Total 000s	Voids 000s
Customer numbers – average during the year				
Residential water only customers	87.715	196.493	284.208	5.765
Residential wastewater only customers	–	–	–	–
Residential water and wastewater customers	–	–	–	–
Total residential customers	87.715	196.493	284.208	5.765
Business water only customers	1.764	10.943	12.707	0.916
Business wastewater only customers	–	–	–	–
Business water & wastewater customers	–	–	–	–
Total business customers	1.764	10.943	12.707	0.916
Total customers	89.479	207.436	296.915	6.681

	Water		
	Unmeasured 000s	Measured 000s	Total 000s
Property numbers – average during the year			
Residential properties billed	87.715	196.493	284.208
Residential void properties			5.765
Total connected residential properties			289.973
Business properties billed	1.764	10.943	12.707
Business void properties			0.916
Total connected business properties			13.623
Total connected properties			303.596

Additional regulatory information continued

Table 4R – Connected properties, customers and population continued

						Unmeasured	
	No meter 000s	Basic meter 000s	AMR meter 000s	AMI meter (capable) 000s	AMI meter (active) 000s	Total 000s	
Property and meter numbers – at end of year (31 March)							
Total new residential properties connected in year	–	–	–	–	–	–	
Total number of new business properties connections	0.002	–	–	–	–	0.002	
Residential properties billed at year end	88.501	–	–	–	–	88.501	
Residential properties unbilled at year end							
Residential void properties at year end						1.357	
Total connected residential properties at year end						89.858	
Business properties billed at year end	1.746	–	–	–	–	1.746	
Business properties unbilled at year end							
Business void properties at year end						0.298	
Total connected business properties at year end						2.044	
Total connected properties at year end						91.902	
							Water 000s
Population data							
Resident population							753.719
Non-resident population (wastewater)							–
							Water
				Resident population 000s	Non- resident population 000s	Total 000s	
Household population data							
Household population				734.299	10.980	745.279	
Household measured population (water only)				512.305	7.661	519.966	
Household unmeasured population (water only)				221.993	3.319	225.312	

Water									
					Measured				Unbilled
No meter 000s	Basic meter 000s	AMR meter 000s	AMI meter (capable) 000s	AMI meter (active) 000s	Total 000s	Uneconomic to bill 000s	Other 000s	Total 000s	Total 000s
–	1.116	–	–	–	1.116				1.116
–	0.040	0.001	–	–	0.041				0.043
–	173.151	30.855	–	0.359	204.365				292.866
						–	–	–	–
					3.005				4.362
					207.370				297.228
–	9.911	1.693	–	0.006	11.610				13.356
						–	–	–	–
					0.571				0.869
					12.181				14.225
					219.551				311.453

Additional regulatory information continued

Table 4W – Defined Benefit Pension Scheme – Additional Information

		Defined benefit pension schemes	
	Units	Pension scheme 1	Pension scheme 2
Scheme details			
Scheme name	Text	WCPS	Unfunded Benefits
Scheme status	Text	Closed	Closed
Scheme valuation under IAS/IFRS/FRS			
Scheme assets	£m	61.900	–
Scheme liabilities	£m	55.800	1.200
Scheme surplus/(deficit) total	£m	6.100	(1.200)
Scheme surplus/(deficit) Appointed business	£m	6.100	(1.200)
Pension deficit recovery payments	£m	–	–
Scheme valuation under part 3 of Pensions Act 2004			
Scheme funding valuation date	Date	31/03/2023	N/A
Assets	£m	88.200	–
Technical provisions	£m	81.400	–
Scheme surplus/(deficit)	£m	6.800	–
Discount rate assumptions	Text	Single equivalent average discount rate of 4.0% pa (0.2% pa above gilt yields)	N/A
Recovery plan (where applicable)			
Recovery plan structure	Text	N/A	N/A
Recovery plan end date	Date	N/A	N/A
Asset Backed Funding (ABF) arrangements	Text	N/A	N/A
Responsibility for ABF arrangements	Text	N/A	N/A

The WCPS figures relate to Sutton & East Surrey Water section of the Water Companies Pension Scheme. Both defined benefit pension schemes are closed and are not open for new entrants.

The latest full actuarial valuation we have available was conducted on 31 March 2023 by Lan Clark & Peacock LLP. This is a done in a three-year period cycle. The unfunded benefits arrangements are not registered UK pension schemes, they are contractual agreements between SES Water and the individuals.

Table 4Z – Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments

Section A – other direct bill reduction schemes for household customers struggling to pay Other bill reduction schemes

	Target households	Number of unique households helped by scheme No.	Total amount bills reduced by through scheme £'000	Funding source
Name of scheme 1	–	–	–	–

Section B – debt metrics

Total number of household customers served – active and final accounts

	Water only No.	Wastewater only No.	Dual service No.
Number of household customers served – active accounts	291,315	–	–
Number of household customers served – final accounts	21,223	–	–

Household customers in arrears

	Number of households No.	Total amount of debt £'000
Households in arrears – active accounts with debt repayment arrangements	2,901	2,081.772
Households in arrears – final accounts with debt repayment arrangements	543	161.717
Households in arrears – active accounts without debt repayment arrangements	23,644	21,544.767
Households in arrears – final accounts without debt repayment arrangements	18,980	7,767.325
Households not having made any payment for the year – active accounts	14,824	17,976.695
Households not having made any payment for the year – final accounts	17,365	7,675.600

Temporary payment suspension

	Number of households No.	Total amount deferred £'000
Households with temporarily suspended payments – payment break arrangements	–	–
Households with temporarily suspended payments – breathing space arrangements	28	–

Additional regulatory information continued

Table 4Z – Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments continued

Section B – debt metrics continued

Household debt collection through third-party agents where water company remains creditor

	Number of households No.	Total value of debt £'000
Debt collected by external agents – active accounts	200	488.680
Debt collected by external agents – final accounts	6,491	5.664
PSR customers with debt passed on to external debt collection agents – active and final accounts	996	1.788

Household debt sold to external agencies

	Number of accounts No.	Total value of debt £'000	Total sale value of debt £'000
Debt sold to an external agency/third-party debt purchaser – active accounts	–	–	–
Debt sold to an external agency/third-party debt purchaser – final accounts	–	–	–
Active and final PSR accounts (and total debt involved) referred to an external agency that has bought the customer debt from the water company during the reporting year	–	–	–

