



SES WATER ENVIRONMENTAL SCRUTINY PANEL

TERMS OF REFERENCE

1. Introduction

SES Water's Environmental Scrutiny Panel (ESP) was formally launched on 27 April 2020. The role of the ESP is to act independently on behalf of SES Water's customers to advise and challenge the Company in its vision, strategy and Business Plans relating to environmental outcomes. The ESP is an independent group with an independent Chair. It has equal standing with the Company's Customer Scrutiny Panel (CSP).

The ESP has three core objectives drawing on best practice and thought leadership to:

- 1. Ensure SES Water develop a robust long-term environmental strategy.**
- 2. Align with and contribute to regional environmental initiatives.**
- 3. Scrutinise SES Water's environmental performance commitments and obligations laid out in the business plan.**

2. Membership and Summary of Remit

a. Relating the Composition to the Objectives

The ESP and SES Water need to consider the balance between membership of the ESP and other bodies and groups with which the ESP and/or the Company should consult or have a relationship to ensure effective outcomes.

b. Composition

The ESP will normally have a maximum of ten members in addition to the Chair but will also have powers to co-opt additional members to ensure its effectiveness. The Chair of the CSP will attend the ESP meetings and the ESP Chair will attend CSP meetings. Members could be drawn from:

- Environment Agency
- Natural England
- Regional or local wildlife trusts
- South East Rivers Trust
- Blueprint for Water
- Representation from future bill-payer (local college students)
- Local environmental interest groups
- Others as agreed from time-to-time with the Company

c. Conflicts of Interest

A Register of Interests will be maintained for transparency and in order to mitigate the risk of conflicts emerging. If members become aware of any potential conflicts of



interest which conflict with your role they should disclose these to the Chair at the earliest opportunity. To ensure transparency, pecuniary interests will be a standing item on each Agenda so the Chair can manage these as appropriate.

d. Confidentiality

ESP Members must not use or disclose confidential information either during or after their term of membership except in pursuance of their duties.

e. Term of Appointment

To ensure that the ESP always remains quorate in its membership base, the Chair will determine a term of appointment with each member which will range in length. The minimum term expected is 3 years. The term may then be subject to renewal.

f. Member Remit

ESP Members should work at the interface to the water industry they may hold or have held relevant positions in the private, public or voluntary sector. Members will have the ability to understand the way a water company works. Moreover, they will be willing and able to challenge assumptions, vision and business plan related to the work of the ESP for SES Water, delivering this challenge in an independent and constructive manner that engenders results. Local customers of SES Water are to be encouraged to apply.

ESP Members are expected to:

- Keep abreast of the strategic context relevant to the ESP.
- Play an active role as a member to ensure SES is effectively, constructively challenged in a timely way to enable a 'critical friend' relationship between the ESP and company.
- Support the Chair at key meetings for example, accompanying the Chair to occasional SES Board Meetings or representing the ESP at regional meetings.
- Advise the Chair of local issues and play a proactive role in developing a strategy and rolling timetable for the work of the ESP, proposing initiatives/activities and ideas that could ultimately comprise Agenda items.
- Provide input to key consultations where applicable as agreed priorities of the ESP
- Play a role in ensuring accurate, independent, balanced reporting to Ofwat by the Panel in its Annual Reporting.
- It is envisaged that the ESP will become actively involved with the Ofwat procedures for the 2025-30 Business Plan as part of its role to work with the Company to develop its longer-term environmental strategy. This will take place alongside similar activity aligned with DEFRA procedures for the Company's regional Water Resource Management and Drought Plans. It is expected that these activities will run throughout 2020-25. Therefore, ESP members need to be flexible to the evolving needs in the lead up to the Price Review 2024 process, which may entail additional scrutiny and time working together.

3. Meetings and Conduct of Business

a. Frequency and Timing

The ESP will take place not less than quarterly. Locations will be rotated and not be limited to Company sites. Meetings will likely take place in January, May, July and October of each year but will be timed to align with the Board and CSP timetables.

