

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 10 February 2021

**Held at SES Water, 66-74 London Road, Redhill RH1 1LJ and via MS Teams
commencing at 2.30pm**

Present:	J Pelczer	JP	(Chairman)
	M Legg	ML	
	J Woods	JW	
	S Kitajima	SK	
	K Oida	KO	
	I Cain	IC	
	P Kerr	PK	
	D Shemmans	DS	
In attendance:	N Houlahan	NH	
	T Kelly	TK	
	K Thornton	KT	
	E Prince	EP	(Item 1 to 5 only)
	J Gilbert	JG	

2021 1. Declaration of Interests

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

2021 2. Minutes of Previous Meetings (including website and AGM minutes)

The minutes of the meetings held on 25 November 2020 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2021 3. Matters Arising and rolling board agendas

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

Item 4 DWI status – NH provided a detailed update of the status of the recent DWI audits, presenting the Board with a schedule of recent DWI visits, outstanding queries and Company responses to date. NH noted in particular that responses were awaited from the DWI on the recent Cheam audit, and that - in reply to a question from ML – preparations across other sites in terms of reviewing documentation of our water safety plans to assess where further improvements can be made – were being implemented.

Item 7 – Net zero carbon – TK noted that progress continued to be made on preparation of the Company's roadmap in this area following the publication of Water UK's associated roadmap, and an update would be provided at the next Board meeting.

Item 11 Aptumo assurance – It was noted that since the latest Aptumo deepdive with the Board in late 2020, management – in the light of various factors (predominantly Covid-19) - had deferred the go-live of the Aptumo system to June 2021, and JP/ML/JW had been separately updated on these latest plans prior to this Board meeting. This was noted to be an appropriate timetable change in the circumstances.

Item 13 Wellbeing – IC noted that a separate wellbeing update would be provided by SB as part of the Health, Safety and Wellbeing Committee debrief in this meeting.

Item 14 – Whistleblowing – JP asked that each Board is updated, including a nil return, on whether any whistleblowing events have been triggered in the period since the previous Board. IC confirmed that no whistleblowing matters had been raised since the last Board meeting.

2021 4. 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 Terms of Reference for the Committee were agreed and published on the Company's website.
- Recent potential health, safety and wellbeing issues proactively identified by the company, including those pertaining to safe driving matters.
- The recent safety standdowns across the business, including Covid-19 related standdowns.
- The matters arising from the Committee – JP asked that the Committee also cover the action points from the recent John Corden external health and safety report issued in prior year.

SB proceeded to update the Board on wellbeing matters, noting that:

- Further data is now being reviewed on absences, with an increase in mental health issues being noted.
- To address this growing number of absences in this area, there has been a focus on management and staff 121s, the use of the "headspace" app, the implementation of "coffee and chat" sessions, a reconsideration of workload levels and ensuring child-care flexibility is considered across the Company.

DS noted the Board's appreciation of the focus by the Company in this area – ensuring policies and processes are implemented in practice. The Board expressed full endorsement to the important wellbeing measures in place to support employees.

Report from the Pension Risk Management Committee (PRMC)

ML reported on the recent PRMC, noting the key points of discussion including:

- The ongoing work with the trustees of the defined benefit pension plan to finalise the triennial valuation of the scheme as at 31 March 2020. ML noted the upcoming Trustees' meeting on 9 March 2021 prior to finalisation of the valuation.
- The Board will be updated at the 24 March 2021 meeting of the finalisation of the scheme's valuation via the PRMC report.

Report from the Financing Committee

ML reported that the Financing Committee was provided an update on the following key points:

- Progress continues to be made on solutions to the sinking fund associated with the long-dated bond, with updates provided after discussion with Sumitomo Treasury, Blake Morgan and various banks.

