

SES Water
Minutes of a Meeting of the Board
held on Thursday 26 September 2019
in the Boardroom, Redhill
commencing at 1.15pm

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

In attendance:	N Houlahan	NH	
	T Kelly	TK	
	K Reid	KR	(Item 75 only)
	D Lamb	DL	(Item 78 only)
	A Murphy (AM) & D Woodworth (DW)		(Item 79 only)

Absent:	J Woods	JW
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2019 67. Declaration of Interests

JP reminded the Board members to update PK of any interests to declare. ML and JP noted updates on their interests to be captured in next iteration of the register, with details to be provided to PK.

2019 68. Minutes of Previous Meetings

The minutes of the meetings held on 17 July 2019 were agreed and signed by the Chairman.

2019 69. Matters Arising

PK reviewed the outstanding or on-going matters arising with the Board (amber items), with the following items of note:

- TK summarised the on-going use of funds (arising from cost savings associated with the temporary cessation of softening activities across the Company's sites due mainly to works outages) for local community projects. TK noted that c£305k cost savings were being successfully implemented in local community projects, such as the Elmer Education Centre, which was very positive for customers and the community.
- TK also noted that the Environmental Scrutiny Panel chair and membership is in the process of finalisation, with the first meeting being scheduled for early 2020.
- PK noted that the requisite individuals were being appropriately thanked for their work on the APR and draft determination over the summer.

2019 70. Report from the Nomination Committee

JP summarised the Nomination Committee discussions, noting the main topics of discussion:

- Appointment of AF's successor – JP noted that a public announcement was expected following the successful appointment of the new Group CEO.
- Customer Scrutiny Panel (CSP) chair – JP confirmed the new CEO would be involved in the appointment of the next CSP chair after meeting with the incumbent chair, and that the decision on the next chair would be deferred to March 2020.

2019 71. Report from the Governance Committee

ML reported on the Governance Committee meeting, where it was noted that recent actions with respect to Ofwat's Governance initiatives had placed the Company in a good position. ML noted the action points to be clarified and addressed in respect of the recent Board Effectiveness review, the need to continue with the Governance Committee for the upcoming year and the continued push for transparency in the Company and Board's communications.

JP also requested a review in March 2020 with the Audit Committee or Board on progress on the first phase of the systems-based reliance plan provided as part of the recent reporting to Ofwat.

2019 72. Report from the Pension Risk Management Committee (PRMC)

ML summarised the results of the PRMC meeting, with the focus on the next steps on the pension de-risking project being managed in conjunction with the Trustees and Company pension advisers.

2019 73. Report from the Audit Committee

ML noted the substantial number of items covered by the Audit Committee in advance of half-year reporting, highlighting in particular:

- The updated tax reporting being provided by management.
- The good insights gained from the year-end SESW audit, and the early discussions with PwC.
- The excellent progress made in the Finance Transformation programme.
- The improved status of the Company's outstanding compliance matters, but the need to remain vigilant in this area.

ML also recommended to the Board approval of the indicative wholesale tariff charges for 2020/21, together with associated assurance statement, noting the review of these documents by the Audit Committee. ML noted to the Board the basis of these indicative charges on the Company's response to Ofwat's draft determination, and not the draft determination itself. The Board acknowledged and agreed on this approach, and approved the indicative charges and Board assurance statement for issuance.

ML also updated the Board of the Company's insurance renewal process, stating that – as part of the matters reserved for the Board – the Board were required to approve that the levels of insurance coverage for the Company were appropriate. The Board approved renewal of the Company's insurance policies at the documented limits.

2019 74. Board Powers and Delegations

PK presented the annual request for affirmation of the Board's powers, including statements on the Board's role, matters reserved for the Board, principles of good governance to be adhered to by the Board and the

requested delegations of authority from the Board. On the latter, PK noted the delegated levels of authority from the Board to the directors remained consistent with prior years given the stability of the Company's financial results and the effective operation of such delegations in the last year. The Board approved the delegated authority levels, together with other Board powers, for 2019/20, delegating updating of the final paper to ML and PK.

2019 75. Annual Health, Safety and Wellbeing presentation

KR presented the annual health, safety and wellbeing update, as detailed in the complementary paper subsequently loaded onto Boardpacks. KR noted various matters in particular, including:

- The recent trend on incident reporting, and the intent of achieving the right balance between encouraging the reporting of near misses and other safety related matters, and dealing with individuals regarding the consequences of such matters.
- Lesson learnt from the accidents in the last year, which – while no key themes were identified and, in some cases, pertained to certain individuals – were important to examine and consider in terms of next steps.
- A review of the positive health and safety initiatives in the year, including the Wellpoint booth at Redhill and the extension to sites and the benefits of the recent campaigns (such as the hydration and electrical safety campaign).

KR also briefed the Board on the upcoming health and safety external review.

2019 76. PR19 update

JP noted that the PR19 update paper from PK was taken as read, but summarised for the Board the recent meeting with Ofwat on the Company's representation on the draft determination. JP noted that it was a balanced and well-presented meeting, that allowed the Company to focus on the four key remaining matters of significance in the business plan – leakage, resilience, power and retail costs.

PK noted that an update call with the Board was scheduled for 12 December to discuss the Final Determination when received on 11 December.

2019 77. Reputation

The paper was taken as read and AF highlighted the key points.

2019 78. Customer Transformation Programme

DL joined the meeting and provided the Board with an update on the Customer Transformation programme, with additional materials on the "Digital First" planning in light of the acceleration of this programme in AMP 7.

2019 79. Programme20 (including update on Tandridge trial)

AM and DW presented on work taking place to move towards standardised reporting on per capita consumption (PCC) and leakage ready for the commencement of AMP7 in April 2020. Both measures are being reported in 'shadow' to Ofwat currently. An update was also provided regarding the transition plans in place to build both the water efficiency (including metering) and leakage teams in readiness for April 2020, from which point

significant enhancements to the reduction of PCC and leakage is required as part of our Business Plan.

Updates were also provided on the 'Every Drop Counts' campaign currently taking place in Tandridge. It was agreed that further updates of the trial are provided at the end of the year (March 2020 Board).

2019 80. Board Strategy Day Matters Arising

The Board noted the progress on the actions from the Board Strategy Day (BSD) in July.

2019 81. Monthly Reports (July and August 2019)

The Board and Directors reviewed the last monthly performance reports, with the following matters highlighted:

- TK noted that, in preparation for lower than average rainfall over the winter months, SESW's drought plan has been initiated, with Clifton's Lane brought online and regular drought group meetings being held to discuss other actions to preserve chalk groundwater sources.
- TK added that Brexit preparations have continued, with a recommencement of increasing chemical inventories to the levels held in spring prior to the previous Article 50 deadline.
- PK noted the recent regulatory and finance related achievements, including successful submission of the Company's representation to Ofwat's Draft Determination within the required deadline, and the reduction of the financial month end close period from 10 days to 5 days.

2019 82. Shareholder Update

KO reported that he had had a good follow up call with Ofwat following his meeting with them earlier in the year.

2019 83. Any Other Business

JP and AF noted their recent meeting with the new chair of CCWater, which was positive, with insights into transitioning to a new billing system being part of the discussion.

83.1 Capex Approvals

PK noted that a summary of the proposed capex approvals had been provided to the Board, in addition to the approval documents contained within Boardpacks. The Board reviewed and approved the capex papers

2019 84. Date of Next Meeting

The next meeting will be held on Wednesday 20 November 2019.

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(Chairman)