

SES Water
Minutes of a Meeting of the Board Meeting
Thursday 23 September 2021

To be held at SES Water, 66-74 London Road, Redhill RH1 1LJ and via MS Teams commencing at 11.30am

Present:	J Pelczer	JP	(Chairman)	
	M Legg	ML		
	J Woods	JW		
	D Shemmans	DS		
	K Kageyama	KK		
	I Cain	IC		
	P Kerr	PK		
In attendance:	N Houlahan	NH	M Kusuno	MK
	K Thornton	KT	S Crabb	SC (item 56 only)
	J Gilbert	JG	D Lamb	DL (item 57 only)
	J Omura	JO	D Taylor	DT (item 57 only)
	E Prince	EP (item 57 only)		
Absent:	K Oida	KO		
	T Kelly	TK		

2021 51. Declaration of Interests

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

2021 52. Minutes

The minutes of the meetings held on 21 July 2021 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2021 53. Matters arising and rolling agenda

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

- The update being provided to ML separately on regulatory treatment of the Southern Bulk Supply Agreement
- NH updated the Board on DWI audit matters, citing the accompanying papers in BoardEffects which summarised the current outstanding matters and related actions. ML noted the usefulness of this summary paper, with NH to provide a further update at the March 2022 meeting.
- IC said that the results of the recent leadership climate report had been reviewed by the Executive Leadership Team (ELT), and the feedback had proved useful – focusing on ways to improve collaboration and a greater focus on performance issues. JP requested that the results of this work be considered when the Nomination Committee consider succession planning matters in November 2021.
- IC confirmed no whistleblowing matters had been noted since the last Board meeting across the Group – and that this matter would now be covered at ESH Board meetings.

2021 54. Board Committee Reports

Report from the Health, Safety & Wellbeing Committee

DS provided a report from the Health, Safety & Wellbeing Committee, noting the following key items:

- Recent lost time and non-lost time injuries review.
- The increase in number of potential hazards raised, which the Committee viewed positively in terms of an open reporting environment and culture.
- The good level of internal communications on health, safety and wellbeing matters (such as the recent hydration campaign over the summer), with the Committee considering the use of such campaigns with customers.
- The pending implementation of a new occupational health system, with the Committee focused on training needs and other business pressures.
- The ongoing work of the wellbeing sub-groups across the business, with a focus on upcoming health checks and financial wellbeing events across the Company.

Report from the Nomination Committee

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

- The upcoming recruitment process for the Company's new non-executive director, following DS's appointment as chair from April 2022. JP noted the IC and Sarah Brown would manage this process via the Nomination Committee going forward, ensuring the right mix of skills were considered, together with the appropriate consideration of diversity matters.
- The focus on the ongoing key role recruitment in the business, such as recruiting a new Head of Communications.

Report from the Governance Committee

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

- The Committee requested that the Board approve the delegation of authority, matters reserved for the Board and terms of reference for the Audit, Nomination and Remuneration, requesting where appropriate publication on the Company's website.
- The approval by the Committee of the updated Board training programme for 2021/22.
- The further discussion by the Committee of governance of Environmental, Social and Governance (ESG) matters across the Company, with management to propose effective governance in this area going forward.
- The need for the Nomination/Remuneration Committee to consider certain pay matters going forward, including living vs minimum wage matters.

Report from the Financing Committee

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

- The pending commercial settlement of the sinking fund arrangement associated with the long-dated bond

- The positive discussions to date on future funding

Report from the Pensions Committee

ML reported on the Pensions Committee, noting the key points of discussion:

- The ongoing monitoring of market conditions pending the potential buy-out of the Company's Section of the Water Companies' Pensions Scheme, with support being provided from various 3rd party advisors.
- The governance and investment work performed on the Company's defined contribution pension plan (the Group Personal Pension Plan - GPPP), with one of the Company's employee representatives – presenting a positive picture of the employees' views on this plan. ML noted the well-received focus of the investment portfolio on ESG matters. ML said that the Committee would be updated annually on GPPP matters.

