

## ENVIRONMENTAL SCRUTINY PANEL MINUTES

Tuesday 6 October 2020, Meeting via Microsoft Teams

### Attendees

**Chair:** Alison Thompson (AT)

**Secretariat:** Lorraine Taylor (LT)

<b>External Members:</b>	Trevor Bishop (TB)	Water Resources South East (WRSE)
	Bella Davies (BD)	South East Rivers Trust
	Graham Hanson (GH)	Independent Chair, SES Water's CSP
	Alice Laycock (AL)	Consumer Council for Water (CCW)
	Karma Loveday (KL)	Independent
	Tom Perry (TP)	The Environment Agency
	Sarah Jane Chimamanda (SC)	Surrey Wildlife Trust
	Benoit Witchalls (BW)	Independent
	Sarah Holloway (SH)	Independent
<b>SES Water:</b>	Ian Cain (IC)	Chief Executive Officer
	Tom Kelly (TK)	Wholesale Director
	Cat Holland (CH)	Head of Communications
	Alison Murphy (AM)	Water Strategy Manager
	Henrietta Stock (HS)	Energy and Carbon Manager
	Sarah McLaughlin (SM)	Water Strategy Analyst
	Diana Evans (DE)	Compliance and Assurance Manager
	Amanda Reynolds (AR)	Consultant

Item No.	Item	Action Number	Lead
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#### 1 Chair's update

The Chair welcomed all the external ESP members and SES team. She reported for the record that the meeting was quorate and that apologies for absence had been received from Nicola Houlahan (NH). She also welcomed Amanda Reynolds, external consultant to SES, with Executive Director experience in customer service excellence who is helping the company on customer transformation programme and taking a lead on social purpose for the company.

Members were reminded to report any Declarations of Interest to the Chair. Two members updated the ESP register of interests:

- TP advised he had recently joined WRSE environmental advisory panel and also on a Stakeholder Panel for Affinity and Thames Water project called revitalising chalk streams.
- SJC stated the Surrey Wildlife Trust was collaborating with SES on the Biodiversity Benchmark.

The Chair read out the Statement of Independence:

*"Our role on the Environmental Scrutiny Panel is to act independently to advise and challenge the company. We offer our views impartially and*

*constructively for the long-term public interest”.*

The minutes from the July ESP meeting were reviewed and formally ratified by the Chair.

The Action Log, Challenge Log and Engagement Log were reviewed, and updates provided to the group.

**Action:** ESP members were encouraged by the Chair to complete the Engagement Log with key learnings to ensure the most insights are brought to the company regards scrutiny and challenge.

1

ALL

The Chair summarised key engagements she had recently attended. She has been focusing on events that are relevant to ensuring best practice in developing a long-term strategy on Environmental Social Governance. She highlighted one really useful event run by Chapter Zero, the Directors Forum, on the role of the Audit Committee in future financial disclosure requirements. One of the speakers was the former Chief Financial Officer of United Utilities who delivered a fascinating presentation about how their company sought to ensure it was stress tested under a more extreme climate scenario than those laid out in the Paris Agreement to ensure the resilience of the company's infrastructure for the future. The Chair has already fed back to SES Audit Chair and Chief Financial Officer and Board Secretary on key intelligence.

Looking forward, the Chair recommended that ESP members attend the Water Report 2020 Social Contract summit on public purpose in a pandemic. She invited KL, one of the lead sponsors to explain more about the summit. KL explained the summit has been running for 3 years now and this year they have tabled sessions on: Net zero and a green recovery; Supporting Customers and the economy; Intergenerational equity and Collective Action and resource efficiency.

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KL

**Action:** KL to circulate information and extend the invitation to the committee.

Responding to KL's point on the green recovery, SJC suggested that in its widest sense, another future theme for discussion at the ESP could usefully include skills and jobs for young people. She mentioned that DWP are doing a lot of work through the 'Kick Starter' scheme and that the Task Force on Nature-related Financial Disclosures launch event earlier this year was worth thinking about along with climate-related disclosures.

**Action:** SJC to forward further information as relevant related to on the Task Force on Nature-related Financial Disclosures launch event and the implications for climate-related disclosures.

3

SJC

The Chair attended SES Water's Board meeting alongside the CSP Chair. She feed back to the Board on the successful launch of the ESP, how much she had appreciated the calibre and commitment of

Panel members she had recruited and her intent for the Panel's work over the next 12 months.

She reported strong support from the Chair and Board on the need for and opportunities arising from a sound approach to accelerating ambition on ESG and scrutinising environmental performance across the business. The Chair has invited Jeremy Pelzcer, SES Water Chair, to attend January's meeting. Other Board members will be welcomed to future meetings too.

Before welcoming IC to provide his strategic CEO update, the Chair said that she is supportive of the work that the business has recently commenced relating to purpose as this is a fundamental building block of any sound approach to ESG and she looks forward to hearing from Amanda Reynolds later in the meeting.

