

SES Water
Minutes of a Meeting of the Board Meeting
Thursday 24 September 2020

To be held at SES Water, 66-74 London Road, Redhill RH1 1LJ and via conference call commencing at 11.45am

Present:	J Pelczer	JP	(Chairman)
	M Legg	ML	
	D Shemmans	DS	
	J Woods	JW	
	S Kitajima	SK	
	K Oida	KO	
	I Cain	IC	
	P Kerr	PK	

In attendance:	N Houlahan	NH	
	T Kelly	TK	

M Rink (DWI)	MR	(Item 68 only)
D Lamb	DL	(Item 69 only)
A Reynolds	AR	(Item 69 only)
I Adams	IA	(Item 69 only)
P Anyan	PA	(Item 70 only)

2020 63. Declaration of Interests

JP reminded the Board to continue to update PK of any changes to the register of directors' interests. No further updates were noted to the current register as attached in the papers for this meeting.

2020 64. Minutes of Previous Meetings

The minutes of the meetings held on 22 July 2020 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2020 65. Matters Arising and rolling board agendas

The matters arising were reviewed with the Board, with the following items of note:

Item 1 & 2: Deepdives - PK noted the reordering of various deepdives with the Board for 2020/21 based on the new 12-month rolling Board agenda in place.

Item 4: Social mobility pledge – IC noted that discussions with management and Justine Greening were continuing on this matter, with an updated scope and value proposition to be reviewed in October 2020 between the respective parties.

Item 8: DWI Cheam – NH noted that with respect to the previously discussed water quality event at Cheam, whilst management identified a number of actions internally from the root cause analysis session, the DWI

only made two formal recommendations in respect of this event. All internal actions (other than the one identical to the open DWI action) have been satisfactorily addressed.

Item 9: TK noted that management were implementing a number of recommendations arising from an externally commissioned review of the Godstone treatment works in connection with recent discharge consent matters under discussion with the EA.

Item 10: Ex-employee letter – IC noted that this matter had now been satisfactorily closed

Item 13: Sustainable headcount – IC noted – and the Board agreed – that this item would be removed from the matters arising and would be dealt with as part of the wider strategic and operating model discussions with the Board.

Item 18: Main resilience – TK confirmed that the updated mains reliance paper had been delivered to the Board.

Item 19: Pellet collection - TK confirmed the pellet collection from Elmer was proceeding as planned with Advanced Minerals. Following a question from JP, TK confirmed that reliable core softening had been achieved at Elmer now, although ancillary works were continuing.

PK noted to the Board the rolling agenda now in place, which would be updated at each meeting.

JP requested TK to update the Board on the timing for the annual WINEP review.

2020 66. Board Committee Reports

Report from the Nomination Committee

JP provided the report from the Nomination Committee, highlighting the following points:

- The update provided by IC on recruitment of the Chief Information Officer, Chief Customer Officer and Head of Production roles, which were proceeding to interview stage.
- The planned recruitment for the next Customer Scrutiny Panel chair commencing in October 2020.
- IC's latest view on senior succession plans is to be presented to the November 2020 Committee.

Report from the Governance Committee

ML provided the report from the Governance Committee, noting:

- The positive progress made on various fronts, including the recent governance disclosures in the Annual Performance Report and careful tracking of the 2020/21 governance actions.
- The review by the Governance Committee of certain items in the annual governance agenda and its recommendation to the Board for approval – namely SESW's Board Powers and Delegations (following one minor clarification with TK), the Matters Reserved for the Board and the Terms of Reference of the Nomination, Audit and Remuneration Committees of the Board. The Board approved these items and their relevant internal/external publication.

- Approval by the Committee to engage Independent Audit to perform the Board Effectiveness review during April/May next year, with proposed scope changes as noted in the Committee minutes.

Report from the Finance Committee

ML provided the report from the Financing Committee, stating that work was underway with management, the shareholders and external advisors on the options associated with the sinking fund attached to the Company's long-dated bond.

