

**SES Water**  
**Minutes of a Meeting of the Board Meeting**  
**Wednesday 12 June 2024**

**Held in the Boardroom, Redhill**  
**commencing at 13.30 hours**

<b>Present:</b>	D Shemmans	DS	(Chair)
	M Legg	ML	
	J Woods	JW	
	R Wiles	RW	
	I Cain	IC	
	P Kerr	PK	
<b>In attendance:</b>	N Houlahan	NH	
	T Kelly	TK	
	D Lamb	DL	
	D Goodwin	DG	
	S Brown	SB	
	E Prince	EP	
	L Taylor	LT	
	J Davies (Links)	JT	Item 89 only
	E Crawford (Links)	EC	Item 89 only

**2024 89. Project Wentworth update**

PK and IC reviewed with the Board the status of integration matters post-acquisition by the Pennon Group plc as detailed in the accompanying paper, noting in particular:

- The pending approval by the Competition and Markets Authority (CMA) of the transaction was expected within the next few days. PK noted that Pennon Group plc were expected on-site in Redhill should the CMA approval be received and that requisite communications were being planned
- The prioritized matters for consideration upon CMA approval, including key integration matters and areas of beneficial joint working with Pennon. ML noted that the Board's focus post CMA approval should be on areas of value that can be added with respect to PR24 in particular given the inherent knowledge of the Board on these matters.
- JD added that Ofwat will be focused on the undertakings being provided to the CMA by Pennon, especially on continuation of separate reporting and the focus on ongoing efficiencies post-merger.
- IC reviewed with the Board the expected Day 1 communications – both internally and externally.
- PK noted the key efficiency matters that would be discussed with Pennon Group plc post Day 1, with a focus on energy procurement, supply chain efficiency and debt refinancing and de-gearing matters – together with Smart Metering
- DS noted the need to focus on delegations of authority post Day 1 to be clear of executive director and Board authority limits within the Pennon Group

**2024 90. Declaration of Interests**

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

**2024 91. Minutes of Previous Meetings (including website minutes)**

The minutes of the meetings held on 27 March 2024 were agreed and signed by the Chair, with summarised Board minutes approved for publication on website.

**2024 92. Matters Arising including rolling Board agenda**

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

- TK confirmed that all environmental discharge consents were met and – if SES Water were subject to the EA’s performance rating for 2023/24 – it would be considered 4 star. TK confirmed relations with the EA remained positive, noting that communication/discussion continued with respect to abstraction costs being levied on SES Water.
- With respect to Clancy, TK confirmed the transfer of the store’s responsibilities had taken place on 3 June 2024, with 19 staff tupe’d across to SES Water.
- On water balance matters, TK noted the SESW were 12 months into a 24-month plan as agreed with Ofwat to review the water balance methodology. The data improvements part of the project has been completed and a 11 June meeting with Ofwat was scheduled to check on status. A c£930k AMP-to-date reward with respect to leakage was being held at present pending finalization of Ofwat review.
- DG and TK updated the Board on the Gatton Park flooding incident, summarizing the recent townhall discussions, associated insurance matters and the proposed long-term solution with respect to replacement of c800m of mains pipe. Following a question from ML, TK confirmed that while there was no history of bursts prior to 2014 work was being performed to assess for potential implications for other mains across the patch. DS inquired about the recent flood in Epsom – which TK confirmed was a minor issue with a 2-inch burst and limited customer impact
- NH reviewed with the Board her papers on overall water quality matters and her cryptosporidium update in light of the recent South West issues. NH noted the sampling work performed to date and the commencement of a SES Water valve inspection programme, which would likely be supplemented by further guidance from the DWI

**2024 93. Board Committee Reports**

The written minutes in the papers from the ESG and Customer Committees were noted by the Board.

Report from the Remuneration Committee

JW reported on the recent Remuneration Committee meeting, noting the key points of discussion included:

- Approval and recommendation to the Board of year-end SLT and ELT base pay increase and annual bonuses (including CEO and CFO bonuses).
- Approval and recommendation of the 2024/25 executive pay policy
- Approval and recommendation to the Board of the 2021 LTIP payments.
- An update on gender pay gap matters.

