

**SES Water**  
**Minutes of a Meeting of the Board Meeting**  
**Wednesday 21 July 2021**

**To be held at SES Water, 66-74 London Road, Redhill RH1 1LJ and via MS Teams commencing at 10.45am**

<b>Present:</b>	J Pelczer	JP	(Chairman)
	M Legg	ML	
	J Woods	JW	
	D Shemmans	DS	
	K Oida	KO	
	K Kageyama	KK	
	I Cain	IC	
	P Kerr	PK	

<b>In attendance:</b>	N Houlahan	NH	
	T Kelly	TK	
	K Thornton	KT	
	J Gilbert	JG	
	M Kusuno	MK	
	R Clarke	RC	(Item 44 only)
	K Reid	KR	(Item 41 only)
	A Thompson	AT	(Item 40 only)

**2021 36. Declaration of Interests**

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

**2021 37. Minutes**

The minutes of the meetings held on 1 June 2021 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

**2021 38. Matters arising and rolling agenda**

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

- The latest status of the Southern Water Bulk Supply Agreement (BSA), with TK stating that the arrangement had commenced.
- The completion of the Annual Performance Report and subsequent issuance.
- The inclusion of the recommendations arising from the external Board Effectiveness review in the Governance Committee meeting.
- PK noted the Covid-19 representations included in the APR issued to Ofwat in July.
- NH noted the summary paper circulated as part of the Board papers regarding the DWI's annual report, noting that while SESW were not prominently featured in the report, it was agreed – as JP indicated – that several opportunities had existed to address in advance some of the matters associated with the Company's main incident in the year at Ashleigh Gardens. The Board noted concern and disappointment that these opportunities were missed. NH noted that recommendations on training and awareness were being considered, and ML requested that management review the c12 recommendations across the sector presented by the DWI in the report and consider potential gaps for the Company and update the Board on the recommendations in September.

- IC confirmed no whistleblowing matters had been raised since the last report.
- PK noted that digital roadmaps and people strategy updates were covered in today's session.

**2021 39. Board Committee Reports**

Report from the Health, Safety & Wellbeing Committee

DS provided a report from the Health, Safety & Wellbeing Committee, noting the following key items:

- The review of recent incidents and potential hazards, with the latter benefitting from enhanced focus and digital reporting. DS noted the implementation of a lone working app within this reporting suite, which will be of great benefit at our sites.
- The advance review by the Committee of the annual health, safety, and wellbeing (HSW) presentation to be discussed today with the Board.
- A review of key HSW policies, including implementation of the updated drug and alcohol policy.

Report from the Governance Committee

ML reported on the Governance Committee, noting the key points of discussion as follows:

- Ofwat's review of the Annual Performance Report (APR) was underway, and the Committee would be informed of any governance related points in due course.
- The Committee reviewed the draft Board training programme for the year, together with the action points associated with the recent external Board effectiveness review. The Committee was overall satisfied with the proposals by management but requested further consideration of streamlining the activity and managing over a longer time period.
- The work being performed by management in light of the recent sector wide letter from Ofwat on transfer pricing matters. While no issues had been noted in this area for SESW, the Committee would be reviewing management responses to these matters in future meetings.

Report from the Financing Committee

ML reported on the Financing Committee, noting that management was in the final stages of the sinking fund review.

**2021 40. Update from Alison Thompson, Chair of ESP**

AT joined the meeting and proceeded to provide an update on the recent focal points for the Environmental Scrutiny Panel (ESP) as detailed in her accompanying deck, highlighting:

- External strategic influences on the recent EPS agenda, including Ofwat's vision and strategy and other external investor focus on ESG matters.
- Frameworks being implemented by companies to address ESG challenges, and where the ESP can work with SESW to help challenge and support in such areas.
- A progress report on the work performed by the ESP in its first year, including positive steps on relationship building, work with the Customer Scrutiny Panel and the challenge provided to the company when producing its net zero carbon roadmap.

