UK CORPORATE GOVERNANCE CODE INDEX DIAGRAM

The diagram below sets out where the key content can be found in this report:

1

BOARD LEADERSHIP AND COMPANY PURPOSE

The role of the Board is to provide leadership and to review the overall purpose and strategic development of the Company. The purpose of the Company is to harness the potential of water to enhance nature and improve lives in a reliable and safe way, and to do so in a manner that reflects our long-term commitment to serve our local community and environment. We believe it's not just our duty to supply water, but to use it as a force for local good. That's why we are doing all we can to protect, improve and enrich our natural environments, for our customers and generations to come. As a Board we strive to ensure that the Company's purpose is embedded in every decision that we make, as well as the decisions and actions of employees.

Read more on pages 74 to 76

2

DIVISION OF RESPONSIBILITIES

The division of responsibilities across the Board is a key factor in the ability of the Board to function effectively and efficiently throughout the year.

Clarity of such roles and responsibilities, and ensuring the specific duties for Board members are defined, and such members are held accountable in their responsibility areas, is of prime importance to the Board. In particular, the Board ensures that there is a clear division of responsibilities between the Chair and Chief Executive Officer, and the roles of the Chief Financial Officer and Company Secretary, together with the senior independent non-executive director, are well defined.

Read more on pages 77 to 79

3

COMPOSITION, SUCCESSION AND EVALUATION

The Board will only function effectively if it can benefit from the varied skills and experience of its independent non-executive directors and Chair. In addition, through the Nomination Committee, the Board has a thorough and considered approach to succession planning within the organisation, both at Board and senior management levels. Also, it is vital to continuous improvement that the Board members are evaluated on an annual basis, and that the overall effectiveness of the Board is also regularly evaluated.

Read more on pages 87 to 89

4

AUDIT, RISK AND INTERNAL CONTROL

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. This is vital for the proper functioning of the Company, as this allows the management of the risk of failure of the Company's business objectives. Such a system ensures that the Company has in place an effective control environment, risk management and information systems, clearly defined control procedures and a regularly reviewed monitoring system.

Read more on pages 90 to 94

5

REMUNERATION

The Remuneration Committee of the Board is key for providing a remuneration framework for the Board members and senior management team, including the design of targets on bonus and long-term incentive plans, and their ongoing evaluation. In particular, the Committee has focused on implementation of the executive remuneration policy in light of overall external sector-wide focus, strengthening the link between executive pay and delivery for customers, in both the areas of annual bonus and long-term incentive plans.

Read more on pages 97 to 109

6

COMPLIANCE STATEMENT

As part of our own governance framework, we have applied the Principles of the 2018 UK Corporate Governance Code (the 'Code') and complied with its provisions other than:

- Board composition: Provision 11 of the Code states that at least half the Board, excluding the Chair, should be independent non-executive directors. We have three independent non-executive directors and comply with the Ofwat objective in this area. With the resignation of the previous shareholder representatives from the Board following the Pennon Group plc acquisition on 10 January 2024, we also complied with Provision 11 at year-end.
- The Board appointed Dave Shemmans as Chair of the Company with effect from 24 March 2022. Dave's appointment will run until completion of the PR24 process, which is anticipated, for the purpose of this appointment, to be in December 2024. As such, Dave's term as Chair will end on 31 December 2024, pending further discussion with Pennon Group plc following the acquisition of the Company. Dave's total period as a director of the Company would therefore be ten years and four months, compared with the normal limit of nine years as noted in the Nominations Committee report.
- Provision 38 of the Code states the pension contribution rates for executive directors should be aligned with those available to the workforce. The policy for incumbent directors and any new appointments is set out on page 100 in the remuneration report.

Read more on pages 87 to 89

OUR BOARD OF DIRECTORS

Up to the date of acquisition of the Company by Pennon Group plc, representatives from our previous shareholders – Ken Kageyama and Kenji Olda – were on the Board of SES Water plc. Ken and Kenji resigned at point of acquisition by Pennon Group plc on 10 January 2024. Following the CMA clearance of the acquisition of the Company by Pennon Group plc on 14 June 2024, the following directors from Pennon Group plc were appointed to the Board of SES Water – Susan Davy, Gill Rider and Andrew Garard.