## 2 **CEO's update**

IC provided an update on the quarterly performance and the key challenges the Company has been facing since the last ESP meeting sharing the key performance commitments

The impacts of the first Covid-19 lockdown continue to be felt across SES Water – both financially and in terms of performance commitment delivery. Key challenges:

- Domestic demand (per capita consumption) remains significantly above average, partly due to weather, partly due to ongoing impact of lockdown which has seen a spiralling rise of water consumption with more people working from home. Overall household demand is up by ~5% whilst non-household demand is down by ~26%. Putting this into context, this represents a real concern with PCC standing off target looking at year to date figures of 176.8 l/prop/day compared to a target of 149.6 l/prop/day. Plans are being put in place to look at proactive customer communications over the winter period regarding water efficiency.
- Leakage is slightly off target with a year to date figure of 25.5 MI/day compared to 24.6 MI/day. This is however forecast to be recovered by year end.
- Weather conditions have also had an impact on the network stability through bursts and supply interruptions.
- Ongoing extent of working from home is impacting morale and some key projects including a billing system replacement called Aptumo. The company is reviewing longer-term ways of working to ensure business continuity.
- SES is currently building a contingency plan for the winter, covering Covid, Brexit and a winter weather event.
- Regards wider performance commitments that the ESP has direct oversight of: Water Quality, Supply Interruptions and Water Softening all stand off target (associated with

Penalties) with the business working hard to recover lost ground from operational impacts of the pandemic.

- The 'Here for You' campaign in the wider business has provided a useful response to the needs of a growing number of vulnerable customers.

Despite these ongoing challenges, the Company is keeping focused on delivery of the Business Plan. Key responses to mitigate the risks posed by challenges include:

- Rolling out the installation of the first phase of universal metering to 4,500 Raven Housing Trust properties.
- Rolling out of the 'intelligent network' with all customers being served by this arrangement by the end of the year.
- Launching the newly renovated Education Centre at Bough Beech. The first schools to be welcomed next week.
- The company has moved to replacing company fleet vehicles with only electric vehicles or PHEVs, where suitable technology exists.
- Recruiting some new key appointments in the business to support the needs of the business including a new Chief Information Officer, Head of Production and Chief Customer Officer.

The Chair thanked IC for his candid and helpful update and opened the floor for questions.

TB questioned "what key benefit does SES anticipate the performance of intelligent network will provide to the business in respect to supply interruptions?". IC replied that he believes the installation of 8-10 monitoring devices per area across the network linking with the Artificial Intelligence platform will help with leakage, bursts, supply interruptions, water quality issues and pollution incidents from bursts.

KL asked, "what is the recent update on the previously reported incident on the Godstone?" TK reported that the investigation report is still pending. That it was important to state that fundamentally there is no negative environmental impact to report. He invited TP to provide an independent Environment Agency perspective. TP concurred that SES is working closely with the Environment Agency and that findings show that the environmental impact from the incident reported to them by SES is negligible.

### 3 **A long-term view: what could accelerating a green ambition look like?**

The Chair and SH led a session providing a wider best practice perspective on the business case for Purpose, Vision and Values underpinning a sound ESG strategy. This was in response to the initial scoping of a long-term strategy by TK at the last meeting.

SH introduced the presentation which covered four areas relevant to building a long-term ESG strategy: the changing context for business; how businesses are responding; what's happening in the

water sector and high-level recommendations/challenges for SES Water.

In discussing the changing context for business, loss of trust exemplified through the Edelman Trust Barometer 2020 which showed that ethical drivers such as integrity, dependability and purpose drive 76% of the 'trust capital' of business with competence driving a mere 24%.

Purpose and ESG were discussed as critical for customers and employees. ESG stocks are outperforming the market. Mainstream investors are embracing ESG. Access to future capital by investors is an important driver for businesses taking this agenda seriously. Leading businesses such as Unilever have identified that done well, embedding ESG creates value.

Businesses are maturing rapidly in the ESG space. SH showed a scale from compliant towards regenerative businesses. She polled the group with two questions: 1. "Where is SES Water now?". The clear majority voted level 3 (Responsible); and 2. "Where should SES Water be aiming for"? The majority chose level 5 (Regenerative). This proved a really useful discussion for the group to consider the transformation necessary on ESG towards a leadership position.

The Chair then provided an update on what is happening in the water sector. A global snapshot from September 2020 is that 2/3 of world's population is expected to face water shortages by 2025, Wall Street is set to start trading water as a new commodity. From a national picture, the environment bill is being reviewed by Defra. She said it is important that national and local goals are aligned effectively when considering effective ESG strategies.

The Chair then invited the ESP to provide scrutiny and challenge to SES on what accelerating ESG ambition could look like.

