

SES Water
Minutes of a Meeting of the Board
held on Wednesday 17 July 2019
in the Boardroom, Redhill
commencing at 9.00am

Present:

J Pelczer	JP	(Chairman)
M Legg	ML	
D Shemmans	DS	
J Woods	JW	
S Kitajima	SK	
K Oida	RN	
A Ferrar	AF	(Managing Director)
P Kerr	PK	

In attendance:

N Houlahan	NH
T Kelly	TK
D Lamb	DL (from Item 61 onwards)
CSP representatives – G Hanson (GH), A Thompson (AT),	
S Bland (SB)	

2019 55. Declaration of Interests

JP noted the updated Declaration of Interests within the Board papers and requested that all members continue to update PK of any changes.

JP welcomed the representatives from the Customer Scrutiny Panel (CSP) to the Board meeting, noting this was an important part of the Company's governance and transparency enhancements.

2019 56. Minutes of Previous Meetings

The minutes of the meetings held on 4 June 2019 were agreed and signed by the Chairman.

2019 57. Matters Arising

PK reviewed the "amber" matters arising with the Board, noting in particular the following items:

- Wider cost efficiency challenges now being considered as part of PR19 draft determination responses.
- 2019/20 executive Long-Term Incentive Plan letters were now completed and signed.
- Revolving Credit Facility renewal completed.
- Independent Audit's Board Effectiveness action points would be tracked through Governance Committee meetings.
- ML provided a verbal update on the recent finalisation of the Annual Performance Report (APR) work to the Board.

Responses to all outstanding matters arising will be noted on the carried forward matters arising schedule for the Board.

2019 58. Report from the Nomination Committee

JP provided the report from the Nomination Committee, updating on the positive feedback from KO following his recent director induction training, and noting that AF would contact Ofwat on their request for an update following KO's induction training. JP also noted the Nomination

Committee's discussion on the managing director recruitment process following AF's retirement announcement.

2019 59. Reputation update

AF presented his accompanying paper with the Board on reputational matters, starting with a summary of the recent Southern Water investigation and Ofwat's subsequent letter to the Company.

Southern Water investigation

AF summarised the overall actions currently being considered by management, noting that initial communications have already been delivered to all employees, and reviewing with the Board the proposed response to Rachel Fletcher's letter.

The Board reviewed and approved the issuance of the response letter to Rachel Fletcher, and in particular noted the key focus areas with respect to a Company's culture and tone at the top. The Board also debated the need for urgency on this matter, acknowledging that in certain areas, data may be constrained, and also expressed their real concern from a sector wide standpoint of these findings. The Board requested the following key actions to be taken by management:

- A reputational update to be a standing board agenda item going forward.
- Expand on the initial action list provided by management. JP requested that this action list be supplemented by the Southern Water lessons learned session that PK would be attending, and that management revisit the deadlines associated with these actions.

Water UK matters

AF proceeded to summarise the ongoing Water UK work addressing cross-sector matters, including the focus by companies on the "five challenging goals" within the Public Interest Commitment.

2019 60. PR19 update

PK provided an update on PR19 progress, including recent communications with Ofwat, the remaining action points arising from Ofwat's Initial Assessment of Business Plans (IAP) and steps to be taken in relation to submission of the Company's response to the Draft Determination on 30 August.

The Board noted the discussion during the strategy session earlier in the day on certain elements of the Draft Determination responses, such as cost assessment areas of focus, and also noted the upcoming Board call on 19 July where an overview of the Draft Determination would be provided to the Board.

PK noted the outstanding items from the IAP with respect to issuance of the Company's resilience action plan, which would be reviewed by DS prior to issuance on 22 August.

GH noted that the CSP has not been specifically asked by Ofwat to prepare a report with respect to the Company's response to the Draft Determination, but would take a keen interest in all aspects of the response where customer's interests were involved, including the final results of the cost assessment work.

- 2019 61. Customer Transformation Programme**
DL joined the meeting and updated the Board on recent customer transformation activity, including an update on the billing system and digital projects, as detailed in the accompanying papers.
- JP requested that the Board be separately updated on C-MEX progress.
- 2019 62. Resilience Mains update**
- TK reviewed the accompanying paper on resilience mains with the Board, which was focused on updating the Board on the status of the AMP6 programme, acknowledging the recent PR19 challenges from Ofwat in this area.
- The Board acknowledged the excellent progress made in this area and significant benefit for customers from this resilience work. The Board approved the remaining value of the scheme and delegated authority to PK/AF to approve final amounts through the Company's capex approval process.
- 2019 63. Monthly Reports (May and June 2019)**
- AF summarised the recent monthly Board reports, with the Board commenting and/or questioning management in the following areas:
- JP noted the excellent results from the recent DWI Chief Inspector's report on water quality matters, noting the Company's leading performance in many areas, such as certain quality indices (with industry best performance) and maintenance of the league position of 3rd in the Taste, Odour and Discolouration standings and expressed the Board's thanks to NH and her team.
 - ML raised the fact that the Audit Committee would be reviewing in detail on 26 September the latest status of compliance related matters with management, ensuring that all old items had been addressed and cleared.
 - The Board questioned TK on water resource levels, with TK providing a review of recent actual and forecast levels across the Company's key measurement points, noting no current issues.
 - PK and TK reviewed the capex acceleration programme with the Board, noting the specific items identified for efficient and effective capex spend.
 - The Board questioned management on the status of the remaining items contained within the "emerging risks" page of the management report – with management noting the recent successful recruitment to replace retiring operations system manager.
 - JP noted the recent successful issuance of the APR, requesting that PK ensure that the key individuals involved were properly acknowledged by the Company.
- 2019 64. Shareholder Update**
- SK thanked the Board and management for their support for the recent visit by Mr. Hyodo, Sumitomo's Chief Executive Officer and President.
- 2019 65. Any Other Business (including CSP feedback)**

JP noted his recent introductory meeting with Alan Megson, new Group IT manager.

JP also requested that the Board meeting dates for 2020 be reissued, including updated proposed Board Strategy Days.

GH, on half of the CSP, thanked the Board for the invitation to attend and participate in the meeting, noting that the access to the Board and information and points debated were extremely useful, and reinforced the focus by the Company on its customers. GH noted that the CSP would appreciate being invited annually to attend a Board meeting, and would work with AF's successor to maintain this level of interaction.

2019 66. Date of Next Meeting

Board call regarding the Draft Determination on Friday 19 July 2019.

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(Chairman)