Committee membership key

- Committee chair
- ES Energy Strategy
- HSW Health, Safety and Wellbeing
- R Remuneration
- A Audit
- G Governance
- N Nomination

Dave Shemmans
Chair, non-executive

Committee membership

N G

Skills and experience

Dave was elected Chair in March 2022 having been a non-executive director on the Board since 1 September 2014. Dave joined Ricardo plc, a global engineering consultancy, in 1999 and was Chief Executive up until 2021. Prior to joining Ricardo he was Operations Director and co-founder of Wavedriver Limited (a subsidiary of PowerGen plc). He has also gained consulting and management experience in both listed and private companies. Dave holds a degree in electronics and is a graduate of the Harvard Business School.

Ian Cain
Chief Executive Officer

Committee membership

ES G HSW N

Skills and experience

Ian joined the Company in February 2020. Having spent 27 years at British Gas and Centrica, serving as Managing Director from 2008 to 2013, he moved into the water industry as Managing Director of Thames Water Retail Businesses and Group Customer Service until April 2017. Prior to his appointment as Chief Executive Officer here, he held the position of Chief Executive Officer at iSupplyEnergy and has also supported a number of utility and service organisations with their transformation agendas as an independent advisor.

Paul Kerr
Chief Financial Officer & Company Secretary

Committee membership

ES G

Skills and experience

Paul is a chartered accountant and joined the Company in April 2018. His previous role was as Chief Financial Officer for Thames Water's wastewater division, a role he moved into in April 2015 following nearly two years as Group Financial Controller. Prior to that he worked for PricewaterhouseCoopers LLP (PwC) for a number of years, including ten years in San Francisco, and is a member of the UKWIR Board.

Rebecca Wiles
Non-executive director

Committee membership

HSW A N R ES

Skills and experience

Rebecca is a geoscientist by background and brings more than 30 years experience working in the energy industry for BP. During her career, she has held a number of executive roles most recently leading technology innovation, development and early deployment. She joined the SES Board on 26 May 2022.

Murray Legg
Senior non-executive director

Committee membership

A ES G N R

Skills and experience

Murray is a chartered accountant who spent 35 years with PwC in the UK, where he held a variety of senior management, governance and client roles. As a partner, he spent 24 years auditing and advising major UK utilities and a variety of listed and unlisted companies in other sectors. From 2005 to 2013, he was a member of the PwC international network's Global Governance Board, and he also served on the PwC UK firm's governance body. He joined the SES Board on 1 October 2015. Murray is also Chair of GlobalData plc.

Jon Woods
Non-executive director

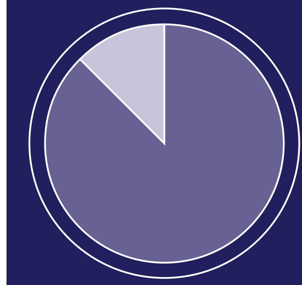
Committee membership

R A G N

Skills and experience

Jon is a commercial leader specialising in sales and marketing, who has spent most of his career with some of the world's most successful food and drink companies – Cadbury Schweppes, AB Inbev and The Coca-Cola Company. Jon currently serves as Global ESG Vice President of Coca-Cola. Jon joined the SES Board on 1 March 2016.

Board composition
as of 31 March 2024



Gender split of directors

A Men	7
B Women	1

Length of tenure of non-executive directors

<3 years
1
Rebecca Wiles

3-9 years
3
Murray Legg
Jon Woods
Dave Shemmans

>9 years
0

THE BOARD'S CODE ON PRINCIPLES OF GOOD GOVERNANCE

The Board has a Code on principles of good governance (the "Code") and assesses compliance with the 2018 UK Corporate Governance Code on an annual basis. The Board takes its obligations for good corporate governance extremely seriously and applies standards appropriate to the nature and ownership structure of the business. These standards are kept under continuous review and will be amended in line with business developments and to reflect best practice.

The Code is based on five principles which are detailed below, alongside the annual assessment of compliance.

1. ACTING AS IF IT IS A SEPARATE PLC

The Board will govern the Company in accordance with the standards applicable to an independent public company in the UK, focusing exclusively upon the long-term interests of the Company. Subsequent principles in this Code define what this overall principle means in particular areas.

The Board considers it complies fully with the principle of governing the Company in accordance with the standards applicable to an independent public company in the UK apart from the exceptions highlighted on page 73.

The Board has defined matters it reserves to itself and has full powers to make decisions on behalf of the Company.

The Board has established committees to consider key aspects of corporate governance, and has also maintained a Governance Committee which has considered Ofwat's Board Leadership, Transparency and Governance (BLTG) 2019 objectives, ongoing feedback from Ofwat on implementation of these objectives, together with updates to the Code and related guidance from the Financial Reporting Council (FRC). Final decisions affecting the Company have continued to be made by the Board.

