

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 23 March 2022

**To be held at Bough Beech Treatment Works, Kent and via MS Teams
commencing at 1.30pm**

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

In attendance:	N Houlahan	NH
	K Thornton	KT
	J Gilbert	JG
	S Brown	SB
	E Prince	EP

Absent:	T Kelly	TK
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2022 11. Declaration of Interests

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

2022 12. Minutes of Previous Meetings (including website and AGM minutes)

The minutes of the meetings held on 9 February 2022 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2022 13. Matters Arising and rolling board agendas

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

- Environmental compliance – confirmation was provided – via TK – of SES Water's ongoing compliance with its environmental/abstraction obligations.
- SONIA/LIBOR – noting the materials previously provided on transition of the inflationary benchmark by EP to the Board.
- Customer charter – KT noted the recent update provided to ML on the internal audit plans to ensure compliance with the Company's customer charter.
- NED induction – PK noted the material and views provided to DS and SB in preparation for induction of the new NED when appointed.

2022 14. Board Committee Reports

Report from the Health, Safety & Wellbeing (HSW) Committee

DS provided a report from the recent Health, Safety & Wellbeing Committee on 9 March 2022, noting the following key items:

- The continued strong health and safety performance for the Company, with no non-lost time accidents in the last 12 months.

- The ongoing progress on HSW maturity matters and the latest status of Covid-19 matters within the business.
- The various wellbeing initiatives in progress, including a focus on healthy sleeping habits.
- The analysis reviewed at the Committee on allocation of training expenditure with more work to be performed to optimize HSW related training.

Report from the Nomination Committee

JP reported on the recent Nomination Committee, noting the key points of discussion including:

- The review of succession planning and latest consideration of senior team development, with further deepdives planned in 2022/23 in this area.
- An update on the new non-executive director (NED) recruitment process.
- Approval by the Committee of the resignation of JP from the Board and chair of Nomination Committee, and subsequent appointment of DS in these roles, together with related appointment of JW as chair of the Remuneration Committee and resignation of DS from that role – and the extension of JW as a NED for a 3rd and final term from 1 April 2022. The Board approved these resignation and appointment recommendations, and PK noted that the external website and Companies' House filings would follow.

Report from the Remuneration Committee

DS reported on the recent Remuneration Committee, noting the key points of discussion including:

- A discussion of annual pay reviews, with an annual pay rise of 3.5% agreed with the JNCC from 1 April 2022, together with other related benefits within the pay deal – with an overall positive package being accepted by the employees.
- Timeline for the senior management and executive leadership team annual pay rise and variable pay proposals, to be proposed and approved at the May 2022 meeting.
- The recommendation for the NED annual fee increases at 3.5% aligned to the employee pay deal, which the Board formally approved.
- The latest data associated with gender pay, with it being noted that although internally the pay gap has narrowed, the lack of females in senior leadership positions still presented a challenge.

Report from the Governance Committee

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

- The ongoing monitoring of Ofwat's governance focus, including the dialogue on dividends and financial resilience.
- The positive impact of the online Board training programme in the last year, and the plans to refresh the programme for 2022/23.
- The upcoming Ofwat NED meeting, with JW representing the Company, on 11 April 2022.
- The detailed and insightful internal Board effectiveness review, with several key initiatives reinforced (such as "first amongst equals" and responsiveness) but areas of future focus also noted (such as further Board challenge and discussion on strategy). PK noted that key

actions would be reported from this review in the upcoming 2021/22 Annual Performance Report.

Report from the Finance Committee

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

- The focus of the Committee going forward on PR24 financing matters.
- The expected discussions with credit rating agencies in September/October as part of the rating agencies' annual review process.

Report from the Audit Committee

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

- The update on risk and compliance matters, including the internal audit program status and the positive results from the recent quality and environmental management systems audit.
- Approval and recommendation to the Board by the Committee of the following Company policies - Code of Conduct and Business Ethics, Corporate hospitality and gifts, Compliance code, Equality, Diversity and Inclusion Policy, Plastics Policy and Security policy. The Board approved the policies for issuance.
- An update on systems-based resilience, with the latest external report from Create 51 received, which will form the basis for a set of actions and next step within PR24.
- The progress on cyber security matters, including the latest maturity assessment.
- Year-end accounting matters, including management's latest position on bad debt and revenue recognition matters, with KT and Daniel Taylor updating on latest cash collection activities.
- The status of Motts interim audit on non-financial metrics.

Report from the PR24 Committee

ML reported on the recent PR24 Committee, noting the key points of discussion including:

- The focus on early external support for the business with PR24, with ML noting that an experienced team has been assembled already, with suitable project management support.
- The need for collation of key PR24 strategic items for focus for the Company, in line with the long-term delivery strategy and plans.