Payment matching activities

	Number of accounts No.	Total value of payment matches £'000
Active accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	–	–
Final accounts supported through the matched payment schemes and the total contribution of matched payments made by the water company for the reporting year	–	–

Unpaid household bills referred to courts

	Number of accounts No.	Total amount involved £'000
Number of county court claims	–	–
Number of county court judgements	–	–
Number of county court judgement enforcements	–	–
Number of high court claims	–	–
Number of high court judgements	–	–
Number of high court judgement enforcements	–	–

Table 4Z – Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) GSS payments to household customers

	Number of payments No.	Total amount £'000	Number of unique households No.
Total value of payments made to household customers under GSS		0.706	
Total number of payments made to household customers under GSS	13,670		
Total number of unique household customers receiving GSS payments			13,342

Number and value of statutory payments and other payments in excess of the statutory amounts for events that are currently part of the GSS to household customers by type in the reporting period

	Total number of times the statutory GSS amounts were paid to household customers No.	Total value of payments made in relation to column 1 £'000	Total number of times amounts higher than the statutory GSS amounts were paid to household customers for GSS related events No.	Total value of payments made in relation to column 3 £'000	Total number of times the statutory GSS penalty payments were made to household customers No.	Total value of payments made in relation to column 5 £'000
Appointments not kept	–	–	198	5.920	70	0.960
Appointment notification not given	–	–	–	–	–	–
Incidences of low water pressure	–	–	8,189	409.550	–	–
Incorrect notice of planned interruptions to supply	–	–	2	0.038	–	–
Supply not restored – initial period	–	–	5,047	285.890	28	0.280
Supply not restored – each 24-hr period	–	–	–	–	–	–
Account/billing queries not responded to	–	–	56	1.680	8	0.140
Requests for changes to payment arrangements not responded to	–	–	10	0.300	13	0.190
Written complaints not responded to within ten working days	–	–	48	1.440	1	0.040
Properties sewer flooded internally	–	–	–	–	–	–
Properties sewer flooded externally	–	–	–	–	–	–

Additional regulatory information continued

Table 4Z – Household bill reduction schemes, debt and Guaranteed Standards Scheme (GSS) payments continued

Section C – Payments to household customers made in accordance with the Guaranteed Standards Scheme (GSS) continued

Number and value of payments made to household customers for events that are currently not part of the GSS

	Total number of payments for all events that are not part of the current GSS scheme No.	Total value of payments made in relation to column 1 £'000
Compensation – Customer Services	39	5.195
Compensation – Metering	4	0.917
Compensation – Water	1	0.100
Compensation – Water Partners	1	0.150
Goodwill – Advisor/Company Error	685	21.817
Goodwill – Broken Commitment	26	0.805
Goodwill – Delay in Metering	4	0.100
Goodwill – Dissatisfied with Service	43	1.158
Goodwill – Lack of Communication	33	0.924
Compensation – Other	2	0.387

Number and value of statutory GSS penalty payments made to household customers

	Total number of penalty payments made under the current GSS scheme No.	Total value of payments made in relation to column 1 £'000
Penalty payments made under the current GSS scheme	120	1.160

**Table 5A – Water resources asset and volumes data
for the 12 months ended 31 March 2025**

	Units	Input
Water resources		
Water from impounding reservoirs	MI/d	–
Water from pumped storage reservoirs	MI/d	23.78
Water from river abstractions	MI/d	–
Water from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	MI/d	141.62
Water from artificial recharge (AR) water supply schemes	MI/d	–
Water from aquifer storage and recovery (ASR) water supply schemes	MI/d	–
Water from saline abstractions	MI/d	–
Water from water reuse schemes	MI/d	–
Number of impounding reservoirs	nr	–
Number of pumped storage reservoirs	nr	1
Number of river abstractions	nr	–
Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	nr	68
Number of artificial recharge (AR) water supply schemes	nr	–
Number of aquifer storage and recovery (ASR) water supply schemes	nr	–
Number of saline abstraction schemes	nr	–
Number of reuse schemes	nr	–
Total number of sources	nr	69
Total number of water reservoirs	nr	1
Total volumetric capacity of water reservoirs	MI	10,018
Total number of intake and source pumping stations	nr	40
Total installed power capacity of intake and source pumping stations	kW	7,318
Total length of raw water abstraction mains and other conveyors	km	67.78
Average pumping head – raw water abstraction	m.hd	40.78
Energy consumption – water resources (MWh)	MWh	14,496.510
Total number of raw water abstraction imports	nr	–
Water imported from third parties to raw water abstraction systems	MI/d	–
Total number of raw water abstraction exports	nr	–
Water exported to third parties from raw water abstraction systems	MI/d	–
Water resources capacity (measured using water resources yield)	MI/d	207.98
Total number of completed investigations (WINEP/NEP), cumulative for AMP	nr	7

Additional regulatory information continued

Table 5B – Water resources operating cost analysis
for the 12 months ended 31 March 2025

	Impounding reservoir £m	Pumped storage £m	River abstractions £m
Power	–	–	0.264
Income treated as negative expenditure	–	–	–
Abstraction charges/discharge consents	–	–	0.025
Bulk supply	–	–	–
Other operating expenditure			
Renewals expensed in year (infrastructure)	–	–	–
Renewals expensed in year (non-infrastructure)	–	–	–
Other operating expenditure excluding renewals	0.478	–	0.330
Local authority and cumulo rates	–	–	0.003
Total operating expenditure (excluding third-party)	0.478	–	0.623

Groundwater, excluding MAR water supply schemes £m	Artificial Recharge (AR) water supply schemes £m	Aquifer Storage and Recovery (ASR) water supply schemes £m	Other £m	Total £m
2.237	–	–	–	2.501
–	–	–	–	–
1.420	–	–	–	1.445
–	–	–	–	–
–	–	–	–	–
–	–	–	–	–
1.101	–	–	–	1.909
0.028	–	–	–	0.031
4.786	–	–	–	5.886

Additional regulatory information continued

Table 6A – Raw water transport, raw water storage and water treatment data for the 12 months ended 31 March 2025