2. TRANSPARENCY

The Board considers we comply with the Disclosure and Transparency Rules and seek to explain the way in which the Company is governed in an open, accessible and balanced manner. This will include the relationship of the Company with any associates, including holding companies.

The Company has made disclosures in this Annual Report which meet the requirements of the Code. The terms of reference of its main Board committees are published on the Company's website. The relationship of the Company with its associated companies is set out on page 7.

3. BOARD AND SENIOR MANAGEMENT SKILLS

The Board will maintain an appropriate balance of skills, experience, independence and knowledge of the Company and will consider these factors in making appointments and in assessing Board performance.

The Board's Nomination Committee considers the composition of the Board and the skill and experience required from new appointments. The current Board contains members with a mix of experience and expertise and significant experience of other plc and leading companies' boards.

All new directors receive appropriate induction. The Board formally reviews its performance every year, utilising an external facilitator when considered appropriate to enable this review. The progress on the actions arising from this year's Board effectiveness review is provided on page 81.

The Board considers it complies with the principle of maintaining an appropriate balance of skills, experience, independence and knowledge of the Company.

4. INDEPENDENT REPRESENTATION

The Board will ensure that directors independent of management and shareholders are the single largest group on the Board and any of its committees.

The Board has three non-executive directors who are independent of management and shareholders, one of whom has been appointed as the senior independent non-executive director able to act inter alia as a channel for Board communication with regulators. The Board also comprises two executive directors, two shareholder representatives and a chair. Independent non-executive directors continue to form the largest single group on the Board.

5. BOARD COMMITTEES

The Board will maintain as a minimum Nomination, Audit and Remuneration committees on which independent non-executive directors will form a majority, and also has Customer; Energy; Pensions; Governance; Health, Safety and Wellbeing; Environmental, Social and Governance (ESG); PR24 and Financing committees which have independent non-executive director attendance and chairs.

The Company's ultimate holding company in the UK also applies a code on governance, which is published on page 76, the principles of which still remain relevant and applicable post the Pennon Group plc acquisition.

The Board considers it has fully complied with the main principles of the Code and its application. Any reasons for not applying specific provisions of the Code are described on page 73.

CONSIDERATION OF OFWAT'S BOARD LEADERSHIP, TRANSPARENCY AND GOVERNANCE OBJECTIVES

The Board continues to be heavily involved in ensuring the Company adheres to the 2019 BLTG objectives from Ofwat. This includes building on the substantial work performed in previous years to enhance the internal and external transparency of Board matters and key decisions throughout the organisation, and takes into account the recent feedback from Ofwat in this area. The Board's assessment of the performance against these Ofwat leadership objectives is provided in the Annual Performance Report 2024.

CONSIDERATION OF OFWAT'S CUSTOMER-BASED LICENCE CONDITIONS

The Board has been involved in the review and approval of the customer-based licence conditions implemented by Ofwat in early 2024, and have supported the clarity and focus provided by such licence updates. The Board's assessment of compliance against these customer-based principles in our licence is provided in the Annual Performance Report 2024.

ROLE OF THE BOARD

The Company is controlled through its Board of Directors. The Board's main role is to ensure the business is run properly in accordance with its regulatory and other obligations for the benefit of its customers and to create long-term value for shareholders. In fulfilling this role, the Board approves the Company's purpose, strategic objectives and ensures the necessary financial and other resources are made available to enable management to meet those objectives. The Board, which meets at least six times a year, has reviewed and agreed a schedule of matters reserved for its approval.

The matters reserved for Board approval are as follows:

STRATEGY AND MANAGEMENT, INCLUDING:

- Responsibility for the overall management of the Company
- Approval of the Company's purpose and long-term objectives and commercial strategy
- Approval of business plans and other major submissions as part of regulatory price reviews
- Responses to Draft and Final Determinations of regulatory price reviews
- Approval of the annual operating and capital expenditure budgets and any material changes to them
- Oversight of the Company's operations ensuring competent and prudent management, sound planning, and compliance with statutory and regulatory obligations
- Review of performance in the light of the Company's strategy, objectives, business plans and budgets, and ensuring any necessary corrective action is taken
- Approval of annual reports to Ofwat, annual price rise submissions, and any other major submissions to Ofwat, including appeals against significant regulatory decisions, including applications for interim price determinations
- Extension of the Company's activities into new business or geographic areas
- Any decision to cease to operate all or any material part of the Company's business.