2022 15. Regulatory update

PK provided the Board with an update of regulatory matters as detailed in his paper, noting in particular:

- The recent JC/DS meeting with Jonson Cox, from which JP noted no key concerns from Jonson, who reiterated his thanks for SES Water recently hosting David Black and the smooth transition between JP and DS as chair. Jonson also noted the ongoing sewage investigation Ofwat were conducting across the sector and that SES Water were not impacted directly by this investigation being a water-only company.

- DS noted that Jonson reinforced some of the key focus points from Ofwat's in advance of PR24 – namely water quality, resilience, economic, environmental and public value.
- IC noted the David Black reinforced these items at his recent meeting with IC. Overall, the Board noted this constructive dialogue continues with Ofwat.

2022 16. Tour of Education Centre

The Board was then conducted on a tour of the Bough Beech education center and reservoir. It was highlighted to the Board the value to the community of the education centre, with school visits in particular now being encouraged again given the lifting of Covid-19 lock-down restrictions (with recent school groups from St Mary's C of E Junior School in Oxted, The Weald Church of England Primary School, Feltonfleet School, and Woodcote Primary School). The Board were also shown the on-going Bough Beech operational enhancement works, which were progressing to plan.

2022 17. Performance update

IC opened by providing the Board a summary of the performance in the year-to-date, noting:

- The expected overall improvement in regulatory performance from prior year, with potential rewards on supply interruption, reduced penalties on DMEX and improved softening and water quality performance. DS noted this forecast performance, and again emphasised the “non-negotiable” aspects of SES Water's business in terms of operational integrity, especially water quality and leakage.

Customer and Business Markets

KT reviewed the latest CMEX update with the Board as detailed in her accompanying paper, noting in particular –

- The most recent Q3 2021/22 CMEX results for SES Water in the context of the sector results.
- The learnings to date from other companies' performance, citing key pillars of customer satisfaction, including expectations setting and resolution management, together with perceived regional differences.
- The latest focal points for the team to address the underlying CMEX issues, including delivery, responsiveness, expectations and quality of work.

DS challenged management that all the current actions and focus areas are within management's control and what the Board would expect management to be working on a daily basis.

DS strongly noted that a real sense of urgency and prioritization must be adopted by management and to be clear in future meetings what support or endorsement is needed from the Board. DS said that management must remain agile and in control of short-term initiatives to address customer satisfaction – and that strict timelines should be set to ensure stock can be taken of what has worked and what has not worked within the CMEX plan. JW emphasized that certain enablers need clear focus and planning by management – such as implementation of the MyAccount self-serve platform – and DS added that other “enablers” need to be clearly articulated by management in terms of setting their targets and how they will be achieved. DS asked management to consider whether a formal customer sub-committee of the Board would be beneficial.

PK provided an update on the progress being made to address Ofwat's cross-sector concerns on the development of effective business retail and developer services markets, as detailed in the accompanying board paper provided by TK. In particular, PK noted the initiatives completed with respect to accessing tariff and operational information for developers on SES Water's website, the issuance of alternative credit arrangements for potential retailers and the greater involvement of the Company in wider sector working groups. PK noted that key items of progress would be summarised in a subsequent letter to DB from IC.

Capex approvals

PK reviewed the proposed capital programme approvals for the Board, as detailed in the accompanying paper. PK noted that the requests were for ongoing programme of work – pumping station resilience works, metering installment, lead replacement works, and various network asset health and monitoring works – that were all included in the recently approved budget. DS noted he had also reviewed in detail and the Board approved these capital project requests.

2022 18. Shareholder Update

No further updates were noted from the shareholders.

JP took the opportunity to thank the Board and the Company for their hard work, commitment, and support over his 9-year tenure as chair of the Board. With respect to the NEDs, JP emphasised that their support and influence allowed the Company to “punch well above its weight” within the sector, and their support had been much appreciated. With respect to the executive, JP noted the considerable bench-strength provided by management and appreciated their collective experience and counsel. JP also thanked the shareholders for their continued support – with one voice – during his tenure.

On behalf of the Board, ML thanked JP for his tremendous leadership, his continuous and sustained focus on the Company, its customers and employees and his respectful and empathic approach to all members of the organization – which was truly appreciated by the Board. IC – on behalf of the executive – also thanked JP for his strong support, integrity and industry experience which has benefitted all of the executive.

2029 19. CEO/NEDs private session

A private session was held with IC and NEDs.

2022 20. Date of Next Meeting

Thursday 26 May 2022

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(Chairman)