Report from the Audit Committee

ML provided the report from the Audit Committee, noting:

- The 2020/21 statutory reporting calendar provided to the Committee, together with areas of focus by management and the progress made to date on external audit control recommendations.
- The restructuring underway within the finance department to address matters of resilience and quality within the finance team.
- The update provided on regulatory accounting and reporting matters, including the planned work on Ofwat's Company Monitoring Framework in the year.
- The review by the Committee of the indicative wholesale charges for 2020/21, and the recommendation to the Board for their approval and issuance, together with the associated Board assurance statement. The Board approved publishing of such indicative wholesale tariffs for 2020/21. It was noted that the tariffs would be updated and subject to external assurance prior to final issuance in January 2021, with particular regard to the level of forecast 21/22 wholesale volumes.
- PwC's planned audit approach for 2020/21, and recommendations associated with financial and IT General Computer controls, which management were in the process of addressing.
- The status of the company's internal audit and compliance programme, the work to be performed by management in the coming months on system-based resilience work and the status on the Company's programme of policy reviews for 2020/21. On the latter, ML noted the review by the Committee of the Company's Modern Slavery Act (MSA) policy, with recommendation for approval to the Board. The Board approved the MSA policy for issuance.

2020 67. Regulatory update

PK updated the Board on various regulatory matters as detailed in the accompanying paper, noting:

- The upcoming deepdive board session to consider learnings from PR19 in advance of the PR24 consultation process.
- The Competition and Market's Authority (CMA) were still to publish their provisional findings in respect of the four appellant companies' rejection of their Final Determinations. Such findings were expected towards the end of September, and the Board would be updated at the 6 October 2020 meeting.
- The status of recent consultations and requests for information from Ofwat.
- The recent letters from Ofwat with respect to incumbent wholesalers' interactions with retailers to create an effective market for developers and associated entities. As detailed in the accompanying paper, PK noted that the Company had been identified as a poor performer in this area. PK reviewed the associated action plan to address these

issues, which was dependent on the restructuring of TK's wholesaler and developer services functions, which TK proceeded to describe to the Board. The Board requested to be informed of progress in this important area, and that – based on this action plan – IC would now formally respond to Rachel Fletcher on the matter.

2020 68. External guest – Marcus Rink

MR, Chief Inspector of the DWI, joined the meeting, and proceeded to provide the Board with an update of the recent DWI work and views of the Company's recent performance. In particular, MR noted:

- The DWI's focus continues to be on ensuring the constant delivery of good, clean, wholesome water, which requires good procedures, processes, people and serviceable assets.
- In general, the DWI have confidence that this is achieved across the sector, and their drive for 'better regulation' is to enable the improved understanding and interpretation of data. This is being achieved through the development of their measurement indices: Compliance Risk Index (CRI); Event Risk Index (ERI); Recommendations Risk (RRI) Index; and the Risk Assessment Risk Index (RARI).
- MR noted that for all these indices, SESW's performance for 2019 was very good. MR did note that for the RARI, SESW's performance might actually be deemed as an outlier and maybe appears 'too' good, although the DWI would continue to review residual risk for the Company in this area.
- Whilst there have historically been no recommendations to the Company from the DWI (due to the depth of the Company's internal investigations and quality of its reports), MR did note the ongoing work on 2020 events and audits of the Company's results by the DWI.
- MR noted that the Company had reacted to issues and risks in 2020 appropriately, but it was expected that further recommendations may arise in respect of disinfection at Cheam event once the DWI has completed the work in this area.

JP – on behalf of the Board – thanked MR for his presentation and agreed that the Company would always welcome the review and healthy challenge from the DWI, whilst noting the Company's performance continued to be very good on the delivery of high-quality water for its customers.

MR then left the meeting.

JP requested the NH work with him to draft a formal thank-you letter to MR.

2020 69. CRM/Billing system and Customer Experience update

DL, AR and IA joined the meeting, and DL opened by reviewing the latest status of the Aptumo project as detailed in the accompanying paper.