STRUCTURE AND CAPITAL, INCLUDING:

- Changes relating to the Company's capital and financing structure
- Major changes to the Company's corporate and funding structure
- Changes to the Company's management and control structure
- Any changes to the Company's regulatory structure.

FINANCIAL REPORTING AND CONTROLS, INCLUDING:

- Approval of the half-yearly report, interim management statements and any preliminary announcement of the final results
- Approval of the Annual Report and accounts, including the corporate governance statement and remuneration report
- Approval of the dividend policy
- Declaration of the interim and final dividends
- Approval of any significant changes in accounting policies or practices, including tax matters
- Approval of treasury policies including foreign currency exposure and the use of financial derivatives.

MAINTENANCE OF A SOUND SYSTEM OF INTERNAL CONTROLS AND RISK MANAGEMENT, INCLUDING:

- Receiving reports on, and reviewing the effectiveness of, the Company's risk and control processes to support its strategy and objectives
- Undertaking an annual assessment of these processes
- Review of the principal and emerging risks affecting the Company, and the mitigating actions
- Approving an appropriate statement for inclusion in the Annual Report.

APPROVAL OF SIGNIFICANT PROJECTS AND CONTRACTS ABOVE AGREED LEVELS, INCLUDING:
- Major capital projects (above the levels of authorisation delegated to management)
- Contracts which are material strategically or by reason of size, entered into by the Company in the ordinary course of business, including new borrowings facilities
- Contracts of the Company not in the ordinary course of business, including any material foreign currency transactions and acquisitions or disposals
- Investments in other businesses, including the acquisition or disposal of interests of shares of any company or the making of any takeover offer.

BOARD MEMBERSHIP AND OTHER APPOINTMENTS, INCLUDING:
- Changes to the structure, size and composition of the Board, following recommendations from the Nomination Committee
- Ensuring adequate succession planning for the Board and senior management
- Appointments to the Board, following recommendations by the Nomination Committee
- Selection of the Chair of the Board and the Chief Executive Officer
- Appointment of the senior independent non-executive director
- Membership and chairship of Board committees
- Continuation in office of directors at the end of their term of office
- Continuation in office of any director at any time, including the suspension or termination of service of an executive director as an employee of the Company, subject to the law and their service contract
- Appointment or removal of the Company Secretary
- Appointment, reappointment or removal of the external auditor, following the recommendation of the Audit Committee.

REMUNERATION, INCLUDING:
- Determining the remuneration policy for the directors, Company Secretary and other senior executives
- Determining the remuneration of the non-executive directors, subject to the articles of association.

DELEGATION OF AUTHORITY, INCLUDING
- Board committees and division of responsibilities between the Chair and the Chief Executive Officer
- The division of responsibilities between the Chair and the Chief Executive Officer which should be in writing
- Approval of terms of reference of Board committees
- Receiving reports from Board committees on their activities.

CORPORATE GOVERNANCE MATTERS, INCLUDING:
- Undertaking a formal and rigorous review of its own performance, that of its committees and individual directors
- Determining the independence of directors
- Considering the balance of interests between shareholders, employees, customers and the community
- Review of the Company's overall corporate governance arrangements
- Receiving reports on the views of the Company's shareholders.

APPROVAL OF POLICIES, INCLUDING:
- Code of Conduct and Business Ethics
- Equality, Diversity and Inclusion policy
- Health and Safety policy
- Environmental policy
- Corporate Social Responsibility policy
- Charitable Donations policy.

OTHER MATTERS, INCLUDING:
- Approval of any circulars, prospectuses or listing particulars
- Approval of press releases concerning matters decided by the Board
- The making of political donations
- Approval of the appointment of the Company's principal legal advisors
- Prosecution, defence or settlement of litigation, involving above £1m or being otherwise material to the interests of the Company
- Approval of the overall levels of insurance for the Company including directors' and officers' liability insurance
- Major changes to the rules of the Company's pension scheme, or changes in the fund management arrangements
- This schedule of matters reserved for Board decisions.

As noted above, this comprehensive list of reserved matters provides the Board of the regulated water company full control of both business performance and strategy.

No matters are reserved solely for the shareholders, and none of the matters above are reserved to any intermediate holding company. Any matters which are properly of concern for shareholders are openly discussed with the Chair of the Board and the full Board. In 2023/24, this has included shareholders' views on the strategic review of the business which concluded with the sale of the Company to Pennon Group plc.