Report from the Audit Committee

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

- A summary of plans for half-year financial reporting, including the key areas of management estimate and judgement.
- The preparation by both Finance, IT and PwC ahead of the Aptumo go-live, with key financial reconciliations in place and appropriate IT General Control matters addressed. PwC's assurance on the processes in place was also on course to be received as part of cut-off to the new billing system.
- The recommendation to the Board to approve the Insurance Renewal schedule, as approved at the Audit Committee. The Board approved the insurance renewal document, with PK to sign and issue under his delegated authority from the Board.
- The recommendation to the Board to approve a series of policies – Data Protection, Health & Safety and Modern Slavery Act. The Board approved the policies for publication.
- PwC's initial audit plan for 2021/22.
- The recommendation for publication of the wholesale indicative tariffs for 2022/23 as reviewed in detailed at the Committee, with ML noting that an appropriate set of indicative tariffs has been calculated in line with Ofwat's charging principles and within the 5% "significant increase" limits. The Board approved the indicative wholesale tariffs and delegated authority to IC/ML/PK to publish such tariffs and associated charging documents in October 2021.
- The recommendations arising from the recent shared services and social tariff internal audit to be implemented by management.

2021 55. Regulatory update

PK reviewed with the Board his accompanying regulatory paper, noting:

- Recent senior interactions with Ofwat, including the regular communication of the GSS payment investigation with Michael Deakin and Sally Ingrin from Ofwat. JP noted the appropriate response and approach to the regulator by management and Board in this instance, with Ofwat alerted when the issue arose and kept in the loop with the ongoing investigation.
- JP summarised his recent meeting with Jonson Cox of Ofwat, noting the focus on performance matters across the sector.
- A number of ongoing consultations with Ofwat at detailed in the paper, including public value and collaborative research consultations. PK

also recapped with the Board plans for a PR24 planning update in November 2021.

2021 56. Update from Steve Crabb, Chair of Customer Scrutiny Panel (CSP)

SC joined the meeting and provided his view as new chair of the CSP, noting in particular:

- The focus on achieving a balanced membership of the CSP, ensuring appropriate community representatives, and balance of diversity and expertise. The latter included ensuring appropriate geographical representation across SES Water's area – in particular Sutton.
- With respect to drawing on appropriate expertise, SC also noted the need to ensure members really understand the latest thinking on customer engagement and that each member fully contributes to the Panel.
- SC also noted that he was enhancing the ways of working for the Panel, such as maintaining a challenge log, being clear on timely minutes and challenging agendas and ensuring key PR24 matters such as customer engagement, resource challenge and timelines are adhered to during the year.
- Commencing meetings by listening to both “good” and “bad” calls with customers.

JW asked SC if he foresaw much overlap with the work of the Environmental Scrutiny Panel (ESP). SC replied that he has an excellent relationship with Alison Thompson, chair of the ESP, and expected close alignment - as opposed to overlap - with Alison on matters such as customer and community activities.

DS noted the need to maintain small local company feedback – as opposed to just nationwide or even regional feedback – and that the CSP would play a key role in ensuring these voices were heard in PR24.

IC noted that future CSP meetings should also include a focus on the impact of tariff changes for customers and associated messaging.

The Board thanks SC for his contributions and SC then left the meeting.

2021 57. Performance update

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

- An updated executive summary had been provided as part of this month's update which the Board noted was helpful.
- The recent focus by management on key risk areas including network work in progress jobs, business readiness activity in retail for Aptumo go-live and recent financing activities as discussed in the Financing Committee.
- With respect to leakage, IC noted the positive position – following achievement of the Yr 1 leakage target – that the Company currently forecast. However, due to the complex nature of the leakage calculation and number of variables (as always) a set of forecast assumptions underpinning the calculation needed to be continuously monitored, especially across the winter months depending on weather patterns. PK also noted – following a discussion with TK – that the recommendations from the previous external review of the leakage model – had been addressed where applicable.
- Following a question from ML, PK updated on power matters following current media reports on escalating prices and fuel availability. PK

confirmed that security of power supply and protection against price increases were in place, given the Company's supplier Drax was a wholesaler as well as an energy retailer, and also due to the forward purchasing activity by the Company. PK noted that the current fuel shortages being experienced across the country were being monitored closely in respect of the heavy goods vehicle driver shortages, but no immediate significant impacts had been noted by the Company.

