

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 27 March 2024

Held in the Boardroom, Redhill
commencing at 13.30 hours

Present:

D Shemmans	DS	(Chair)
M Legg	ML	
J Woods	JW	
R Wiles	RW	
I Cain	IC	
P Kerr	PK	

In attendance:

N Houlahan	NH	
T Kelly	TK	
D Lamb	DL	
D Goodwin	DG	
S Brown	SB	
E Prince	EP	
L Taylor	LT	
S Platzer (Links)	SP (Project W only)	

2024 9. Project Wentworth update

PK/IC/SP reviewed the accompanying deck with the Board, noting:

- The approved, rejected and pending derogations to the IEO
- The updated CMA timeline post-Phase 1 commencement on 7 March and implications for the Board and Company following the Phase 1 decision (to be issued by 7 May)
- The areas of compliance focus from the CMA and the well-controlled internal process to confirm compliance
- The substantial acquisition, monthly and year-end Group financial reporting requirements from Pennon

2024 10. Declaration of Interests

DS reminded the Board to continue to update PK of any changes to the register of directors' interests.

2024 11. Minutes of Previous Meetings (including website minutes)

The minutes of the meetings held on 7 February 2024 were agreed and signed by the Chair, with summarised Board minutes approved for publication on website.

2024 12. Matters Arising including rolling Board agenda, and Board dates for 2025

PK reviewed the matters arising with the Board, noting in particular:

- TK confirmed ongoing compliance with environmental consents across the Company
- TK update on the reservoir cleaning programme as detailed in his accompany paper, with a focus on the remaining cleaning goals for the

upcoming season – with the next formal update to be provided in October 2024

- NH provided a review of recent DWI interactions and the latest audit status as detailed in her accompanying paper. Following questions from the Board, NH and TK recapped the planned multi-AMP lead replacement strategy as advocated in the recent BP

PK noted that all other MAs were covered in the papers, with water balance and South Africa plans to be reviewed in the performance section of the meeting.

2024 13. Board Committee Reports

Nomination Committee

DS provided an update from the Nomco noting:

- The recruitment of key personnel in the business, including the new Head of Production
- The status of the annual performance review process in the business
- Recent SLT promotions

Remuneration Committee

JW provided an update from the Remco noting:

- The positive results of the JNCC annual pay review negotiations
- The latest update on annual bonus and LTIP forecasts, with the Remco due to meet again on 5 June 2024 to finalise recommendations in these areas for subsequent post-APR issuance payments

Governance Committee

ML provided an update from the Governance Committee noting:

- Pending update of the Whistleblowing policy following a sector-wide review from Ofwat
- Status of Board training
- Upcoming internal Board effectiveness review

Financing Committee

ML provided an update from the Financing Committee, noting:

- Preparation for PR24 DD with respect to Financing matters
- Successful completion of the £40m PP transaction with Phoenix
- Upcoming re-financing of the Revolving Credit Facility, due for completion in June 2024

Audit Committee

ML provided an update from the Audit Committee, noting

- Overall, ISO re-certification and positive status of recent compliance work, with specific follow-up in certain areas for next Committee meeting
- The Committee approval and recommendation to the Board for publication of the Corporate Policies identified in the AC minutes – which the Board approved for publication
- Results of the recent OT penetration testing work

- Updates from PwC and Motts ahead of year-end audit

2024 14. Finance update

2023/24 – forecast and financing update

- EP provided an update on the year-end forecast as detailed in her accompanying slides, noting the pressure on the forecast due to escalating bad debt expense, additional network costs in the last quarter to deliver performance and a drop-off in billing over the final few months' vs budget.
- IC noted that improvement in focus, reporting and responsibilities were being rolled out across the SLT/ELT in the coming week to improve financial grip.

Approval of 2024/25 Budget (Capex)

- In response to the remaining 2024/25 budget matter, EP presented the updated capex programme for the year-ahead, based on the c£22m envelope previously noted by the Board.

2024 15. Performance update & key matters

Overview

- IC reviewed key aspects of the most recent Board monthly performance report as provided in the Board papers, including a review of performance commitment status, expected penalties, key people matters and the focus for the Company in the period up to CMA approval.

Wholesale (including Gatton Park debrief, Clancy update, water balance matters & Capex approvals)

- TK and DG provided a detailed debrief to the Board on the recent Gatton Park incident, including a timeline of the event and root causes, the impact on c15 customer homes impacted by the burst and subsequent flooding, the ongoing work with insurers, and the significant effort of all involved with the Company to deal with this incident. The Board thanked the Company for their response to this event – and requested an update at the next Board meeting on the potential long-term capex solutions and results of subsequent town halls with customers.
- Following a question from ML, TK confirmed that work on the water balance shadow reporting was progressing well, with an Ofwat meeting scheduled in early June to assess results.
- Finally, TK requested that IC/PK be provided with delegated authority to approve certain pending out of cycle capex approvals. DS approved on behalf of the Board, requesting that this activity be summarized at the June Board post approval.

Customer (including South Africa update)

- DG summarized the recent activity and performance in the customer area, noting the recent C-MEX results and actions, in addition to the positive forecast results for voids and social tariff PCs.

- ML noted the rising complaints figures, requesting that a deep dive be performed at the next Board meeting to review underlying root causes and actions.

Smart metering update

- DL provided the Board with a brief update on the Smart Metering programme, noting the preparations underway – pending Ofwat’s DD – for planning, delivery and monitoring of the programme. RW requested that a further update be provided in the June Board, including expected timeline, budget and procurement matters.

Quality & Compliance – SEMD RAG submission

NH reviewed the accompanying SEMD paper with the Board, noting:

- The Security and Emergency Measures Direction (SEMD) requires annual self-assessment, and the latest submission is due by 1 April 2024.
- There was a change to the Emergency Planning guidance during the year (revised November '23) but no change to the Protective Security guidance (last revised January '23).
- The requirement is to submit a RAG (red, amber, green) self-assessment annually to DWI.
- Following a review of the paper and discussing, the Board noted the outcome of this year’s assessment and the positive progress being made against the backdrop of increasingly stringent requirements and that IC/NH could proceed to submit the self-assessment

2024 16. CEO/NEDs private session

A private session was held with IC and the NEDs

2024 17. Any other business

ML requested the risk of sector-wide fallout from the current Thames Water matters be considered as part of the risk review at the next Board meeting.

2024 88. Date of Next Meeting

Wednesday 12 June 2024

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(Chair)