

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 28 September 2022

To be held on the Boardroom, Redhill and via MS Teams
commencing at 9.45am

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:	T Kelly	TK
	K Thornton	KT
	D Lamb	DL (Item 49 onwards)
	E Prince	EP (Item 49 onwards)
	K Reid	KR (Item 48 only)
Absent:	N Houlahan	NH

2022 44. Declaration of Interests

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

2022 45. Minutes of Previous Meetings (including website minutes)

The minutes of the meetings held on 20 July 2022 were agreed and signed by the Chairman, with summarised Board minutes approved for publication on website.

2022 45. Matters Arising and rolling board agenda

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

- Environmental compliance – DS thanked TK for his paper affirming the Company's ongoing compliance with their environmental obligations, including its abstraction licences. It was agreed that a verbal update would continue to be provided at each Board meeting on this matter, with a formal note to the Board annually and an update provided in monthly Board report.
- Purpose roll-out – IC summarised the recent work performed to roll-out the purpose work, including off-site events with the majority of the employees at the Bough Beech reservoir. DS noted the need to continue the momentum here, in roll-out of such work externally amongst our various partners.
- DWI audit status – In NH's absence, TK reviewed the DWI status paper provided in the Board packs, noting the conclusion of the Westwood precautionary boil notice event and the status of DWI audits. In response to a question from ML, TK confirmed that no backlog existed on the reservoir cleaning work, but that a proposed delivery plan on cleaning/inspected certain reservoirs was required to be submitted to the DWI for review. A summary status of reservoir cleaning was agreed to be provided at the next Board meeting.

ML noted that the GSS/Customer Charter matter arising had been addressed at the Audit Committee, with good progress made and a definitive series of next steps.

PK noted that the remaining matters arising were covered in the Board papers.

2022 47. Board Committee Reports

Report from the Audit Committee

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

- A summary of plans for half-year financial reporting, including the key areas of management estimate and judgement.
- The pending review of the bad debt provision ahead of half year reporting, with work to be performed to ensure Aptumo financial reporting was appropriately updated.
- 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. ML also noted the need to cover compliance of these policies as part of the enhancement to year-end governance matters.
- PwC's verbal update of their initial audit plan for 2022/23.
- The recommendation for publication of the wholesale indicative tariffs for 2022/23 as reviewed in detail at the Committee, with ML noting that a combination of prior year revenue under-recovery and high inflation will result in tariff increase of between c15% and c22%. The Board noted that while this would likely be at the higher end of tariff increases within the sector this year, the Company's average household water bill was expected to still be only c£230. With this low level of average bill, the significant ongoing support for vulnerable customers and being conscious of avoiding a greater increased bill shock in 2024/25, the Board agreed that such a tariff increase for 2023/24 should be applied at this stage by the Company. PK noted that the indicative tariffs had been calculated in line with Ofwat's charging principles and further consideration of the ongoing economic and customer impact would be performed prior to the finalisation of tariffs in January 2023. The Board approved the indicative wholesale tariffs and delegated authority to IC/ML/PK to publish such tariffs and associated charging documents in October 2022 with appropriate communication to all customers.
- The non-conformities arising from the recent internal audit work to be addressed by management

Report from the Financing Committee

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

- Review and approval by the Financing Committee of the draft response to Ofwat's Ringfencing (Financial Resilience) consultation, with specific comments added by the Committee with respect to the "country risk" that such proposed licence changes present from an external investor standpoint. The Board approved the consultation response for issuance to Ofwat.

- The PR24 financial modelling workstream being governed by the Committee.
- The substantial forward-looking financing programme to be undertaken by management (for PR24 and beyond) and the need for external support in this area.

Report from the Governance Committee

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

- 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 Board approved these items for publication.
- The upcoming consideration of the 2023 Board Effectiveness review.
- A discussion of areas where governance needs continued focus given the substantial workload of management at present, including ensuring key company policies are being appropriated implemented.
- The report from the Health, Safety and Wellbeing Committee as attached to BoardEffects was taken as read, and PK provided a verbal update on the PR24 Board meeting which had occurred the previous day.

022 48. Annual Health and Safety review

KR joined the meeting, reviewing his accompanying detailed presentation on HSW matters, highlighting:

- The progress on the HSW maturity model and rating since prior year.
- The specific activities supporting the progress on the maturity model.
- The successful launch of the Occupational Health and Safety Management System in 2021.
- The low level of accidents in the prior year and the decreasing trend on all reported incidents.
- The positive increase in potential events reporting.
- The campaigns run in the prior year to improve delivery of key HSW messages in the business and with other operational colleagues.

DS thanked KR and his team on behalf of the Board, noting the excellent ongoing focus by the Company on HSW matters.

2022 49. **Regulatory and performance update**

Overview

IC opened by providing the Board a summary of the performance in the year-to-date as detailed in this accompanying Board note, noting:

- The overall pressure on the sector through the recent drought matters over the summer months, and also the wider sector focus on waste sewage issues.
- The recent visit from Iain Coucher, Ofwat Chair, and the positive impression made by the SESW team, especially with respect to asset health and resilience from Daniel Woodworth, will follow-up sessions planned with the Ofwat team.
- The staff resource concerns impacting the company, as could be seen in escalating backlogs and work-in-progress across both retail and the wholesale businesses. RW noted that the Board needs to understand

more with respect to management's people plan and the key areas of focus, with IC confirming this would be discussed at the November 2022 Board meeting. TK noted that this extended to contractor resources, such as Clancy.

- IC highlighted the upcoming risks and key matters that management are planning for – including pay deal discussions, external communication on tariffs, a potential resurgence of Covid-19, the possibility of a cold winter and matters associated with cost of living concerns.

WRSE

TK briefed the Board on the upcoming Water Resources Management Plan (WRMP) which would be submitted by the Company in October, with the Board to be taken through a deepdive session in the following week.

In response to questions from the Board, TK noted that the Company would continue to focus on demand-side solutions, such as smart metering, although recent re-planning by the WRSE on the regional plans was still under consideration. TK confirmed the SESW would remain a net resource exporter in the WRMP, noting the current agreement with Southern Water.

Customer (including CMEX KPIs)

KT provided the Board an update of KPI metrics associated with C-MEX matters, included billing customer score glidepaths and the associated initiative underway by the team.

DS thanked KT for the detailed analysis, noting again – as RW said above – that resource resilience was key going forward now for KT.

Regulation & Financial (including AMP7 update)

PK and EP reviewed the accompanying AMP 7 update paper, noting that further updated to revenues, opex and taxes would be performed as part of the upcoming Q2RF, with a further update to be provided in the Nov 2022 Board meeting. EP highlighted the continued impact on the financial position due to supply chain upward cost pressures, with factors such as employee 2022/23 pay deal and updated inflation forecast pending.

Capex approvals

TK reviewed the three capex authorisations documents attached in Board packs – Bough Beech revised costs, Langley Park Resilience Main and the Service Reservoir Hatch Alarm replacement project. The Board approved these requests and agreed with RW that there were lessons learned on the cost forecasting going forward given changes in forecast costs noted in the papers. In response to ML, TK confirmed that the hatch alarm costs had been reviewed and optimised but - by their nature - were of high cost.

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| 2022 | 50. | Shareholder Update |
| | | No further matters noted from the shareholders. |
| 2022 | 51. | Annual General Meeting (AGM) |
| | | The SESW AGM was held – refer to separate minutes. |
| 2022 | 52. | CEO/NEDs private session |

With no further business, a private session was held with certain NEDs/IC/PK/EP.

2022 53. Date of Next Meeting

Wednesday 23 November 2022

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(Chair)