The meetings are to be convened through SES Water by the Chair after consultation with the Group Chief Executive or Wholesale Director. The Company shall provide a suitably qualified member of staff to act as Secretary to the Group and support as necessary to fulfil the Terms of Reference.

b. Quorum

The quorum shall be one third of the members plus the Chair.

c. Agenda

The agenda for each meeting will be agreed with the Company and distributed at least a week in advance (along with associated papers or other pre-reading material) and, at a minimum, contain updates on:

- Minutes, actions and challenge log from previous meetings.
- Implementation and progress with the environmental elements of the Company's Business Plan.
- Actual performance compared to performance commitments.

d. Recording of minutes and challenges to the company

A series of logs will be maintained by the ESP Chair and ESP Secretary:

Challenge Log: A challenge log will include substantive information requests likely to influence policy or practice.

Action Log: Individual questions or information requests will be captured.

Engagement Log: To ensure regional links are made effectively to fulfil the objective of effective regional working, external meetings and events will be recorded in an Engagement Log attended by the Chair or ESP members.

Minutes: The ESP Chair or ESP Secretary will circulate draft minutes to ESP members within a fortnight of each meeting for comments by correspondence alongside the Challenge Log Action Log and Engagement Log. It is incumbent on all ESP members to ensure pertinent matters have been accurately recorded. Approved minutes for each meeting will be available on the Company's website once formally cleared by the following ESP meeting.

e. Expenses

ESP members will receive £100 per meeting attended, in addition to their travelling expenses for travel to meetings. This sum will be paid personally where the individual is independent, or to their organisation if it is not-for-profit.

4. Relationships

Company

The Chief Executive and or a representative to attend each ESP meeting, plus other Director(s), Senior Managers or subject matter experts relevant to the agenda items.

Board

- One Non-Executive Director will attend the ESP at least once per year.
- The ESP Chair will attend a SESW Board meeting at least once per year.
- The Group Chief Executive reports to Board meetings about ESP activities.

5. Reporting Procedure

The ESP Chair will report at and after each meeting to the Group Chief Executive, who will then report to the SES Water Board of Directors. The ESP Chair will also report annually to the Board of Directors. In addition, the ESP will provide a summary of its activity to the Company's Annual Performance Report and an independent summary report on performance and progress to Ofwat. The ESP and CSP Chairs will liaise regularly to ensure that neither panel duplicates the work of the other, and that full coverage of the Company's performance commitments is achieved.

6. Allocation of Performance Commitments and Public Interest Commitments

The CSP and ESP will work collaboratively on the scrutiny of the company's performance to ensure detailed scrutiny and to achieve a balanced picture of the company's overall performance the panels. This is to be allocated as per figures below.

Ratified by the ESP as accurate record of the agreed Terms of Reference:

Date: 6 October 2020

Name: Alison Thompson

Signed:

A handwritten signature in black ink, appearing to read "Alison Thompson".

Role: Environmental Scrutiny Panel Chair

Review date: April 2021.



Allocation of PC's for prime review in CSP & ESP meetings

NB: both CSP & ESP will see and be able to challenge all PC's .

Performance Commitments	Summary Definition	
Common PC's		
Cmex	Mechanism to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain. Measured via weighting for combination of customer service ("contact") and customer experience ("noncontact") surveys.	CSP
Dmex	Mechanism to incentivise water companies to provide an excellent customer experience for developer services customers. Six-monthly satisfaction survey to assess company performance on average of the two surveys combined.	CSP
Water Quality	Using DWI Compliance Risk Index; a measure designed to illustrate the risk arising from treated water compliance failures	CSP
Supply Interruptions	Average number of minutes lost per customer property for the whole customer base for interruptions that lasted 3 hours or more.	CSP
Drought Risk	Percentage of the population the company serves that would experience severe supply restrictions (for example, standpipes or rota cuts) in a 1 in 200 year drought	CSP
Unplanned Outage	The temporary loss of peak week production capacity in the reporting year weighted by the duration of the loss (in days).	CSP
Bursts	Number of mains bursts per thousand kilometres of total length of mains. Mains bursts include all physical repair work to mains from which water is lost.	ESP
Leakage	% change in megalitres a day (Ml/d) based on a three-year average. Measured as the sum of distribution system leakage, including service reservoir losses and trunk main leakage plus customer supply pipe leakage.	ESP
PCC	% change in litres per person per day based on a three-year average amount of water used by each person that lives in a household property.	ESP