KL asked, "what is SES Water's purpose and what role will the long-term environmental role play?" IC said that they have started some work on purpose led by external consultant AR. She provided an overview of SES Water's journey on 7 September and the SMT attended an offsite day to focus on purpose. Subsequent to the 7 September session, further discussions have taken place with the SMT and engaging with internal/external stakeholders. A 'plan on a page' needs to be produced and all of SES Water need to feel part of this journey. IC provided the group with some context around SES Water's thinking around purpose highlighting how important he thought it was. TK reported that environment came through as an integral part of the conversation at the 7 September meeting.

KL said she agreed with the point on the last slide, which suggests the strategy should combine best practice across the board with leadership in specific areas. She enquired "which areas do you think SES could potentially lead on?"

AL agreed with this and said she thought it was positive that the

company aspires to best practice but asked “do they have the resources to be leaders?”. She then followed up with “what would success like look like in practice for a small water company?”

IC replied that the size and scale of the company could be advantageous in considering areas to lead on. For example, in effective collaboration internally and externally citing the fact as a small company we are able to bring partners together to work in a positive way more quickly for example the smart network technology currently being rolled out.

TB picked up on the discussions raised on trust. He was intrigued by the concept of the Edelman Trust Barometer and the implications for SES and the wider region. He challenged SES to consider if there was an area they could lead on in the region? TK and IC agreed to follow up on this with TB.

**Challenge 1:** TK challenged the company to consider “what are the implications of the Edelman Trust Barometer for SES/the wider region?”

SJC said she was interested to hear more about cross-sector collaboration, partnership and integration and decision making. She questioned “to what extent the company could explore opportunities through the Ofwat’s innovation fund?”.

SES concurred this could be an interesting area to explore.

**Challenge 2:** SH summarised overarching ESG challenges for SES as follows:

- Develop a long-term ESG Strategy (10+years) that would take a value-chain/regional approach, with clear goals and KPIs on material topics; aligned with global frameworks and leadership in specific areas and aligned with best practice in others.
- ESG vision strongly linked to core purpose.
- Owned by the Board.
- Backed by key stakeholders including investors.
- Embedded within strategy and culture.
- Transparent reporting, demonstrating progress and performance.

#### 4 **Biodiversity Benchmark**

DE and SMC provided a summary of the Company’s biodiversity benchmark programme. DE reported that SES has committed in the Business Plan to enhancing the environment and has built the environmental strategy on the WISER model originating from the Environment Agency and Natural England. Three topics will be the focus of the deep dive: Biodiversity Action Plan; Biodiversity Benchmark and Invasive Non-Native Species.

Work so far has focused on: 1) practical actions (e.g. more than 30 sites with reduced mowing, construction of a Wildlife Tower at Bough Beech and installing Owl and Bird Boxes), 2) working towards the Wildlife Trust’s Biodiversity Benchmark and 3) ensuring appropriate

management of invasive non-native species on sites (e.g. species guide and posters for site staff). SMC summarised the species and habitats surveys that have already taken place and explained that results of the surveys have resulted in changes to the plan. These surveys will be repeated regularly.

Planned work following the background case study review on Elmer WTW and Young Street Boreholes includes an initial audit to take place week commencing 9 November 2020 at Elmer. The expectation is the site will achieve its first Wildlife Trust Biodiversity Benchmark certification by the end of 2020. The site Management Plans have been updated since the initial survey took place.

There is an education centre planned for the Elmer site in due course to help support biodiversity. Meantime Biodiversity has been included in the new and improved educational offering at Bough Beech education centre which is to be launched with school children imminently.

Next steps on tackling non-native invasive species will include training for all staff and extended surveys to benchmark the current situation will be integrated into the biodiversity surveying work planned at 48 sites.

The successful delivery of the Biodiversity Action Plan is thought to depend on four key areas: company land management; minimising the impact of company activity on the environment; partnership working; and finally, engagements, education and awareness training.

SES suggests 'success' will include going beyond meeting commitments and WINEP requirements and thinking ahead to co-existing operations and biodiversity on company sites, applying lessons from the benchmarking process to other sites and working with partners to improve biodiversity.

The Chair commended the company for taking a more strategic approach to Biodiversity and said the biggest opportunity for the company to improve in this area lay in the land and asset management. She invited wider questions from the ESP.

SJC challenged the company about the opportunities that could arise around biodiversity net gain. The Chair agreed this was an important area for SES to focus on given the likelihood for Biodiversity Net Gain becoming a statutory requirement under the Environment Bill.

**Challenge 3:** SJC challenged "has SES Water given some thought to the potential number of biodiversity credits potentially available on company land?"

DE reported that SES have started to review the KPIs around this. SJC and DE to discuss further.