The Board approved the recommendations on SLT/ELT annual bonuses, the 2021 LTIP payments, and the 2024/25 bonus criteria for all staff. It was noted that the 2024 LTIP plan had previously been approved at the March 2024 Remco.

The Board noted the approval of the 2024/25 executive pay policy, including annual bonus criteria as documented in the 2024 APR.

#### Governance Committee

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

- The updated governance reporting requirements in the APR, including the Customer-Based licence reporting
- Review of the internal Board effectiveness review and associated recommendations for publication in the 2024 APR, which the Board approved
- Consideration of governance risks arising from the ongoing strategic review
- The Company's updated policy and actions with respect to the recent whistleblowing guidelines from Ofwat

#### Financing Committee

ML reported on the recent Financing Committee meeting, noting the key points of discussion included:

- Approval and recommendation to the Board of the Company's going concern assessment, ring-fencing certificate and associated draft letter of support from Pennon Group plc
- Approval and recommendation to the Board of the RCF re-financing as detailed in the accompanying Financing Committee papers
- Approval and recommendation to the Board of the year-end bond ratios

The Board reviewed and approved these items, including the publication in APR 2024 of the going concern assessment and ring-fencing certificate pending final review and comment from PK, ML and associated Pennon Group representatives (subsequently received).

#### Audit Committee

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

- The review by management of key judgements and estimates in the year, noting in particular the reasonableness of the bad debt and revenue reconciliation matters.
- The status of the APR, statutory and regulatory financial statements, citing that no significant accounting changes were present this year.
- The good progress of the PwC audit, with key outstanding matters being completion of their work on revenue reconciliations and the remaining tests of detail.
- The Motts year-end report, with substantial improvements in reporting from prior year, with a limited number of outstanding items to complete
- The recent results from the internal audit, the risk register review and the 2023/24 internal audit programme.
- An update on cyber reporting matters
- The private session with PwC.
- The review and approval by the Committee, with recommendations to the Board for approval of:
  - The Annual Performance Report, including financial statements.
  - The Board's Risk and Compliance statement
  - The Assessment of internal controls, including risk register.
  - The most recent Company policies.

The Board approved the above items, with delegated authority to IC, PK and ML to complete the APR and regulatory accounts for filing on or before 15 July 2024 (note – the APR was subsequently fully reviewed and approved by the Board on 11 July 2024 and issued on 15 July to align to Pennon Group plc reporting).

The Board also noted and thanked Richard French for his work as audit partner over the last 5 years given this was his last year of signing the SES Water plc accounts.

#### Health, Safety and Wellbeing Committee

RW reported on the recent HSW Committee, noting the key points of discussion included:

- Recommendations on various HSW matters, including use of handrails, recent mobile phone safety campaigns, and wellbeing benefits being promoted in the company
- The recent awards received for fleet safety and overall safety performance were noted

#### **2024** 94. Ordinary dividend

PK reviewed the accompanying dividends papers with the Board, noting the slightly updated dividend policy (following comments from Ofwat in 2023/24) and confirming that no final dividend payment was recommended for the reasons articulated in the paper.

The Board approved the dividend policy for publishing in the APR 2024 and on the Company's website – and agreed with the recommendation for no dividend to be declared.

#### **2024** 95. **Performance update & key matters**

IC reviewed the year-end Board performance report with the Board, noting:

- The positive comments received for the year-end process and quality of reporting by PwC and Motts, and the focus on completion on or before the 15 July deadline
- The strong PC performance achieving in the year, with c70% of commitments met
- The pressures on PR24 timeline given the recent calling of the general election
- Overall sector side trust issues coupled with investor concerns pending the PR24 draft determinations.
- TK provided an update on progress on Clancy contract negotiations and proposed work, the transfer of stores activity from Clancy and status of the overall capex programme for the opening months
- SB expanded on the results of the recent pulse survey, together with the early people integration work being performed with Pennon
- PK and EP reviewed the YTD financial results, noting that while actual results were close to budget for the opening 2 months of the year, focus was required on certain areas of spend – namely IT and Network spend, together with a focus on strong billing and cash management.

#### **2024** 96. **CEO/NEDs private session**

A private session was held with IC and the NEDs

2024 97. **Date of Next Meeting**

Wednesday 24 July 2024

.....  
(Chair)