- JP requested that an update of the lessons learned be presented from the recent Tonbridge Road Scheme works rescheduling in a lead-up to the A22 resilience work in 2022.
- IC noted the softening update provided in the BoardEffects – which the Board acknowledged and noted the recent improvement in this area.
- PK closed by providing an update on regulatory and financial performance in the year to date, noting the positive performance on certain PCs – such as supply interruptions – and the adverse impact of voids, CMEX and softening. PK also noted the positive progress of the capex programme in the year to date. In response to a question from ML, PK confirmed that the next AMP 7 modelling would be presented to the Board after half-year in November 2021.

2021 58. Transformation programme updates

Aptumo

DL joined the meeting and provided the Board an update on the latest status of the go-live plan for the new billing system (Aptumo) as detailed in his accompanying report, noting:

- The positive results from the final testing stages of the system to enable go-live on 27 September 2021.
- The recent stakeholder communications – including external parties such as Ofwat and CCW – with respect to Aptumo.
- The positive results from the recent cut-over dry runs, with data and financial reconciliations on course.
- The plans for the “go-no-go” calls with the executive and Board on 25 September 2021, including expected confirmations on data migration, reconciliations, external assurance and interface alignments.

Following a question from JP, DL confirmed that post-Aptumo resources, including ensuring appropriate levels of staffing from both the Company and Echo (3rd party provider) are being maintained to support all employees.

The Board thanked DL for his and the team's considerable efforts ahead of go-live, which was very much appreciated.

DL then left the meeting.

CMEX

KT reviewed with the Board the current position on CMEX as detailed in her accompanying slides, noting:

- SES Water's current CMEX position (slipping back to 16th overall in the sector following Q1 results) and recapping for the Board the basis for the overall CMEX scoring.
- A detailed analysis of the recent CMEX result, providing industry benchmarking and insights into the underlying reasons for the poor results – including timely completion of jobs and improved communications being the key focus areas.
- The key priorities for the business derived from such an analysis, including adhering to customer promises and completing jobs within

agreed timeframes, proactive communications with customers and roll out of the smart metering programme. On the latter, KT noted the joint work being performed with her and TK to ensure metering journeys for customers were clearly understood. At the request of the Board, KT noted she should consider out-of-hours metering activities as well as part of the ongoing rollout plans.

- Whilst the Board continue to express serious concern at the ranking on CMEX it was agreed that the right key priorities are being worked on to improve service aligned to the expected improvements in our information systems once APTUMO goes live.

Debt and cash collections

DT joined the meeting and provided an update on debt and cash collections matters as detailed in his accompanying slide deck, noting:

- The progress made to date on formation of his new cash collection team, together with the new data sources being analysed to allow greater insight into focus areas for debt reduction and cash collection.
- Stratification of the debt population by aging and customer type to enable focused debt collection campaigns.
- The positive progress being made on certain aged debt categories (such as 12–18-month aged debt), with some traction in outer years. In response to a question from JW,
- Key observations on people, culture, governance and collection strategy from DT's work to date, and associated recommendations within the change plan.
- A complete collection recovery plan, with future options on debt collection agency involvement and external placement of debt.
- IC confirmed that, in addition to the backlog, DT would also be taking on responsibility for chasing current debt.

ML thanked DT for his presentation, noting the positive progress being made in this area. DT then left the meeting.

2021 59. Shareholder Update

KK updated the Board of the upcoming replacement of H Kato with T Zui as the SES Water secondee from Sumitomo. The Board thanked H Kato for her considerable work with the Company over recent years and welcomed T Zui.

2021 60. Any Other Business (including capex approvals)

DS summarised his recent discussion with Tom Kelly on the capex approvals noted in the Board paper. The Board proceeded to approve the authorisations for Buckland Pumping Station and Burgh Heath and Langley Park projects.

ML requested an update on the results of the recent drought plan consultation.

No other business was noted.

2021 61. Annual General Meeting (AGM)

See separate minutes for AGM.

2021 62. CEO/NED private session

All parties then left the meeting with the exception of IC and the non-executive directors for a private session.

2021 63. Date of Next Meeting

Wednesday 24 November 2021

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(Chairman)