2021 5. 2021/22 Budget

EP and PK presented the proposed 2020/21 budget to the Board as detailed in the accompanying pack, highlighting in particular:

- The key elements of the budget that underpinned management's commitment to drive the business forward.
- The focus of the budget on delivery of all required performance commitments in 2021/22, although the updated AMP 7 reforecast reflected potential penalties associated with higher risk performance commitments.
- The key assumptions noted in the budget pack, the resulting financial profit after tax and dividend levels being targeted and the risk and opportunity schedule.
- The underlying drivers from 2020/21 profit after tax to proposed 2021/22 budgeted profit after tax, including areas of investment, run rate matters and one-off benefits to be realised by management in the coming year.
- Movements in full time equivalent staff numbers and management of such staff numbers going forward within budgeted numbers.

DS noted the not unusual, challenge for management to ensure the annual budget meets customer service expectations, regulatory requirements and shareholder expectations on efficiencies and returns as part of this budget.

The Board proceeded to approve the 2020/21 budget as presented by management, and thanked EP, PK and the team for the diligent and detailed budget process.

2021 6. Ordinary Dividend

PK reviewed with the Board the accompanying paper on the proposed interim dividend, noting that management recommended that this previously deferred dividend be paid to ESH from SESW, given that:

- overall, the Company has performed well, to the benefit of all of its stakeholders, through the very difficult circumstances of the pandemic, responding well operationally and consistently delivering high quality water to its customers.
- in the round, forecast performance for the year-ending 31 March 2021 is good in the current circumstances and considering expected delivery in the areas noted in the Company's dividend policy namely delivering customer service, achieving performance commitments, adhering to community commitments and taking care of our employees.
- while all performance commitments will not be achieved this year, this is not felt to materially detract from the overall acceptable performance in the year.
- the Company is expecting a solid financial performance for the year despite Covid-19.
- there are sufficient distributable reserves and available cash within the Company.
- sufficient liquidity exists under Q3RF & 2021/22 draft budget, with financial ratios being met.
- the shareholders remain supportive, ensuring the company continues to act in the public interest.
- the proposed dividend is below the level allowed within the regulatory framework.

ML noted that he had reviewed the above proposal in detail with management and was satisfied with the recommendation – DS and JW confirmed their support for this recommendation in the meeting. JP further noted that at the June 2021 Board, when the performance results of the full year are known, these matters will be considered further in the determination of the final dividend.

The Board approved the payment of an interim ordinary dividend originally budgeted for December 2020 (of £1.902m, comprising £1.602m and £0.3m dividends from the appointed and non-appointed businesses respectively) in respect of the year-ending 31 March 2021.

2021 7. Monthly Reports (November and December 2020)

IC opened by providing the Board a summary of the performance in the year-to-date, noting the continued focus by management on customer delivery and operational performance during the most recent lockdown. The following items of note were also discussed:

- TK updated the Board of management’s preparations for the upcoming winter event (based on the recent weather forecast for freeze/thaw conditions). TK noted that appropriate staffing levels and proactive burst management had been deployed, and that alternative water resources (should any customers be out of supply) had been secured. After a question from JP, TK confirmed that customer communications were planned around any potential activity should another “beast from the east” occur in the next few days.
- TK also noted management’s continued confidence in the year-end leakage numbers based on predicted weather activity and recent leak detection work. However, it again emphasised that per capital consumption target would not be met this year, with JP noting that – given the linkage to Covid-19 restrictions – this matter would be raised in his upcoming Jonson Cox meeting. JP asked that management continue to review the potential for additional asset and technological investment, coupled with obtaining further insight into customer behaviour, to ensure that efforts were being maximized on per capita consumption activity.
- In response to a question from ML, TK responded that there was no significant impact of Brexit was being noted to date in either chemical or protective clothing supplies.
- KT discussed the recent activity in the customer experience area, noting the recent positive CMEX Q3 results (with the Company moving up to 13th place in the sector) and the ongoing data analysis being performed to measure and address underlying CMEX drivers. The Board noted the improvements in CMEX Q3 results, but acknowledged this was still not where the Company needed to be on a sustainable basis in the sector.

2021 8. Shareholder Update

SK and KO thanked management for their continued focus on dealing with the Covid-19 situation from an operational, customer and financial perspective.

2021 9. Any Other Business

No other business was noted.

2021 10. Date of Next Meeting

Wednesday 24 March 2021 at Bough Beech Education Centre (pending Covid-19 restrictions)