- Focus areas for the ESP in the next year, including continuing to challenge and aid the company in the pace and quality of its smart meter rollout, development of the long term ESG strategy and ensuring suitable join up between the customer, community and environment agendas. She specifically cited the new partnership between SESW and Bore Place (as detailed later at the Board meeting) as a sound demonstration project to test and evolve approaches.

JP – on behalf of the Board – thanked AT and the ESP for their support and challenge over the last year and noted the appropriate balance AW has provided as an “independent critical friend” – noting this work will be extended further into the PR24 discussions. JP also noted the positive interaction with the NEDs at the ESP, highlighting his recent attendance and DS’s future plans for attendance.

AT then left the meeting.

**2021 41. Health and Safety Annual Review**

KR joined the meeting and reviewed with the Board the HSW annual update as detailed in his accompanying paper, noting:

- The continued low level of incidents in 2020/21 and trend of reducing levels of reporting incidents.
- The root cause analysis performed during the year, with a focus on addressing the human behaviour issues underlying the reporting incidents.
- The effective use of STOP cards in the year when perceived high risk situations have occurred.
- The positive impact of recent health and safety standdown meetings.
- The updated management reporting system being developed and deployed to aid reporting.
- The additional resource within KR’s team recently recruited and the benefits in terms of health and safety support to the business.
- The latest progress on the HSW maturity model and related actions being addressed via the HSW Committee.

JP noted the positive steps reflected in KR’s report, citing the improved employee awareness of health and safety matters and associated learnings, and the leadership in place at a Board level with DS’s chairing of the HSW Committee. However, all agreed that constant vigilance remains vital on all matters regarding the health, safety and wellbeing of our employees and those working for us in our supply chain.

KR then left the meeting.

**2021 42. Bore Place and Bough Beech Transformation & Net Zero Carbon roadmap**

Bough Beech Transformation

TK provided a summary of the Company’s recent agreement with Bore Place as detailed in the accompanying paper, which focused on the development of Bough Beech community, biodiversity, and public education goals.

TK provided further detail on the 4 main areas of development at Bough Beech – large scale solar, wildlife trust benchmarking, access for children from disadvantaged backgrounds and access of leisure activities – stating that these concepts were being explored further but would be aligned to the company’s overall vision and purposes.

Following a question from JP, TK confirmed that the skillset that Bore Place provided would complement the company's own skillset and values and would enhance the company's horizon in terms of further community-based use of the land.

ML commented, and DS agreed, that access for a wide range of children should be provided, given the educational advantages that the site could bring, with JW commenting that the proposals were thoroughly engaging and complemented the Company's purpose well.

TK thanked the Board for their input and would keep them apprised of progress, noting the request by JP to ensure that local residents' concerns and expectations were being managed in the process, in terms of traffic management for example.

#### Net Zero Carbon (NZC) Roadmap

TK updated the Board on the Company's NZC roadmap, which has been previously circulated to the Board prior to publication. TK said that positive feedback to date had been received since publication from various stakeholders, and management were now monitoring related publications across the sector.

JP noted – on behalf of the Board – the approval of the roadmap and thanked TK and the team for the excellent and well-considered document.

#### **2021 43. Regulatory update**

PK reviewed with the Board his accompanying regulatory update paper, noting:

- Recent meetings with senior Ofwat personnel, including PK's discussions with the financial resilience team, with the latter expected to issue a discussion paper in late 2021 on this area.
- The latest consultation and PR24 matters as detailed in the paper.

#### **2021 44. People Strategy update**

RC joined the meeting, and proceeded – with SB – to review progress on the Company's people strategy as detailed in the accompanying paper, noting:

- The recent progress being made in the area of talent management, including organization design review, success planning conversations and the diversity lens being applied.
- The latest "people balance sheet" for the Company, which detailed annual review metrics, potential/performance matrices and bench strength considerations.
- The strides made in the leadership development programs, citing the work being performed for aspiring managers and leadership, including the senior and executive leadership teams, noting the ongoing leadership climate survey.
- The recent output from the Equality, Diversity, and Inclusion (EDI) meetings, including the updated policy issued, the breadth of employees participating in such meetings and the focus on pay gender matters.

