

SES Water
Minutes of a Meeting of the Board Meeting
Wednesday 14 June 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:	T Kelly	TK			
	N Houlahan	NH			
	K Thornton	KT	S Evans	SE	item 7 only
	S Brown	SB			
	D Lamb	DL	A Mehta, McQ	AM	item 9 only
	E Prince	EP	P Valach, McQ	PV	item 9 only
	J Omura	JO			
	Y Yamamoto	YY			

2023 20. Declaration of Interests

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

2023 21. Minutes of Previous Meetings (including website minutes)

The minutes of the meetings held on 22 March 2023 were agreed and signed by the Chair, with summarised Board minutes approved for publication on website.

2023 22. Matters Arising and rolling board agendas

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

- Publication on the website of the March 2023 Company policies following approval by the Board
- TK confirmed continued compliance with SES Water's environmental obligations, including confirming no pollution incidents.
- TK provided an update on the progress of the reservoir cleaning programme, with DS requesting a more detailed review of progress and cleaning plans for the remainder of AMP 7 at the September 2023 Board
- NH reviewed the DWI audit status paper as contained with the Board papers, noting the pending DWI annual report to be issued in July 2023 and which would be reviewed at the next Board meeting.
- PK noted the previous update – via the Financing Committee – on the remaining funding matters related to the previously approved budget for 2023/24, and the Board therefore formally approved the full 2023/24 budget with associated shareholder funding. Associated capex PADs for 2023/24 were therefore also approved and signed off.
- KT confirmed that management had received Ofwat's sign-off of the GSS internal investigation as conducted by management with no further questions.

2023 23. **Regulatory and Performance update**

Overview

IC noted that the monthly performance report was taken as read, but discussed with the Board key year-end successes and development areas including:

- Positive positions on water resources, leakage, supply interruptions and voids for the year-ended 31 March 2023
- The improvement noted in C-MeX at year-end, although sustained improvement was needed before any full conclusions could be drawn
- The expected penalty on bursts in the year
- The challenging financial year-ended 31 March 2023, through a combination of inflation pressures and monies spent to address performance commitments, with a focus on cost controls and opex improvements for the coming year.

2023 24. **Board Committee Reports**

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 to the Board of the 2020 LTIP payments.
- Approval and recommendation to the Board of the 2023 LTIP plan, including measurement criteria.
- An update on gender pay gap matters.

The Board approved the recommendations on SLT/ELT annual bonuses, the 2020 LTIP payments, the 2023/24 bonus criteria for all staff and the 2023 LTIP plan.

The Board noted that the approval of the 2023/24 executive pay policy, including annual bonus criteria was performed at the March 2023 meeting.

Governance Committee

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

- A review of recent feedback from Ofwat on governance related matters, with limited direct recommendations provided to the Company of further dividend and long-term viability disclosures.
- Review of the internal Board effectiveness review and associated recommendations for publication in the 2023 APR, which the Board approved
- Consideration of governance risks arising from the ongoing strategic review
- Issuance of the Company's response to the recent whistleblowing information request – across the sector – 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 letters of support from the shareholder, in light of the financial pressures arising from recent external economic pressure and the uncertainty associated with the strategic review.
- Short- and medium-term financing focus areas for the Company.

The Board reviewed and approved these items, including the publication in APR 2023 of the going concern assessment and ring-fencing certificate.

Pension Risk Management Committee

ML reported on the recent Pension Risk Management Committee meeting, noting the key points of discussion included:

- An update on accounting for the recent buy-in of the Company's defined benefit plan, which has been approved by the Trustees of the plan.
- The performance of the Company's defined contribution plan with respect to asset growth.

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 bad debt, revenue reconciliations and the remaining tests of detail.
- The Motts year-end report, assuring the non-financial performance commitments, with recommendations for closure of the work for this year ahead of 14 July publication date.
- The recent results from the internal audit, the risk register review and the 2023/24 internal audit programme.
- 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 2023 (note – the APR was subsequently fully reviewed and approved by the Board in a separate meeting on 12 July 2023).

2023 25. Ordinary dividend

PK confirmed with the Board that – in the light of the ongoing strategic review and financeability pressures on the Company - no final dividend for 2023 would be declared, despite improved operational performance compared to the prior year. The Board noted and approved this decision.

2023 26. Shareholder Update

The shareholders thanked management for their continued support through the strategic review, thanking EP and PK in particular for the recent work with the advisors in advance of the issuance of the information memorandum.

2023 27. CEO/NEDs private session (including Project Wentworth update with Macquarie)

AM and PV joined the meeting.

A private session was held with IC, PK, the NEDs and representatives from Macquarie, the lead advisors on the strategic review.

Under AOB, RW provided an update on the recent Ofwat conference for NEDs, noting the focus by Ofwat on rebuilding trust across the industry, ensuring ambition and high-quality business plan submissions and the pending customer-based licence conditions. PK noted that the latter would be updated at the next Governance Committee meeting in July 2023.

2023 28. Date of Next Meeting

Wednesday 26 July 2023

.....
(Chair)