ROLES AND RESPONSIBILITIES
The division of responsibilities between the Chair and the Chief Executive Officer is clearly defined and has been approved by the Board. The list below details their individual roles and responsibilities and highlights the specific duties of our senior independent non-executive director and our Company Secretary.

CHAIR – DAVE SHEMMANS IS RESPONSIBLE FOR:
- The effective operation, leadership and governance of the Board
- Ensuring the effectiveness of the Board
- Setting the agenda, style and tone of Board discussions, including ensuring a focus on strategic and business critical decisions
- Ensuring all directors make an effective contribution to the Board through debate and discussion, balancing the executive, independent non-executive and shareholder-nominated non-executive (up to 10 January 2024 upon acquisition by Pennon Group plc) contributions
- Ensuring directors receive accurate, timely and clear information.

CHIEF EXECUTIVE OFFICER – IAN CAIN IS RESPONSIBLE FOR:
- Development of the Company's purpose and strategic plans for consideration by the Board
- The performance of the Company in line with the strategy and objectives agreed with the Board and under powers delegated by the Board
- Ensuring the Board is supplied with information relevant to its role
- Leading executive directors and senior management in dealing with the operational requirements of the business
- Providing clear and visible leadership in business conduct.

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY – PAUL KERR IS RESPONSIBLE FOR:
- Under the direction of the Chair, ensuring effective information flows to the Board and its committees, and between senior management and non-executive directors
- Advising the Board, through the Chair and Chief Executive Officer, on all governance matters
- Securing, where appropriate, independent professional advice for directors at the Company's expense
- Facilitating induction activities for new directors and assisting with their agreed development needs
- Managing key financial and regulatory accounting, reporting and control matters, together with ensuring adherence to statutory and regulatory requirements.

SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR – MURRAY LEGG IS RESPONSIBLE FOR:
- Acting as a sounding board for the Chair and as an intermediary for other directors
- Acting as lead contact for the independent non-executive directors with Ofwat
- Leading the Board's annual assessment of the Chair's performance
- Leading engagement with and oversight of engagement with the financial and non-financial auditors.

COMPOSITION OF THE BOARD
The Board benefits from the varied skills and experience of its independent non-executive directors and Chair. Further details of the composition of the Board are detailed in the Nomination Committee report on pages 87 to 89.

The Company has a policy that a register of directors' interest is maintained and updated on a continuous basis by the Company Secretary. This register is presented and reviewed at the start of each Board meeting to ensure any conflicts of interest are readily identified and addressed. The proactive consideration of this register and the emphasis placed by the Board Chair on the accuracy and consideration by all Board members of their external interests, means any potential conflicts can be addressed in advance if needed. In 2023/24, no such conflicts of interest were identified.

INDEPENDENT NON-EXECUTIVE DIRECTORS
The independent non-executive directors constructively challenge and help develop proposals on strategy and bring strong, independent judgement, knowledge and experience to the Board's deliberations. The Board considers that they have always been of sufficient calibre and number to ensure that their views carry significant weight in the Board's decision-making. The Company has found that the composition of the Board, with its mix of executive, independent non-executive and shareholder-nominated non-executive directors, has proved effective in ensuring that all stakeholder interests can be addressed and decisions taken by the Board on all matters of strategy, policy and planning affecting the business.

Significant commitments of the directors held outside of the Company are disclosed prior to appointment and any changes are disclosed over the duration of the appointment. Current appointments are disclosed on pages 74 and 75. All directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively and the position in practice is reviewed as part of the annual review of Board effectiveness.

Dave Shemmans was considered fully independent by the Board upon his appointment as a non-executive director in September 2014, although under the related FRC code he was not considered independent when appointed to Chair of the Board on 24 March 2022.

The Chair meets with the independent non-executive directors at least twice yearly without executive directors present and outside of the Board environment. The directors have a right of access to the advice and services of the Company Secretary and have the opportunity to take independent, professional advice in the course of their duties at the Company's expense.

Day-to-day conduct of the Company's business is entrusted to the executive directors and their senior management employees. The Board receives monthly management reports and operates a system of review against strategic objectives and targets.

The non-executive directors are not employees of the Company.

STATEMENT OF DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH STATUTORY DUTIES OF S.172(1) OF THE COMPANIES ACT 2006
The directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- The likely consequence of any decision in the long term
- The interest of the Company's employees
- The need to foster the Company's business relationships with suppliers, customers and others
- The impact of the Company's operations on the community and the environment
- The desirability of the Company to maintain a reputation for high standards of business conduct
- The need to act fairly between members of the Company.

