

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 22 November 2023

Held in the Boardroom, Redhill and via MS Teams
commencing at 14.45 hours

Present:	D Shemmans	DS	(Chair)
	M Legg	ML	
	J Woods	JW	
	R Wiles	RW	
	K Kageyama	KK	
	K Oida	KO	
	I Cain	IC	
	P Kerr	PK	

In attendance:	N Houlahan	NH
	D Lamb	DL
	T Kelly	TK
	K Thornton	KT
	S Brown	SB
	E Prince	EP

Project Wentworth update

The Board members and legal/financial advisors noted above met (without the remainder of the executive) for an update on the strategic review at the commencement of the main Board meeting.

An update was provided to the Board on the status of Project Wentworth (the strategic review of the Company being conducted by the shareholders). BW from HSF reviewed with the Board his accompanying presentation, noting:

- The latest timelines for the sales transaction, with a preferred buyer now identified, due diligence in its final stages and finalization of the associated legal documentation – including the Sales & Purchase Agreement (SPA) – underway
- BW noted that an Initial Enforcement Order (IEO) would be issued by the CMA to the purchaser and SES Water at the point of a successful sale detailing its requirements in this regard, and potential derogations that might be requested
- BW concluded by noting that the Board would be kept apprised as the shareholders approached the final transaction date – and that his team would continue to work with IC/PK/EP in finalization of the required documentation

2023 48. Declaration of Interests

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

2023 49. Minutes of Previous Meetings (including website minutes)

The minutes of the meetings held on 27 September 2023 were agreed and signed by the Chair, with summarised Board minutes approved for publication on website.

2023 50. Matters Arising including rolling Board agenda

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

- Environmental compliance – TK affirmed the Company’s compliance with environmental & abstraction licences in the period – reviewing his complementary paper with the Committee
- DWI – NH reviewed the enclosed water quality paper with the Board, confirmed that no significant activity with DWI in the period and her expectations that overall 2023 water quality results – when confirmed via the upcoming external audits – would again be upper quartile across the sector
- Reservoir cleaning – TK provided an update on progress in this area – with the Board requesting a further update at the February 2024 Board session

2023 51. Board Committee Reports

Nomination Committee

DS reported on the Nominations Committee noting:

- The ongoing work on succession planning matters, with further work to be completed on key senior management plans
- The completion of performance reviews and focus for employees on career guidance tools within the Company
- Key staff recruitment under way, including Head of Production

Remuneration Committee

JW reported on the Remuneration Committee, noting:

- The early views of progress on annual bonus and LTIP payments for 2023/24
- Ongoing work being performed with respect to gender pay matters

Governance Committee

ML reported on the Governance Committee meeting, noting:

- An internal Board effectiveness review would again be conducted this year, to be led by DS with support from LT and SB
- The progress on Ofwat’s whistleblowing recommendations, with a focus on wider employee awareness of Ofwat’s responsibility and accessibility for such matters

Financing Committee

ML reported on the Financing Committee meeting, noting:

- The improved liquidity position of the Company given the significant work with shareholders and external stakeholders on equity injections and debt raising plans
- The approval of the Committee – and recommendation to the Board – for finalising the private placement transaction, the details of which were reviewed in the Committee. PK noted the highly competitive rate achieved through this transaction, and the liquidity and maturity stratification achieved. The Board subsequently approved this recommendation to execute the private placement transaction

- An update on latest credit rating agency discussions, with PK's expectation that improvements in the outlook may occur following completion of the sales transaction

Audit Committee

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

- The Committee approved, and recommended to the Board, SES Water's interim report and accounts. The Board approved these documents for publication.
- The company policies – Modern Slavery Act, Health & Safety and Data Protection – were recommended for approval for the Board – and the Board subsequently approved for issuance
- The request for delegated authority from the Board for completion of the 2024/25 tariffs (Water, Developer Services & NAVs) to ML and PK. Such delegated authority was provided, albeit ML noted that a separate update would be provided to the Board in early January prior to tariff publication given the expectation of tariff increases
- The focus on key audit matters ahead of year-end – including revenue reconciliation work, Aptumo reporting improvement and bad debt reviews.
- The update on non-financial assurance plans with Motts for the year.
- The work being performed on cyber security matters
- The focus on certain risk areas in 2024 by internal audit, including South African outsourcing operations

2023 52. Ordinary dividend

PK noted – as consistent with prior Board meetings – no ordinary dividend would be declared given the ongoing strategic review of the Company.

2023 53. Regulatory and Performance update

IC summarized performance to date for the Board as detailed in his accompanying paper noting:

- Continued positive progress on key performance metrics, including voids, complaints, water resources, supply interruptions and leakage
- The focus on key performance risk areas, such as mains bursts and CMEX/DMEX – with JW noting that focus needs maintained in the retail area given how rapidly matters may arise or performance dip – and therefore the handover from KT to her successor is key
- IC noted the ongoing resource challenges facing the business and concerns over post strategic review people retention matters
- The Board approved the 4 capex approval requested tables by TK – Kenley Refurbishment Programme (Enabling costs), Purley Booster Pumping station, Cheam WTW maintenance and the Main Replacement Scheme. The Board approved these items of spend, noting within budget. It was noted that the Connections to Cash scheme – and subsequent approval – would be discussed in more depth at the February BSD – prior to approval

DS thanked the executive for all their effort in the last year which was one of the busiest in recent memory, with PR24, Project Wentworth, operational matters and financing initiatives all handled in a professional and diligent manner.

- 2023** 54. **Shareholder Update**
- KK and KO thanks the Board and the executive for the considerable efforts in the last year on the strategic review.
- 2023** 55. **CEO/NEDs private session**
- A private session was held with IC and the NEDs
- DS also thanked KT for her excellent work and support for the Company, its employee and customers noting her retirement from the executive in early January.
- 2023** 56. **Date of Next Meeting**
- 6 & 7 February 2024 (including Board Strategy Day)

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(Chair)