

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 20 July 2022

To be held on the Boardroom, Redhill and via MS Teams
commencing at 9.30am

Present:	D Shemmans	DS (Chairman)	
	M Legg	ML	
	K Kageyama	KK	
	K Oida	KO	
	I Cain	IC	
	P Kerr	PK	
	R Wiles	RW	
In attendance:	T Kelly	TK	
	K Thornton	KT	
	J Gilbert	JG	
	S Brown	SB	
	J Omura	JO	
	E Prince	EP	
	A Thompson	AT	(Item 32 – 37 only)
S Crabb	SC	(Item 37 only)	
Absent:	J Woods	JW	

2022 32. Declaration of Interests

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

2022 33. Minutes of Previous Meetings (including website minutes)

The minutes of the meetings held on 26 May 2022 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2022 34. Matters Arising and rolling board agenda

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

- Annual Performance Report – PK noted the successful issuance of the APR 2022, with Ofwat's review process underway. PK noted the Audit Committee would be updated in September 2022 of comments raised by Ofwat.
- DWI audit status - IC noted his attendance at the recent Annual DWI meeting, with no significant matters from a SESW perspective raised, although it was highlighted that the DWI Board update document contained in the Board papers summarised a number of responses and final reports still due from the DWI after their recent audits and reported events.
- Customer charter -. A full update of the Customer Charter audit and action points would be provided at the September 2022 Board.
- Environmental compliance - TK confirmed that SES Water was compliant with all their environmental and abstraction licences and requirements. DS requested that this remain a standing item for the Board and that a simple one-pager be prepared to summarise areas of compliance for the Board to sign-off.

DS also requested that – at the September Board – progress be made by management in optimizing the Board timings and papers, ensuring pre-reads were issued appropriately in advance and greater time be provided for discussion.

2022 35. Board Committee Reports

Report from the Nomination Committee

DS reported on the recent Nomination Committee, noting the key points of discussion included:

- IC's recent non-executive appointment, noting that the Committee were satisfied that this would not interfere with IC's SES Water role from a time perspective.
- The departure of JG at the end of August 2022, and the Committee expressed its thanks to JG for the work performed in his CIO role for the company in the last 18 months.
- SB's appointment as the Company representative trustee for the defined benefit pensions scheme.
- The status of the company's year-end appraisal process.

Report from the Remuneration Committee

JW reported on the recent Remuneration Committee, noting the key points of discussion included:

- The on-going benchmarking work on executive pay.
- The latest gender pay update, with it being noted that a pay gap of c10% still existed primarily driven by the proportion of males: females in senior positions in the company, with the Committee continuing to focus on actions to narrow this gap in future.
- The pending finalisation of IC objectives in the year.

2022 36. Purpose, strategy and communications update

LM joined the meeting.

KT and LM reviewed with the Board the detailed purpose update provided in the accompanying paper, noting:

- The process and progress to date on purpose, including the engagement with colleagues, customers, and community representatives.
- The feedback received at the last Board meeting, and how management have incorporated that advice into the updated purpose statement, goals and themes for the Company.
- The integration of the purpose work into the ongoing PR24 long-term delivery strategy (LTDS) work – enabling the priorities and level of ambition to be provided to the Company's stakeholders for wider consideration.
- The planned communication and roll-out plan for the purpose work, both inside the Company and with the wider stakeholder group.

DS appreciated that management had actively enhanced the purpose work following feedback from the Board and noted the strong narrative and updated purpose language. DS and ML commented that it will be helpful to see the linkage more clearly of purpose into the LTDS when the latter is reviewed in late September 2022 by the Board, leading into the core pathway development for the Company for PR24 and beyond.

RW cautioned on ensuring that various sub-strategies did not develop from this main purpose work, and that the roll-out plan needs to align all employees to the Company's purpose as defined in these documents. AT added that proactive management with customers is also key here to ensure effective embedding of the strategy.

The Board therefore approved the purpose statement and associated narrative for the company and requested an update on the communication plan status at the next Board meeting.

LM then left the meeting.

2022 37. Update from Alison Thompson, Chair of Environmental Scrutiny Panel (ESP) and Steve Crabb, Chair of Customer Scrutiny Panel (CSP)

SC joined the meeting.

AT provided an update from the ESP's perspective of recent work performed with the Company, including:

- Delighted the company has acted on the ESP's strategic recommendation last year to the Board around accelerating ESG governance and strategy through both a new ESG Committee to provide governance and double materiality assessment to underpin a strategy. Also pleased that our input on the purpose has led ultimately to a more enhanced ambition around nature. Our next focus will be on inputting into thinking around the Long Term Delivery Strategy. We plan to produce a paper working with the CSP to the Board to use for its Assurance process and share with wider stakeholders.
- At a catchment level, keen to see what more can be done around abstraction to leave more water in the environment and incentivise citizens to act different given the predicted regional water deficit in the future and growing demand pressures Tangibly, the ESP would like to see SES make investment provision in AMP8 to upgrade fully to a smart meter stock.
- SC and AT's upcoming involvement in Ofwat/CCW's central challenge group, through which they will keep the Company updated as PR24 progresses.