	Units	Input
Raw water transport and storage		
Total number of balancing reservoirs	nr	–
Total volumetric capacity of balancing reservoirs	ML	–
Total number of raw water transport stations	nr	1
Total installed power capacity of raw water transport pumping stations	kW	396
Total length of raw water transport mains and other conveyors	km	9.35
Average pumping head – raw water transport	m.hd	17.21
Energy consumption – raw water transport (MWh)	MWh	3,632.001
Total number of raw water transport imports	nr	–
Water imported from third parties to raw water transport systems	ML/d	–
Total number of raw water transport exports	nr	–
Water exported to third parties from raw water transport systems	ML/d	–
Total length of raw and pre-treated (non-potable) water transport mains for supplying customers	km	3.19

	Surface water		Ground water	
	Water treated ML/d	Number of works	Water treated ML/d	Number of works
Water treatment – treatment type analysis				
All simple disinfection works	–	–	–	–
W1 works	–	–	–	–
W2 works	–	–	–	–
W3 works	–	–	39.60	4
W4 works	–	–	102.02	3
W5 works	23.77	1	–	–
W6 works	–	–	–	–

	% of total DI	Number of works
Water treatment – works size		
WTWs in size band 1	–	–
WTWs in size band 2	–	–
WTWs in size band 3	–	–
WTWs in size band 4	2.4	1
WTWs in size band 5	4.1	1
WTWs in size band 6	45.4	3
WTWs in size band 7	48.2	2
WTWs in size band 8	–	–

Table 6A – Raw water transport, raw water storage and water treatment data continued
for the 12 months ended 31 March 2025

Water treatment – other information	Units	Input
Peak week production capacity (PWPC)	MI/d	244.30
Total peak week production capacity (PWPC) having enhancement expenditure for grey solution improvements to address raw water quality deterioration	MI/d	–
Total peak week production capacity (PWPC) having enhancement expenditure for green solutions improvements to address raw water quality deterioration	MI/d	–
Total water treated at more than one type of works	MI/d	–
Number of treatment works requiring remedial action because of raw water deterioration	nr	–
Zonal population receiving water treated with orthophosphate	000's	753.719
Average pumping head – water treatment	m.hd	17.04
Energy consumption – water treatment (MWh)	MWh	13,099.728
Total number of water treatment imports	nr	–
Water imported from third parties to water treatment works	MI/d	–
Total number of water treatment exports	nr	–
Water exported to third parties from water treatment works	MI/d	–

Additional regulatory information continued

Table 6B – Treated water distribution – assets and operations
for the 12 months ended 31 March 2025

	Units	Input
Assets and operations		
Total installed power capacity of potable water pumping stations	kW	13,012
Total volumetric capacity of service reservoirs	MI	362.4
Total volumetric capacity of water towers	MI	5.1
Water delivered (non-potable)	MI/d	–
Water delivered (potable)	MI/d	142.27
Water delivered (billed measured residential properties)	MI/d	73.68
Water delivered (billed measured businesses)	MI/d	22.82
Proportion of distribution input derived from impounding reservoirs	Propn 0 to 1	–
Proportion of distribution input derived from pumped storage reservoirs	Propn 0 to 1	0.144
Proportion of distribution input derived from river abstractions	Propn 0 to 1	–
Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	Propn 0 to 1	0.856
Proportion of distribution input derived from artificial recharge (AR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	Propn 0 to 1	–
Proportion of distribution input derived from saline abstractions	Propn 0 to 1	–
Proportion of distribution input derived from water reuse schemes	Propn 0 to 1	–
Total number of potable water pumping stations that pump into and within the treated water distribution system	nr	34
Number of potable water pumping stations delivering treated groundwater into the treated water distribution system	nr	7
Number of potable water pumping stations delivering surface water into the treated water distribution system	nr	1
Number of potable water pumping stations that re-pump water already within the treated water distribution system	nr	25
Number of potable water pumping stations that pump water imported from a third-party supply into the treated water distribution system	nr	1
Total number of service reservoirs	nr	31
Number of water towers	nr	5
Energy consumption – treated water distribution (MWh)	MWh	23,563.553
Average pumping head – treated water distribution	m.hd	86.83
Total number of treated water distribution imports	nr	1
Water imported from third parties to treated water distribution systems	MI/d	–
Total number of treated water distribution exports	nr	4
Water exported to third parties from treated water distribution systems	MI/d	1.58
Peak 7-day rolling average distribution input	MI/d	190.18
Peak 7-day rolling average distribution input/annual average distribution input	%	116.03%

Table 6B – Treated water distribution – assets and operations continued
for the 12 months ended 31 March 2025

	Units	Input
Water balance – Company level		
Measured household consumption (excluding supply pipe leakage)	MI/d	68.77
Unmeasured household consumption (excluding supply pipe leakage)	MI/d	40.32
Measured non-household consumption (excluding supply pipe leakage)	MI/d	22.48
Unmeasured non-household consumption (excluding supply pipe leakage)	MI/d	1.47
Total annual leakage	MI/d	19.99
Distribution system operational use	MI/d	3.26
Water taken unbilled	MI/d	0.98
Distribution input	MI/d	160.77
Distribution input (pre-MLE)	MI/d	163.90
Components of total leakage (post MLE) – Company level		
Leakage upstream of DMA	MI/day	3.31
Distribution main losses	MI/day	9.84
Customer supply pipe losses – measured households excluding void properties	MI/day	3.96
Customer supply pipe losses – unmeasured households excluding void properties	MI/day	2.36
Customer supply pipe losses – measured non-households excluding void properties	MI/day	0.31
Customer supply pipe losses – unmeasured non-households excluding void properties	MI/day	0.04
Customer supply pipe losses – void measured households	MI/day	0.09
Customer supply pipe losses – void unmeasured households	MI/day	0.05
Customer supply pipe losses – void measured non-households	MI/day	0.02
Customer supply pipe losses – void unmeasured non-households	MI/day	0.01

Additional regulatory information continued

Table 6C – Water network+ – Mains, communication pipes and other data for the 12 months ended 31 March 2025