TP queried "given the farmland around Bough Beech, which could add value to local biodiversity, will this be included in the planned



survey or are SES purely focussing on the treatment work site?”

DE said initially the company is just looking at the Bough Beech site to provide an indication as to which site will be most suitable for wider certification.

The Chair asked, “what are the KPIs around awareness raising, how does the company plan to measure awareness raising effectively?”

DE replied that these metrics were still being considered.

BD probed further about wider biodiversity ambition.

**Challenge 4:** BD asked, “what is the wider biodiversity ambition beyond SES sites, do SES have any plans going beyond inward-looking site-based plans and how they are being reflected?”.

TK reported that SES owns about 290 hectares at Bough Beech and is looking at what opportunities exist around the estate and understanding whether the Company can co-exist with the wider community by opening up Bough Beech wider regarding access to green space. Following the end of major capital work at Elmer, it was felt the right time to invest in biodiversity benchmark at Elmer and at Fetcham Springs. Capital works are about to commence at Bough Beech and will be done in a sensitive way to enhance biodiversity at that site.

## 6 **Compulsory Metering Strategy Review**

AM provided an update on the scaling up of metering strategy review being undertaken. There are two clear targets:

Target 1: Increase household metering from 60% at April 2020 to 90% by April 2025.

Target 2: Ensure at least 10% of customer properties are fitted with a smart meter by April 2025. AM cited benefits of smart meters included hourly data read outs and leak alarms and portals.

AM recapped on the universal metering programme. There are 4 stages to the SES programme: Stage 1 – Engage; Stage 2 – Develop, Stage 3 – Pilot and Stage 4 – Roll Out. The company is focussing on Stage 3 (Pilot) which will last between October and March 2021. This will comprise installing about 4,000 meters in partnership with the Raven Housing Trust at their properties; training employees and gaining feedback ahead of wider rollout (Stage 4). SES will evaluate the feedback from Raven Housing Trust employees, tenants and forums including any complaints.

Beyond the Pilot the plan is to start the rollout in the Tandridge and London Borough of Croydon areas in 2021/22. Early engagement with local authorities, Housing Association and other groups will take place next year and the programme will be supported by enhanced water efficiency activity.

BD enquired “has SES thought about using their small company



status to make their messages more personal to help when talking to customers and the impact it might have on their local environment and rivers?"

AM concurred this was an area to explore further.

KL reflected on the metering customer research focus group she had observed. She said that there was a universal expectation of smart meters being installed.

**Challenge 5:** KL challenged the company to go further on smart metering, she said "is the company thinking of expanding the target of 10% smart metering given the evidence from the customer research?"

AM reported that there is very good support for smart metering however some customers still have some concerns. TK reported that the broader focus at the moment is evaluating the expectation and benefits of smart meters and technology and how quickly its moving forward. Privacy issues with extraction of data on consumption and price. In context it costs £260 to install a meter, a standard meter is £12, smart meters are £50-£60. In making a large investment he asserted that it is important the company is confident that optimal technology is selected that can stand the test of time and evaluation report to be shared with the committee and that privacy issues considered before green lighting it.

AL questioned "has SES factored in time for delays between now and March 2021 due to Covid-19?" AM reported that yes, extra time has already been factored into the programme.

**Action:** AM said she would share the evaluation report of the metering pilot with the ESP when it is completed.

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AM

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## AOB

AT thanked everyone for their input and feedback.

HS shared the industry net-zero roadmap. The route map is being prepared by Ricardo and Mott MacDonald on behalf of Water UK. The route map offers different pathways to net-zero to achieve the 2030 target. The scope of the 2030 target is operational emissions. There is ambition to add capital emissions into that at a later date. The route map is due to be published on 12 November. The three pathways are: 1. Demand led – sustainable, consumption, leakage; 2. Technology led – renewables, electric vehicles, wastewater; 3. Removal led – grassland, peatland and planting of 11m trees. Once route map has been published there will be time for companies to put in place their action plans.

**Action:** TB said that he would send an update on WRSE work under separate cover.

5

TB

**Action:** TP reported that he would send a full update on the recent EA Environmental Performance Assessment report under separate cover. He mentioned that the Assessment does not cover Water-only

6

TP

water companies like SES Water, but it is looking to include them in future so it is important to understand how the Environment Agency is measuring and reporting performance on key areas.

GH provided an update on the key areas the CSP will be focussing on at their next meeting: C-Mex programme, driving forward involvement in social purpose debate, customer related performance commitments and communications activity from a customer perspective.

8 **Formal meeting end and followed by private session with external ESP members**

9 **Close**

**This is accurate record of the minutes of the meeting.**

**Date:** 5 January 2021

**Name:** Alison Thompson

**Signed:**

A handwritten signature in black ink, appearing to read 'A Thompson', written over a light blue horizontal line.

**Role:** Chair of Environmental Scrutiny Panel for SES Water.