JP commented that clear progress was being made in the quality of feedback now being provided to staff and was pleased to note the structured approach to leadership development.

ML noted that, with respect to the 9-box potential/performance matrix, work would still be required to assess the completeness of this assessment, especially if the initial view placed few staff in the lower categories. DS agreed, noting that with a fully completed assessment matrix, targeted interventions may then be made to develop specific individuals (such as working on projects such as Bore Place, net zero carbon etc.)

SB agreed and noted these points would be considered as the people strategy developed. In response to questions from JP, SB noted that certain aspects of the people strategy would be revisited at upcoming meetings and these include the results of the leadership climate survey at the 23 September SESW Board, consideration of living wage matters at the next ESH Remco and shifts in working patterns and practices at the HSW Committee.

**2021 45. Performance update**

IC opened by providing the Board a summary of the performance in the year-to-date, noting:

- Covid-19 – IC noted the ongoing approach to Covid-19, with key precautionary measures remaining in place despite recent easing of lockdown, particularly in light of the recent “pingdemic”. Such measures have included bubbles at the treatment works and Redhill. However, IC did note that – with increased attendance at Redhill and the encouragement being provided for staff to return to work, communications and awareness of ongoing safety measures were being implemented to manage this effectively.
- Customer - KT provided a summary of recent activity within the retail area, including the recent debt recovery work, ongoing focus on void numbers, and the review of affordability support underway, including social tariff levels.
- Wholesale - Following a question from JP, TK updated on the status of softening across the sites, with the recent positive performance noted at Elmer and expected full handover over the specific upgraded areas of the site to operations at the end of July. DS noted that he continued to meet with TK to review softening performance monthly, extending these discussions to include progress on Bough Beech works.
- Financial - PK summarised the financial position after the first quarter as detailed in the accompanying Board paper, noting the positive capex performance in line with recent Board re-forecasts, but highlighting the ongoing pressure on opex from retail and network costs that was being nominated by management.

**2021 46. Transformation programme updates**

Digital Roadmaps

JG provided the Board with an update on his digital roadmap work as detailed in his accompanying paper, noting:

- The foundational IT/Digital enablers and inflight programs to address key service and capability gaps.
- A timeline for the consolidated planning for IT transformation for the remainder of the AMP.
- A timeline and approach for PR24 planning with respect to digital enablement.

- The overall digital & data maturity assessment for the company at present.

Overall, JG concluded that the foundational investments are already starting to make a difference to daily operation in the company, particularly with respect to the data analysis being delivered over retail and wholesale through the data competency center. JG also noted the continued collaboration with the shareholders digital “DX” center on such digital transformation matters.

In response to questions from JP and DS, JG provided further detail on the current funding of the digital strategy, agreeing that further work will be required from 2022 onwards to consider investment cases for key digital projects to ensure momentum.

CMEX & Voids

KT provided a verbal update on the status of key work associated with CMEX and Voids activity, noting that a separate discussion with JW on the Company’s latest CMEX plan in light of the pending Q1 results was scheduled for late August. In addition, in response to a question from ML, KT noted that a more detailed review of progress on voids and cash collection would be provided at the 23 September Board, with the latter benefiting from additional resource and leadership to manage the company’s debt and cash collection position. The Board will continue to provide close monitoring on CMEX and Voids and are keen to assess the post APTUMO impact on the business’s ability to better meet customer expectations.

Wholesale and Developer Services (including DMEX)

TK noted to the Board the accompanying paper on wholesale and developer services matters as provided in the Board papers, stating that good progress continues to be made on team restructuring and external communications in this area.

**2021 47. Shareholder Update**

No further comments were noted from the shareholders.

**2021 48. CEO/NED private session**

All participants left the meeting except for IC and the NEDs, who held a private session on key performance and people matters.

**2021 49. Any Other Business**

No other business was noted.

**2021 50. Date of Next Meeting**

Thursday 23 September 2021

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(Chairman)