	Units	Input
Treated water distribution – mains analysis		
Total length of potable mains as at 31 March	km	3,523.6
Total length of potable mains relined	km	–
Total length of potable mains renewed	km	0.6
Total length of new potable mains	km	4.9
Total length of potable water mains ($\leq 320\text{mm}$)	km	3,302.3
Total length of potable water mains ($> 320\text{mm}$ and $\leq 450\text{mm}$)	km	107.5
Total length of potable water mains ($> 450\text{mm}$ and $\leq 610\text{mm}$)	km	78.4
Total length of potable water mains ($> 610\text{mm}$)	km	35.4
Treated water distribution – mains age profile		
Total length of potable mains laid or structurally refurbished pre-1880	km	20.1
Total length of potable mains laid or structurally refurbished between 1881 and 1900	km	292.1
Total length of potable mains laid or structurally refurbished between 1901 and 1920	km	241.1
Total length of potable mains laid or structurally refurbished between 1921 and 1940	km	947.3
Total length of potable mains laid or structurally refurbished between 1941 and 1960	km	254.4
Total length of potable mains laid or structurally refurbished between 1961 and 1980	km	366.3
Total length of potable mains laid or structurally refurbished between 1981 and 2000	km	632.8
Total length of potable mains laid or structurally refurbished between 2001 and 2020	km	714.6
Total length of potable mains laid or structurally refurbished post during and after 2021	km	54.9
Communication pipes		
Number of lead communication pipes	nr	99,438
Number of galvanised iron communication pipes	nr	4,777
Number of other communication pipes	nr	121,238
Number of lead communication pipes replaced or relined for water quality	nr	101
Other		
Company area	km ²	835
Compliance Risk Index	nr	–
Event Risk Index	nr	1,469
Properties below reference level at end of year	nr	42

Table 6D – Demand management – Metering and leakage activities
for the 12 months ended 31 March 2025

	Units	Basic meter	AMR meter	AMI meter
Metering activities – Totex expenditure				
New optant meter installation for existing customers	£m	0.294	0.321	–
New selective meter installation for existing customers	£m	2.229	0.038	–
New business meter installation for existing customers	£m	0.005	0.003	–
Residential meters renewed	£m	0.006	0.006	–
Business meters renewed	£m	–	–	–
Metering activities – Explanatory variables				
New optant meters installed for existing customers	000s	0.737	0.804	–
New selective meters installed for existing customers	000s	7.396	0.126	–
New business meters installed for existing customers	000s	0.015	0.011	–
Residential meters renewed	000s	2.650	2.676	–
Business meters renewed	000s	0.220	0.066	–
Replacement of basic meters with smart meters for residential customers	000s		–	–
Replacement of AMR meter with AMI meters for residential customers	000s			–
Replacement of basic meters with smart meters for business customers	000s		–	–
Replacement of AMR meter with AMI meters for business customers	000s			–
New residential meters installed for existing customers – supply-demand balance benefit	MI/d	0.80	0.09	–
New business meters installed for existing customers – supply-demand balance benefit	MI/d	0.00	0.00	–
Replacement of basic meter with smart meters for residential customers – supply-demand balance benefit	MI/d		–	–
Replacement of AMR meter with AMI meter for residential customers – supply-demand balance benefit	MI/d			–
Replacement of basic meter with smart meters for business customers – supply-demand balance benefit	MI/d		–	–
Replacement of AMR meter with AMI meter for business customers – supply-demand balance benefit	MI/d			–
Residential properties – meter penetration	%	64.0	13.0	0.1
Leakage activities				
	Units	Maintaining leakage	Reducing leakage	Total
Total leakage activity	£m	4.001	4.929	8.930
Leakage improvements delivering benefits in 2020–25	MI/d			0.68
Per capita consumption (excluding supply pipe leakage)				
Per capita consumption (measured)	l/h/d	132.25		
Per capita consumption (unmeasured)	l/h/d	178.95		

Additional regulatory information continued

Table 6F – WRMP annual reporting on delivery – non-leakage activities

This table is not included in the APR due to its size. It is included within our APR tables on our website.

Activity during 2024/25 increased compared with the previous 2023/24 period. Arrangements were put in place for planned water saving visits to both household and non-household. However, activity was also progressed in other areas to maintain momentum and explore options to change customer behaviours towards water consumption – notably including a summer campaign with a defined marketing approach using programmatic targeting and 'ever-green' resources.

Further details for each element of activity captured in Table 6F are provided below.

Efficiency calculator

The cost recorded remains consistent based on the subscription rate for the calculator. The 2024/25 saving recorded correlates to the volume of customers using the application, together with an assessment of the continued change in consumption from previous years. Post 2025 costs/benefits are based on our WRMP24 modelling. This does not fully align with the assumptions used in WRMP19 option development, for example, now including costs for the free pack devices.

Freepack water saving devices

The cost of freepack devices is recorded in our accounting records.

Home water saving visits

The cost of home visits is recorded in our accounting records and the assessment of savings based on the devices fitted and leaks repaired in each home – reported by our supply chain. Activity was regained in the first part of 2024/25, following changes in supply chain arrangements during 2023/24, and the consistent programme maintained for the majority of the reporting year.

Non-household water saving visits

The cost of non-household visits is recorded in our accounting records, and the assessment of savings based on the devices fitted and leaks repaired in each property – reported by our supply chain.

Education, communication and training

The cost recorded against this component is taken from our accounting record, and the assessment of savings based on the education and devices provided at events.

Table 9A – Innovation competition

	Current year £m
Allowed	
Allocated innovation competition fund price control revenue	0.257
Revenue collected for the purposes of the innovation competition	
Allowed innovation fund income from customers	0.257
Collected income from customers to fund innovation projects the Company is leading on	–
Income from customers as part of the inflation top-up mechanism	–
Income awarded to fund innovation projects the Company is leading on	0.012
Income from customers that is transferred to other companies (via the MOSL arrangements) as part of the innovation fund	0.207
Non-price control revenue (e.g. royalties, assets sold that were purchased using innovation funding)	–
Administration	
Administration charge for innovation partner	–

SES Water continues to administer innovation competition funds in line with Ofwat and MOSL guidance. These funds are held on the balance sheet and are ring-fenced, ensuring they are used solely for their intended purpose and not for business-as-usual activities.

During the year ended 31 March 2025, SES paid out a total of £207k relating to innovation competitions, these disbursements have been made in accordance with the respective award criteria.

As of 31 March 2025, the appointed business cash balance stood at £71.704 million, of which £0.252 million is specifically allocated to the Innovation Fund.

In 2024/25, SES Water led the innovation project “Universal Access Point of Water”, for which it received total funding of £224,000 to date. Of this, £95,000 was spent during the reporting year.

Please note that the tables in Section 10 are applicable only to companies participating in the Green Recovery programme and have therefore been omitted from this submission.