DL noted the good progress made in the areas of data migration, defect identification and testing and overall business readiness. However, with the significant data migration efforts require to extract specific data from Hi-Affinity to Aptumo, a revised go-live of 14 December 2020 has been proposed by management. DL reviewed the specific go/no-go decision as detailed in his paper with the Board, and JW and IC confirmed that this was in line with their understanding and discussion at the recent programme Board, noting that – despite the disappointment of the delay – this was the appropriate decision in light of the recent data migration work. IC confirmed that the Board would be updated ahead of the November Board meeting on next steps.

AR proceeded to update the Board on recent C-Mex activity, detailing the recent work in the 5 main priorities in this area – listening to customers, C-MeX insights and data sharing, keeping customers informed, working with high bill customers and service level agreement tracking for customers. The Board noted the enhanced analytics in this area, which was providing a level of transparency, insight and actions that had not been previously available.

IA then reviewed with the Board the developer services transformation work that he was leading, noting the work being performed in the areas of operational grip, communications and engagement with customers, financial reporting and plans for 2021-22 charging arrangements.

The Board commented on the positive progress in each of the above areas, requesting further updates at the 25 November 2020 Board meeting via this standing agenda item.

DL, AR and IA then left the meeting.

2020 70. Monthly Reports (July and August 2020)

The Board proceeded to review and discuss with management the latest monthly performance report.

IC provided an overview of recent performance matters, noting the focus on the performance commitments under pressure (such as leakage, per capita consumption and softening), and the recent work initiated to reduce job backlogs across both the wholesale and retail areas of the business (aided by the recent data analytics in these areas).

Covid-19 update

TK provided the Board an update on the latest Covid-19 related work by management, with the senior management updates continuing three times per week. Recent efforts focused on ensuring the appropriate balance between working from home and the effectiveness of certain teams in the office, and ensuring that a Covid-19 secure environment is being maintained.

External Health & Safety status update

NH reviewed the accompanying health and safety update with the Board as contained in Boardpacks, noting the progress on Year 1 maturity model, the ongoing recruitment of support to aid Karl Reid on Group wide Health and Safety matters and the action log on matters arising from the external review by JC. The Board requested that this remain a standing agenda item on future Board meetings. DS noted with concern the PHEW on the near drowning incident and a report on the circumstances and lessons learnt was requested. The Board noted a number of PHEWs in the last 12-18 months that could have resulted in more serious outcomes and sought assurance that the expected cultural mindset and training and general health and safety awareness is being urgently progressed.

IT infrastructure update

PA joined the meeting and provided the Board with a view on the extensive work being performed to optimise the local and wide area network configurations of the company, to improve the quality and effectiveness of data transmissions with respect to both operational and information technology matters. PA also provided the Board with an update on the recent data analytics work with Hitachi, providing the initial results of the improved data insights being obtained, and associated reporting, in the retail area. PA then left the meeting.

Financial forecast update

ML noted to the Board that he had reviewed the Q1RF within the Boardpacks, which noted the downward pressure on non-household revenues arising from the Covid-19 pandemic.

Capex approvals

TK reviewed with the Board the two requested capital expenditure items for approval – the outline design work for Bough Beech WTW Phase 3 upgrade and the Alderstead Service Reservoir Roof membrane replacement. Both items were noted as within the budget for the year, and further detail was provided in the accompanying papers. The Board approved both items.

2020 71. Shareholder Update

No further matters for discussion were noted by the shareholder.

2020 72. Any Other Business

Board Training schedule 2020/21

PK reviewed the proposed 2020/21 training schedule with the Board, noting that this was a combination of specific Board training, items for the Board to be aware of and recommended policy reading for the Board. The Board approved the proposed programme of training, and requested that the executive directors – with the aid of the Company’s Learning and Development function – proceed to implement.

2020 73. Date of Next Meeting

Wednesday 25 November 2020, provisionally at Bough Beech WTW.

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(Chairman)