

**SES Water**  
**Minutes of a Meeting of the Board Meeting**  
**Wednesday 25 March 2020**

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

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

<b>In attendance:</b>	N Houlahan	NH	
	T Kelly	TK	
	D Lamb	DL	(Item 23 only)

**2020 17. 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 18. Minutes of Previous Meetings and Bank Mandates**

The minutes of the meeting held on 12 February 2020 were agreed and signed by the Chairman.

The Board also approved the banking mandate changes for the SESW Board, replacing Anthony Ferrar with IC as authorised signatory on the SESW bank accounts.

**2020 19. Matters Arising**

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

- TK provided an update on progress of the system-based resilience plans to document and update the relevant plans in line with Ofwat requirements. TK also noted that Every Drop Count initiative continues, with recent successes in customer education and revenue protection, albeit the recent COVID-19 issues have curtailed this activity.
- NH provided an update on the recent progress in improving the process, controls and accreditation of Drinking Water Management Plans, with a further update to be provided in June Board.
- TK noted the finalisation of the Environmental Scrutiny Panel terms and dates for meetings, reflecting the recent discussions with the appointed chairperson, who will now be meeting with various stakeholders, including management, to prepare for the upcoming inaugural session in Q2 2020.
- TK commented that Woodmansterne was now fully operational, with handover completed and depreciation commenced in February 2020.
- IC confirmed Ofwat had responded with their agreement on the appointment of DS for a 3<sup>rd</sup> and final term as an independent non-

executive director (INED), requesting that clear disclosure be provided in the upcoming Annual Performance Report (APR) on the Board's view on this matter from a governance standpoint.

- NH provided an update to the Board on the status of the softening related letters from an ex-employee.

## 2020 20. Board Committee Reports

### Report from the Nomination Committee

JP provided an update from the above Committee, noting that:

- Ofwat were notified of DS's 3<sup>rd</sup> and final term as INED, with requisite explanation to be provided in the APR.

### Report from the Remuneration Committee

DS provided an update from the above Committee, noting that:

- Executive and SMT bonuses for 2019/20 would be presented for review and approval in the 2 June Committee meeting.
- Executive and SMT bonus metrics for 2020/21 had been agreed, with a confirmation that greater than 60% of such rewards would be based on customer metrics. IC would work with Sarah Brown to communicate these metrics to the SMT in the next month.
- The Joint Negotiating and Consultative Committee's approval of the new 2-year pay deal commencing 1 April 2020.
- LTIP 2020 plan targets were confirmed, with IC and PK to provide further information on basis of measurement going forward.
- The NED and chairman fees for 2020/21 were agreed.

### Report from the Governance Committee

ML noted that the Governance Committee continued to monitor an appropriate list of key actions arising from the recent Ofwat's Board leadership updates, Southern Water investigations and Board effectiveness reviews.

### Report from the Audit Committee

ML provided an update from the above committee, noting:

- The progress made to date in preparation for the year-end financial statements and audit, particularly the detailed review performed on management judgements and estimates to date. ML highlighted the finalisation of the bad debt work and assets under construction as key for management to complete in the next few weeks.
- From a regulatory standpoint, ML noted the finalisation of the NAV tariffs 2020/21 work by management, and the proposed Final Assurance plan in line with Ofwat's Company Monitoring Framework requirements (CMF). The Board, following recommendation from the Audit Committee, approved the publication of NAV 2020/21 tariffs and the Final Assurance Plan.
- ML summarised the recent proposed AMP 7 dividend policy, as reviewed and recommended by the Audit Committee. The Board noted the increased focus on customer-related matters within this dividend policy, and approved its finalisation and publication on the Company's websites, and notification to Ofwat.
- ML noted the interim audit work performed by PwC, highlighting the work required by management to address the IT control environment recommendations in particular, together with the fixed

asset related control points. ML also noted that the impact of Covid-19 on the timing and processes surrounding the year-end financial statements and external financial audit timing would need to be carefully monitored.

- Finally, ML noted to the Board the compliance and internal audit programme update, noting the progress made on key policies. The Board, following the recommendation from the Audit Committee, approved the publication of the Code of Conduct and Business Ethics, the Corporate Hospitality and Gifts policy and the Compliance Code.

## **2020 21. Coronavirus update**

IC, TK and PK proceeded to provide the Board with a comprehensive update of the Company's recent actions in relation to the COVID-19 pandemic.

IC opened by noting how impressed he was by the way that all employees have stepped up to deal with the current crisis – whether that was rapidly adapting to working from home, managing the customer and supplier relationships, ensuring that every individual in the business is taking care of themselves and ensuring that vulnerable staff and customers are prioritised.