Additional regulatory information continued

Table 9A – Innovation competition continued

	Total amount of funding awarded to the lead company through the innovation fund £m	Total amount of inflation top-up funding received £m	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m
Innovation project 1 Universal access point for water	0.224	–	0.046	0.095	0.049
Innovation project 2					–
Innovation project 3					–
Innovation project 4					–
Innovation project 5					–
Innovation project 6					–
Innovation project 7					–
Innovation project 8					–
Innovation project 9					–
Innovation project 10					–
Innovation project 11					–
Innovation project 12					–
Innovation project 13					–
Innovation project 14					–
Innovation project 15					–
Total	0.224	–	0.046	0.095	0.049

Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution) £m	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution) £m	Difference between actual and forecast expenditure £m	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution) £m	In year expenditure on innovation projects funded by shareholders of the lead water company £m	In year expenditure on innovation projects funded by project partner contributions £m	Cumulative expenditure on innovation projects funded by shareholders of the lead water company £m	Cumulative expenditure on innovation projects funded by project partner contributions £m	Total remaining funds (unspent) for completed projects £m
0.224	0.224	-	-	0.007	0.012	0.007	0.012	-
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
		-						
0.224	0.224	-	-	0.007	0.012	0.007	0.012	-

Additional regulatory information continued

Table 11A – Greenhouse gas emissions reporting
for the 12 months ended 31 March 2025

	2024–25 Operational emissions	
	Water tCO ₂ e	Total tCO ₂ e
Scope 1 emissions		
Burning of fossil fuels (location-based)	393,459	393,459
Process and fugitive emissions	–	–
Vehicle transport	501.838	501.838
Emissions from land	–	–
Total Scope 1 emissions (location-based)	895.297	895.297
Scope 1 emissions; GHG type CO ₂	885.848	885.848
Scope 1 emissions; GHG type CH ₄	0.674	0.674
Scope 1 emissions; GHG type N ₂ O	8.775	8.775
Scope 1 emissions; GHG other types	–	–
Scope 2 emissions		
Purchased electricity (location-based)	10,487.132	10,487.132
Purchased electricity (market-based)	1.568	1.568
Purchased heat	–	–
Electric vehicles	–	–
Removal of electricity to charge electric vehicles at site	–	–
Total Scope 2 emissions (location-based)	10,487.132	10,487.132
Total Scope 2 emissions (market-based)	1.568	1.568
Scope 2 emissions; GHG type CO ₂	10,379.753	10,379.753
Scope 2 emissions; GHG type CH ₄	45.585	45.585
Scope 2 emissions; GHG type N ₂ O	61.793	61.793
Scope 2 emissions; GHG other types	–	–

Table 11A – Greenhouse gas emissions reporting continued
for the 12 months ended 31 March 2025

	2024–25 Operational emissions	
	Water tCO ₂ e	Total tCO ₂ e
Scope 3 emissions		
Business travel	5.086	5.086
Outsourced activities	96.743	96.743
Purchased electricity; extraction, production, transmission and distribution (location-based)	3,453.056	3,453.056
Purchased heat; extraction, production, transmission and distribution	–	–
Purchased fuels; extraction, production, transmission and distribution	202.765	202.765
Chemicals	8,480.480	8,480.480
Disposal of waste	–	–
Total Scope 3 emissions (location-based)	12,238.130	12,238.130
Scope 3 emissions; GHG type CO ₂	–	–
Scope 3 emissions; GHG type CH ₄	–	–
Scope 3 emissions; GHG type N ₂ O	–	–
Scope 3 emissions; GHG other types	–	–
Gross operational emissions (Scopes 1, 2 and 3)		
Gross operational emissions (location-based)	23,620.559	23,620.559
Gross operational emissions (market-based)	1.568	1.568
Emissions reductions		
Exported renewables	–	–
Exported biomethane	–	–
Insets	–	–
Other emissions reductions	–	–
Total emissions reductions	–	–
Emissions reductions		
Green tariff electricity	–	–
Net annual emissions		
Net annual emissions (location-based)	23,620.559	23,620.559

Additional regulatory information continued

Table 11A – Greenhouse gas emissions reporting continued
for the 12 months ended 31 March 2025

	Water kgCO ₂ e/MI	
GHG intensity ratios		
Emissions per MI of treated water		393.761
Emissions per MI of sewage treated		–
	Embedded emissions	
	Water tCO ₂ e	Total tCO ₂ e
Capital projects		
Capital projects (cradle-to-gate)	203.294	203.294
Capital projects (cradle-to-build)	225.465	225.465
Purchased goods and services		
Purchased goods and services	7,548.395	7,548.395

Commentary of 2024/25 emissions SES Water

Water UK Net Zero Commitment by 2030 and the Ofwat APR Emissions Boundary

SES Water's net market-based emissions under the Net Zero Commitment boundary have reduced by 24% in 2024/25 compared to 2020/21, falling from a value of 2,550 tCO₂e to 1,926 tCO₂e. This has partially been driven by a reduction in our emissions from the burning of fossil fuels as we moved away from using our back-up generators to provide grid support in the electricity capacity market. We have also seen a reduction in emissions from the operational activities we outsource to our contractors.

Against the Ofwat APR Operational carbon emissions reporting boundary our 2024/25 annual net location-based emissions have fallen from 25,257 tCO₂e in 2023/24 to 23,620 tCO₂e in 2024/25 and the annual net market-based emissions, where the effect of our purchase of renewable energy is included, have fallen from 13,614 tCO₂e in 2023/24 to 13,134 tCO₂e in 2024/25.

Market and location-based emissions

In accordance with the GHG Protocol accounting principles we account for both market-based and location-based emissions. Where indicated in Table 11A we have reported either a market-based or a location-based position.

Reporting market-based emissions in this way allows us to track progress towards our Net Zero Commitment by 2030 which includes the emissions benefit of our choice to engage in contractual arrangements to purchase renewable electricity from third-party electricity suppliers where the electricity purchased is backed by renewable electricity certificates, in this case backed by Renewable Electricity Guarantees of Origin (REGOs).

We retire these REGOs so they cannot be sold to others and this allows us to report a reduced emissions value under the market-based accounting measure.

Location-based emissions accounting ignores the emissions impact of any special contractual arrangements for renewable electricity and instead uses the Government published emissions factor for UK average grid electricity.