SC provided a similar update with respect to the recent CSP work, highlighting:

- The approval of the updated terms of reference for the panel.
- The membership changes currently underway.
- The involvement of SC as part of the PR24 challenge groups across the sector, and the use of such input to develop a robust and complete customer engagement assurance for the Company's PR24 plans.
- The focus by the CSP on key aspects of customer engagement, including use of the social tariff, stakeholder management and the recent ESG materiality assessment.
- The focus on PR24 timeline for customer engagement, which will be tight given the balance of collaborative and customer led research across the sector.

DS thanked AT and SC for their continued contribution and challenge to the Company in the above focus areas.

AT and SC then left the meeting.

2022 38. Regulatory update

PK provided a regulatory update to the Board, as detailed in his accompanying papers, with the following points to note:

- DS provided the Board with a summary of his introductory call with Iain Coucher, the incoming chair of Ofwat. Various sector wide topics were covered, with DS providing Iain Coucher with a view on certain SES Water specific topics for consideration, such as softening, biodiversity and iDMA matters. DS noted that this call is being followed up with an in-person visit to SES Water on 6 September by Iain Coucher.
- IC noted to the Board the recent site visit by David Black, the Ofwat CEO, which was received positively by Ofwat. Again, key matters such as operational performance, iDMA, financial resilience, softening and biodiversity were discussed with David Black, and IC was pleased with the openness of the dialogue and interest by Ofwat in SES Water's operations and key focal points going into PR24.
- PK provided the Board with a summary of the recent PR24 deepdive, noting that – with the issuance of Ofwat's Draft Methodology on 7 July – the Company was now able to reassess the scope and timing of the PR24 workstreams and develop more detailed plans up to October 2023 business plan issuance date.
- DS and ML noted the need to ensure that future PR24 Board meetings focus on clear requirements for approval items for the Board (and less on process), and that the key choices for the company are surfaced. PK agreed, noting that a Board approval/milestone schedule will now be issued following release of the Draft Methodology, with the first key approval points being the response to the Draft Methodology in early September. PK emphasised that development of the Company's core adaptive pathway under the LTDS requirements from Ofwat will allow for key choices to be provided to the Board, but this needs to be performed in conjunction with development of the LTDS.
- PK also noted that several key aspects of the methodology were yet to be issued by Ofwat – including the allowed rate of return – and that this area – combined with the focus on equity injection by Ofwat – will likely prove to be some of the more controversial aspects of the business plan moving forward.

2022 39. C-Mex and D-Mex review

TK and KT reviewed with the Board an update on C-Mex and D-Mex progress, as detailed in the accompanying Board paper, noting:

- The recent initiatives being implemented for both areas, with a view on forecast improvement points linked to key areas of progress.
- Insight into the largest gaps in customer satisfaction, based on recent results analysis.
- A linkage of such focus areas to the KPIs that would drive improvements being forecast, with detail on current performance and targeted metrics.
- Detailed plans and resource requirements to manage improvements in such metrics.
- The recent improvements in D-Mex quantitative scores for the first 3 months of 2022, and the specific timeline and set of initiatives in place to tackle both the qualitative and quantitative aspects of this measure.

DS noted the improved clarity from the Board's perspective on the priorities and associated metrics/KPIs from management and asked that this level of focus on metrics – with actuals against targets – be provided to the Board in future meetings to ensure a clear understanding is built about the Company's progress in this area.

ML also noted that – for business retail markets – an update be provided at the next meeting – on the previous request by Ofwat on specific actions for the Company in the regard.

2022 40. Performance update

IC opened by providing the Board a summary of the performance in the year-to-date as detailed in his accompanying paper, noting:

- The prioritisation of issues by management, with delivery of performance commitments within the financial budget continuing to be the main priority.
- A summary – from TK – of the recent water supply work being performed to ensure continuous resources to Gatwick airport.
- The areas of financial focus, including the implementation of key financial initiatives such as revenue maximization and rigour on ensuring opex appropriately managed.
- The stable water resource position of the company, with a reminder to the Board of the stages of drought plan enactment if needed over the summer months.
- The positive progress on voids, leakage and other key performance commitments.
- The importance of the upcoming tariff setting period given the ongoing impact of inflation across the community.
- Detailed of the RIDDOR that occurred in the month at Bough Beech.
- The recent successful issuance of the APR.

The Board discussed each of the above areas with management, noting the lessons learnt from the recent supply work with Gatwick, and challenging management to ensure that key priorities are effectively handled with the appropriate time and resource.

2022 41. Shareholder Update

No further matters were raised by the shareholders.

2022 42. CEO/NEDs private session

A private session was held between the NEDs and IC.

2022 43. Date of Next Meeting

Wednesday 28 September 2022

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(Chairman