Bespoke PC's		
Cust Concerns about their water	Number of customer contacts about taste, odour and discolouration per 1,000 population each year.	CSP
Cust Confidence	Cust survey (scale of 1 to 5) ref <i>"Taking everything into account, I am confident in SES Water's ability to provide me with a reliable supply of high quality water."</i>	CSP
Supporting customers in financial hardship	Count the number of customers on the Water Support Scheme on 31 March each year.	CSP
Vulnerable Support Scheme awareness	Cust survey re answering "yes" to <i>"Are you aware of the additional support SES Water offers customers in vulnerable situations through their Helping Hand Scheme?"</i>	CSP
Vulnerable Support	Cust survey re Helping Hands Scheme; answering "yes" to <i>"Do you feel that these services offered by SES Water are helpful?"</i>	CSP
Managing bad debt	Measure of the cost each year of the money billed but not paid by customers for the year and express as a percentage of annual revenue.	CSP
VfM perception	Cust survey (scale of 1 to 5) ref <i>"how satisfied or dissatisfied are you with the value for money of the water services provided?"</i> . Measure is % dissatisfied.	CSP
Void properties	Measure of the % of properties (both households and businesses) that are connected to our network where our records show that they are vacant and therefore not using water.	CSP
Risk of supply failure	Measure the percentage of our properties that can be supplied by more than one water treatment works.	CSP
First contact resolution	Measured by recording repeat contacts received within a period of 10 working days.	CSP
AIM	The Abstraction Incentive Mechanism (AIM) is a mechanism established by Ofwat that incentivises water companies to reduce their water abstractions from the more environmentally sensitive water sources when river flows are low. Measured in millions of ltrs reduced abstraction.	ESP
Greenhouse gas emissions	Measure of operational greenhouse gas emissions; presented as emissions (kgCO ₂ eg) per million litre of water put into supply.	ESP
Pollution incidents	We will measure the number of the more severe pollution incidents that we cause. 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.	ESP
Land based improvement - biodiversity	We will measure the number of our water production and treatment sites where we achieve and maintain the Biodiversity Benchmark over the period 2020 to 2025.	ESP
River based improvement - delivery of WINEP	Water Industry National Environment Programme (WINEP) sets out the investigations, improvement measures and measures to prevent deterioration needed to meet the water framework directive (WFD) objectives and those of other drivers. Measured as number of projects	ESP



Allocation of Water UK Public Interest Commitments for prime review in CSP & ESP meetings

NB: both CSP & ESP will see and be able to challenge all PIC's .

Public Interest Commitment	Summary definition	Responsibility
Social Mobility Pledge	Be the first sector to achieve 100% commitment to the Social Mobility Pledge. Along with investment in skills, this is part of our wider aim to promote opportunity in local communities and increase talent and diversity within companies. The Pledge commits to action in three areas – partnering with schools or colleges to provide coaching, providing structured work experience and/or apprenticeship opportunities, and adopting open employee recruitment practices – all aimed at people from disadvantaged backgrounds or circumstances.	CSP
Affordability	Make bills affordable as a minimum for all households with water and sewerage bills more than 5% of their disposable income by 2030 and develop a strategy to end water poverty. This requires a package approach tailored to local needs, including measures such as helping customers to be more water efficient, providing social tariffs and additional forms of financial assistance, and working with other organisations to support customers in vulnerable circumstances.	CSP
Leakage	Triple the rate of sector-wide leakage reduction by 2030. As part of a wider long-term strategy to reduce per capita consumption of water and invest in more water transfer and storage, this goal represents an unprecedented rate of improvement to help us to meet the unprecedented challenges posed to water supplies by climate change and population growth.	ESP
Net zero	Achieve net zero carbon emissions for the sector by 2030. As energy-intensive businesses, we have an important contribution to make in tackling the causes of climate change. We can make a real difference through measures such as greater water efficiency, buying green energy as well as generating renewable energy ourselves, planting trees, restoring peatland and working with our supply chain.	ESP
Plastics	Prevent the equivalent of 4 billion plastic bottles ending up as waste by 2030. We will end the use of avoidable single-use plastics in our businesses and support the contribution which the public can make by providing water refill facilities and through education. Our ambition is to be worldleading in the role water companies can play in the wider campaign to cut down on plastic pollution.	ESP