Scope 1 emissions

Our overall Scope 1 emissions rose by 2% in 2024/25 compared to 2023/24. This has been driven by an increase in emissions from our transport fleet vehicles since the previous year, reflecting an increase in the distances our vehicles are needing to travel to undertake our activities.

Scope 2 emissions

SES Water continue to use 100% renewable electricity to supply our sites which means we report almost 0 tCO₂e market-based Scope 2 emissions, there is a small amount of emissions reported due to the charging of electric vehicles from public charging infrastructure where we cannot guarantee the generating "fuel mix" of the electricity used so instead we use the UK's residual fuel mix emissions factor. We envisage this becoming a larger issue in the longer term as we continue to transition our vehicle fleet from fossil fuels to electric vehicles and we intend to address this by purchasing renewable electricity certificates to offset these emissions.

For location-based accounting we have seen a 4% reduction in emissions. As the UK grid electricity emissions factor has only reduced by a small amount this year, this reduction in location-based emissions can almost entirely be attributed to the direct reduction in our electricity consumption this year.

Scope 3 emissions

Our indirect (Scope 3) emissions have decreased by 4% in 2024/25 compared to 2023/24. This decrease can be attributed to the reduction in the amount of chemicals we have purchased this year.

This year, for the first time, we have also reported on our Scope 3 well-to-tank emissions for the electricity and fuels we consume. Despite this we have still seen a decrease in our overall Scope 3 emissions this year.

Embedded emissions

We currently use a 'spend analysis' approach to estimate our embedded (or embodied) emissions resulting from our construction activities as part of our Capital Programme, as well as from our purchase of goods and services.

We split the reporting of emissions from our construction activities, what we refer to as 'Capital carbon', into emissions from 'cradle to gate' (emissions from the manufacture of the materials and products used and their transport to site) and 'cradle to build' (cradle to gate plus those emissions from construction of assets and the offsite disposal of waste).

We are currently trialling the use a whole life carbon emissions estimation tool which we intend to gradually replace the 'spend analysis' we currently use to estimate our embedded carbon. Whilst we undertake this transition to using primary activity data in preference to use secondary 'spend analysis' data we expect to continue to rely to some extent on spend analysis data until the transition is fully complete. We therefore expect to improve the accuracy of our reporting of embedded carbon over time as well as providing the opportunity to properly account for the lower carbon options that we intend to promote over the traditional methods of developing and constructing solutions to meet our needs.

In 2024/25 we recorded cradle to gate emissions from our water related capital projects of 203 tCO₂e, whilst under the cradle to build measure we recorded emissions of 225 tCO₂e.

We also recorded the embedded emissions from our purchased goods and services which for 2024/25 were 6,713 tCO₂e for our water related activities.

Estimate of embedded emissions (tCO₂e)

	Water
Capital projects (cradle to gate)	203
Capital projects (cradle to build)	225
Purchased goods and services	7,548

Embedded emissions reporting framework – Reporting rating status – Red/Amber/Green

Category rating	Embedded emissions core criteria
Amber	<p>Embedded emissions values are provided that relate to both cradle to gate and cradle to build.</p> <p>The SWOT analysis below details some of the strengths, weaknesses, opportunities and threats of our approach.</p> <p>We are engaging with recognised standards, such as PAS 2080 for additional guidance in managing and reporting embedded emissions.</p> <p>Our embedded emissions have received verification from Jacobs, our external auditors.</p>

Renewable energy

We generate a proportion of our electricity usage from our onsite renewable energy installations. The following charts show how our investment in our own embedded renewable energy generation from our solar PV installations embedded on our sites.

During 2024/25 we generated 247,009 kWh from our solar PV installations.

Self Generated Renewable Energy Consumed (% of Total Energy Consumed)

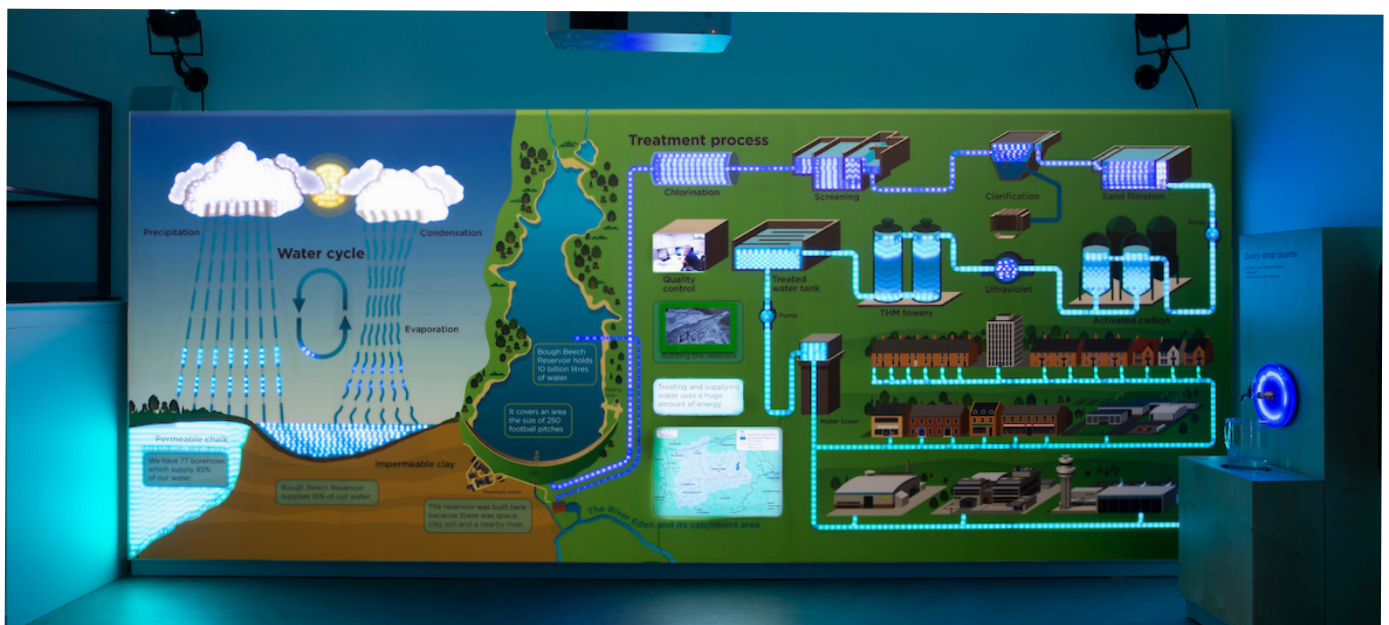
0.45%

DW 0.45%

Total Renewable Energy Sourced (including purchased REGO-backed electricity) (% of Total Energy Consumed)