### Operational, employee and customer matters

TK proceeded to review the above matters with the Board, highlighting the following key items:

- The daily COVID-19 briefings have continued to be led by TK each morning, with full attendance by the executive and SMT, together with other individuals across the business as needed. This has covered the overall UK COVID-19 situation, sector-specific matters, customer issues, people matters, together with IT and communication matters.
- The demobilisation of almost all staff from the Redhill office was in progress, with limited numbers remaining – on a rotational basis.
- There have been continued on-going operations at the Company's sites and within the network with no material issues noted to date.
- Management continue to work with the Company's supply chain who are also demobilising.
- The Company are about to deploy a new payment holiday option which includes automatic enrolment to the Water Support scheme (social tariff).
- Overall service update communications - addressed from IC - are being sent to all customers the Company holds email details for and management are completing the first SMS campaign to all customers as well. The SMS campaigns will continue weekly or otherwise as necessary as the service delivery status changes / restores to business as usual.
- Management are deploying a Chatbot to the website in order to provide a fast turnaround to customer enquiries.

### Communications

IC noted that the Company continues to communicate its response to employees, customers and stakeholders across a range of internal and external channels, including:

- Updates on the website, including making the new payment holiday form easy to access and explaining the approach to emergencies

and vulnerable customers. The new site has performed very well and management have had responsive support from Mando in quickly creating forms and deploying the web chat facility.

- Facebook advertising linked to the payment holiday form.
- Updates to bills explaining the extra support that the Company can offer.
- A reassurance email to all e-billing customers directly from IC.
- A customer leaflet explaining key worker status to use when required if challenged.
- A facility to sign-up for ongoing text and email alerts.
- A letter from IC to local MPs to give more information, alongside the industry briefing from Water UK.
- An update to the Customer Scrutiny Panel chair and members.
- Proactive media opportunities including a piece with BBC Radio Surrey.
- Numerous all-staff emails and key information easily accessible on the intranet with FAQs.
- Using Microsoft Teams for online team meetings.

IC will continue to monitor the timely communications in line with the above.

#### Regulatory and financial matters

PK reviewed both the external and internal considerations of regulatory and financial issues associated with COVID-19, noting:

- The significant work at CEO and CFO level with Water UK, Ofwat, MOSL and WOCs/WaSCs on management of the NHH business retail market issues, including review of the MOSL code-changes.
- Direct linkage from IC into CEO led sessions with PK involved in NHH wholesaler group.
- The initial review of SESW cash flow reforecasts, which will be discussed with ML in the first instance.
- With a significant slowdown of the capex programme for this year as non-essential work is reduced, there will be need to be a recut of the 20/21 capex programme.

The Board thanked management for the comprehensive update, and noted that further regular updates via email or calls would be appreciated.

#### **2020 22. PR19 update**

PK reviewed with the Board the PR19 status paper as attached to Boardpacks, noting:

- The upcoming Ofwat engagement programme seeking feedback on the PR19 process, which would now be conducted via a teleconference given COVID-19.
- The expected PR24 consultation process towards the end of 2020.

#### **2020 23. Customer Transformation Programme**

DL joined the meeting to provide an update on the Customer Transformation Programme..

The Board noted the recent successes in progress of the programme, with a go-live date of October 2020.

DL then left the meeting.

**2020 24. Monthly Reports (January and February 2020)**

The Board proceeded to review and discuss with management the latest monthly performance report, with the following items noted:

- JP enquired about the level of risk associated with potential flooding at Kenley. TK noted that this risk has now dissipated, given the recent weather conditions and activity from the local council and site personnel.

Health and Safety Update

JP enquired as to the latest status of the external health and safety actions from John Corden's recent review. NH noted that the actions were progressing via the Health and Safety Committee, although the proposed "Stop Cards" were under review. IC commented that this does not prevent anyone in the business from stopping what is deemed to be unsafe activity, and separate communications across the Group would emphasise that fact in lieu of the proposed Stop Cards.

JP requested that the formal external review actions points, and progress to date, be presented at the 2 June Board meeting.

Voice of the Customer update

IC reviewed the summary paper provided to the Board for the Voice of the Customer Programme with the initial activity focusing on regulatory requirements (e.g. tracking of performance commitments).

The Board noted the work by Cat Holland and IC in this area, and agreed to proceed with the activity as outlined in the accompanying paper.

Capital approvals

TK reviewed with the Board the requested capital expenditure approvals.

TK noted that the above areas of spend, similar to all current capex forecasts, were subject to change under COVID-19 circumstances.

**2020 25. Shareholder Update**

SK expressed the shareholders' gratitude to the management team and entire workforce for their continued work for customers and all stakeholders during the COVID-19 pandemic.

**2020 26. Date of Next Meeting**

Tuesday 2 June 2020.

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(Chairman)