92.67%

DW 92.67%



Additional regulatory information continued

Strengths, weaknesses, opportunities and threats

Combined narrative for both operational and embedded (embodied)

Strengths

- ② For 2024/25 operational GHG emissions accounting we have used the latest version of the UK water industry's Carbon Accounting Workbook version nineteen, commonly referred to as CAWv19. CAWv19 is an improved version of CAWv18 that we used to account for our emissions in the previous year.
- ② The annual outputs of CAWv19 provides the means for us to accurately measure how our carbon reduction strategies have performed during the year and which of the activities we have undertaken has contributed the most to the mitigation of our emissions.
- ② We continue to focus on where we can most cost effectively reduce emissions. Areas including energy consumption, renewables, transport and working with our supply chain to reduce emissions from contractors and purchased goods and services are where we have made the largest gains.
- ② Our gross and net operational emissions marginally reduced in 2024/25 compared to the previous year. Our Scope 1 fossil fuel usage reduced as a result in a downturn in our consumption of diesel fuel for use in our stand-by generators, our Scope 2 emissions also reduced from our imported electricity usage, and our Scope 3 emissions also fell due to a reduction in our chemical usage and fewer emissions from our outsourced activities.
- ② For our accounting and reporting of Scope 3 emissions relating to our Purchased Goods and Services and Capital Carbon we continue to improve our reporting approach. Whilst we still rely on a 'spend analysis' approach to convert annual categorised spend into emissions we have reviewed our categories and subcategories of spend during 2024/25 and this has improved the granularity of our emissions assessment.
- ② Emissions factors applied to our Scope 3 Purchased Goods and Services and Capital Projects spend have been updated to use the latest CEDA v7 2024 UK greenhouse gas emissions factors.
- ② Our embedded emissions from our capital projects reduced significantly in 2024/25 from the previous year as we experienced a reduction in activity within our capital programme in the final year of K7.

Weaknesses

- ② Not all our existing internal systems have been set up to output data in a suitable format for carbon accounting and consequently datasets often require significant manual processing and data checking. We are consistently making improvements to our internal data collection and processing systems although we recognise there is always more we can do to make our internal processes more efficient.
- ② Specific custom chemical emissions factors for some less commonly used chemicals have proved difficult to obtain from chemical suppliers. Until we have robust and reliable published emissions factors for these specialist chemicals there will continue to be a small volume of emissions relating to purchase of certain chemicals that will go unreported.
- ② In terms of our operational emissions, compared to the previous year, we recorded an increase in our Scope 1 emissions from our vehicle fleet, as well as an increase in emissions from our business travel, reflecting the increased volume of travel undertaken in 2024/25.
- ② We continue to apply a 'spend analysis' approach to estimate our Scope 3 emissions from our Purchased Goods and Services and Capital Projects. Our intention is to transition to direct 'activity-based' emissions accounting over the coming years using data supplied from our supply chain partners and where possible supported by 'Environmental Product Declarations' for the products we purchase.
- ② We have been able to report our Scope 3 embedded (embodied) carbon from Capital Projects emissions split by 'Cradle to Gate' and 'Cradle to Build' for the first time in 2024/25, although we do recognise there remain inherent shortcomings in the approach we have taken. For example, we ask our construction partners to estimate the percentage of their own emissions that relate to 'Cradle to Gate' and 'Cradle to Build', we then take the average percentage split from the responses to inform our own position. Whilst we consider this to provide a reasonable approximation we are seeking to improve this approach for future reporting.
- ② Our embedded emissions from our capital projects reduced significantly in 2024/25 due to a reduction in activity within our capital programme. We expect these emissions to increase in 2025/26 as we enter the first year of K8 and our capital programme activity begins to increase once more.



Opportunities

- ② With our parent company the Pennon Group signing up to near-term science-based targets there is now an even greater emphasis on ensuring the regulated business keeps on track to meet carbon reduction targets in the near-term and throughout K8.
- ② The UK Water Industry often collaborates to share best practice on topics where there is a common goal of improving approaches and processes. To this end the industry's 'Carbon Accounting Working Group' has helped to improve the shared knowledge and expertise between carbon accounting practitioners across the industry.
- ② We note that the CAWv19 is an improved version of CAWv18 and has resolved the previous issues surrounding the correct accounting of Scope 3 'well-to-tank' emissions from fuels.
- ② We aim to continue to improve our operational emissions performance, building on the reductions we achieved in 2024/25, by continuing to invest in energy-related efficiency measures, in optimising chemical usage and in progressing our demand management and leakage plans.
- ② For estimating and reporting our embedded carbon emissions we aim to improve our approach by recording activity data provided by our main contractors working within our 'Amplify' contractor alliance. This is supported by new contract requirements for our main contractors to work to the principles of the Publicly Available Specification PAS 2080 for Carbon Management in Infrastructure.
- ② For our future embedded carbon reporting activity-based emissions data will be reported by our contractors in terms of life cycle modules and therefore result in greater proportion of activity-based data versus spend analysis-based data for Capital Projects, this will improve on the accuracy of reporting our 'cradle to gate' and 'cradle to build' emissions.
- ② Our Energy, Net Zero, Finance and Engineering Teams now work in closer collaboration to determine a robust split between our strategic investment plans and scheme specifics.
- ② Our embedded carbon emissions from our capital projects have reduced significantly in 2024/25 and we aim to continue to work with our major contractors and our value chain partners, maintaining our collaborative efforts to promote lower carbon options to meet the future needs of the business.

Threats

- ② We recognise the significant challenge in maintaining the right balance in meeting all our service needs and other environmental outcomes with our net zero ambitions. There are undoubtedly significant challenges in meeting competing regulatory and customer demands that impact on our current programme of net zero related activities. We intend to continue to invest in our net zero strategy towards achieving our emissions reduction goals whilst being cognisant that this needs to be balanced with our other business priorities.
- ② We intend to work with the rest of the UK water industry in continuously improving our carbon accounting process. This means our emissions accounting needs to keep pace with the even changing developments in greenhouse gas accounting practices, even if that means we may see some sources of emissions increasing due to methodological changes.
- ② Whilst our overall gross and net operational emissions have marginally reduced in 2024/25 compared to the previous year, we note that not all emissions have reduced. Some sources of emissions are going up. Our transport-related emissions for example increased in 2024/25 and we aim to focus on understanding the reasons for this increase.
- ② In terms of our embedded emissions performance we would expect the emissions from our capital projects to increase in 2025/26, resulting from an increase in investment in our capital programme in the first year of K8, following the reduction in emissions we have experienced during 2024/25. Emissions from our purchased goods and services have increased in 2024/25 from the previous year. We intend to arrest this increase in 2025/26 by more actively engaging with our value chain, encouraging further effort to seek lower carbon alternatives to the traditional products and services we use.



Cost allocation

Associate Company	Company principal activity	Services Provided	Turnover of associate during 2024/25 (£'000)	Terms of supply	Value (£'000)
Allmat (East Surrey) Ltd	Builders Merchant	Rent of land	1,892	Other market testing	91
Allmat (East Surrey) Ltd	Builders Merchant	Management services	1,892	Actual costs	8
Advanced Minerals Ltd	Minerals processing	Management services	3,391	Actual costs	3
Advanced Minerals Ltd	Minerals processing	Sale of water treatment	3,391	Actual costs	44
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Management services	71,741	Actual costs	294
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Meter Reading	71,741	Actual costs	31
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Wholesaler of water	71,741	Market code	7,450
Sutton and East Surrey Water Services Ltd	Non-household water retailer	Rent of land	71,741	Other market testing	99
Pennon Water Services Ltd	Non-household water retailer	Wholesaler of water	–	Market code	360
Water 2 Business Ltd	Non-household water retailer	Wholesaler of water	–	Market code	469

Glossary

Term	Definition
Annual Performance Report (APR)	Report produced by the Company for regulatory reporting purposes.
Annual Report and Financial Statements	Report produced by the Company for statutory accounting reporting purposes.
Appointee	A company appointed by Ofwat to provide services for a specific area.
Appointed business	The appointed business comprises the regulated activities of the Company which are activities necessary in order for a company to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.
Arm's-length trading	Arm's-length trading is where the Company treats the associate companies on the same basis as external third parties.
Associate company	Condition A of the Licence defines an associate company to be any Group or related company. Condition F of the Licence requires all transactions between the Company and its associated companies to be disclosed subject to specified materiality considerations.
C-MeX (Customer Measure of Experience)	C-MeX is the industry wide measure of customer satisfaction based upon surveys both of customers who have recently contacted their water company and a random sample of members of the public.
Consumer Price Index including owner occupied housing costs (CPIH)	Compiled and published monthly by the Office of National Statistics. This is a measure of consumer inflation including a measure of the owner-occupied housing costs (costs that are associated with owning, maintaining and living in one's home) and council tax.
CREWW	The Centre for Resilience in Environment, Water and Waste, a Pioneering research centre for Resilience in Environment, Water and Waste, in partnership with Exeter University.
CRI	Compliance Risk Index (CRI) is a measure designed to illustrate the risk arising from treated water compliance failures, and it aligns with the current risk-based approach to regulation of water supplies used by the Drinking Water Inspectorate (DWI).
D-MeX (Developer Services Measure of Experience)	D-MeX measures the quality of services to developers and other third parties. It has two components. The qualitative component is based on interviews with developer services customers that have transacted with a water company in the previous month. The quantitative component is based on the water company's performance against a key set of Water UK metrics which measure the service provided by water companies to their developer services customers.
Environment, Social and Corporate Governance reporting (ESG)	ESG reporting refers to disclosures relating to the Company's performance on aspects of Environmental, Social, and Governance factors, or reported against any of the Company's six capitals: Financial, Manufactured, Intellectual, Human, Social, or Natural capital.
Final Determination (FD)	This is the conclusion of discussions on the scale and content of the Asset Management Plan for the forthcoming five-year period. It is accompanied by a determination of the framework allowable charges for the forthcoming five-year period.
Licence	The Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed SES Water plc as a water and sewerage undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.
Market Operating Services Limited (MOSL)	MOSL is the not-for-profit company which operates the business water market which opened on 1 April 2017.
Net Zero 2030	The plan to decarbonise the water sector by 2030.
Non-appointed business	The non-appointed business activities of the Company are activities for which the Company as a water and sewerage undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the Company (for example, the use of underground assets for cable television).
Ofwat	The name used to refer to the Water Services Regulation Authority (WSRA). The WSRA acts as the economic regulator of the water industry.
Outcome Delivery Incentives (ODIs)	The rewards earned and penalties incurred by companies according to how well they perform against the Performance Commitment Levels.

Term	Definition
Regulatory Accounting Guidelines (RAGs)	The accounting guidelines for the APR issued, and amended from time to time, by Ofwat.
Regulatory Capital Value (RCV)	The capital base used in setting price limits and the value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology to recognise the impact of indexation using ONS inflation RPI and CPIH indices.
Retail Price Index (RPI)	The RPI is compiled and published monthly by the Office for National Statistics. RPI is an average measure of change in the prices of goods and services bought for the purpose of consumption by the vast majority of households in the United Kingdom.
Retail services	The elements of the business responsible for direct contact with customers e.g. the contact centre, billing and reading meters. From April 2017, following the opening of the non-household market, business customers are able to choose their retail supplier. The appointed business exited all non-household market activities.
RISE	An Employee feedback forum 'Represent Inspire Share Energise'.
Totex	Total expenditure comprising operational expenditure (opex) and capital expenditure (capex).
Water and sewerage company (WaSC)	A company responsible for the provision of both water and sewerage services.
Water only company (WOC)	A company responsible for the provision of water services only.
Water treatment works (WTW)	Water Treatment Works means that part of a waterworks that is used to filter or condition water for the purpose of rendering water acceptable for human consumption or hygienic use.
WaterShare+	A scheme which first launched across South West Water and Bournemouth Water in 2020. It now covers the Bristol region as well as SES Water.
WINEP	Water Industry National Environment Programme is the programme of actions water companies need to take to meet statutory environmental obligations, non-statutory environmental requirements or delivery against a water company's statutory functions.