HOW DOES THE BOARD ENGAGE WITH STAKEHOLDERS?

The Board will sometimes engage directly with certain stakeholders on certain issues, but the breadth of our stakeholders means that engagement often takes place at an operational level.

The Board considers and discusses information from across the organisation to help it understand the impact of the Company's operations on the interests and views of our key stakeholders. It also reviews purpose, strategy, financial and operational performance, as well as information covering key risks, legal matters and regulatory compliance. This information is provided to the Board through reports sent in advance of each Board meeting and through presentations by management at Board meetings.

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the directors to comply with their legal duty under s.172 of the Companies Act 2006.

ENGAGEMENT IN ACTION

There have been various examples of this level of engagement throughout the year by the Board. This has included site visits with employees, engagement with industry and regulator representatives (such as Ofwat), and participation by our non-executives at industry forums. This year the best examples are the Board's involvement in customer research and consultation in the preparation for our PR24 Business Plan and our employee engagement.

ENGAGEMENT IN ACTION – PR24:

The Board played an active role in the development and oversight of the Company's emerging Long-Term Delivery Strategy (covering the period 2025-50) and its PR24 Business Plan (covering 2025-30). Both these Ofwat submissions were submitted in October 2023.

A specific PR24 Board committee was set up in December 2021, consisting of the full membership of the SES Water Board, supplemented with external advisors, and the majority of the internal PR24 team. The PR24 Board met formally approximately every six to eight weeks to review progress of the programme and provide challenge and sign-off as required. All key strategic decisions related to the Business Plan were proposed, discussed and agreed by the Board. There existed a detailed Board interaction plan which encompasses all key milestones and submission requirements ahead of the final submission.

Each PR24 workstream has a non-executive director allocated to it to assist with development of the programme and enable a more thorough deep dive into programme content when required.

A separate PR24 Steering Committee was also established in January 2022, which met monthly to provide additional programme oversight and guidance. The Board is represented on this committee by the CEO, the CFO and the senior independent non-executive director.

All meetings adhere to the normal Board meeting conventions in relation to documentation, minutes, and recording of actions and decisions.

To meet the specific Board governance requirements set out in Ofwat's methodology, we engaged PA Consulting to provide independent assurance over the PR24 programme on behalf of the SES Water Board.

ENGAGEMENT IN ACTION – OUR WORKFORCE:

Due to the nature of their roles within the Company, our executive directors have significant daily interaction with our workforce. The non-executive directors also regularly engage directly with our colleagues via visits to our head office and our treatment works.

One of our independent non-executive directors, Jon Woods, is the Board workforce representative. In this role, Jon attends at least one meeting per year with our employee representative forum (the Joint Negotiating and Consultative Committee or JNCC), in addition to his other regular interactions with the workforce (such as his role on the Customer Committee and ESG Committee).

From the JNCC discussions, Jon continued to provide the Board with a view – separate from executive management – of the culture of the business and workforce, the areas of concern that management is working to address, and the successes and morale of the workforce during the year.

Jon's work with the JNCC continues to allow the Board to closely monitor and assess the culture of the Company, providing the Board with assurance in particular matters, such as health, safety and wellbeing, and the continued importance of operational and regulatory compliance. His work has allowed the Board to ensure that due regard has been provided on colleague interests.

Such decisions in the year have included approval of the new one-year pay deal, an increase to the annual Company Bonus, and an additional day of annual leave (to be taken in 2024/25). While some of these decisions may not be materially strategic to the Company, the use of a workforce designated non-executive director has enhanced the understanding and decision-making of the Board on employee matters.

EVALUATION OF BOARD EFFECTIVENESS

The most recent internal review of Board effectiveness was conducted in April–May 2024, led via the Chair, Dave Shemmans, with results presented to and discussed at the Board meeting in June 2024. This internal effectiveness review confirmed the positive progress of the Board on the matters previously raised by the preceding external review and provided a series of recommendations for Board focus in 2024/25.

The most recent external review of Board effectiveness was facilitated in 2020/21 by Independent Audit Ltd during April and May 2021. The recommendations from the 2020/21 external Board effectiveness review have all been addressed, as documented in prior Annual Reports.

The actions arising from the 2023/24 internal Board effectiveness review are documented below.

No changes were made to the terms of reference of the Board's formal committees, which the Board considered were operating effectively. The latest version of all the main committees' terms of reference are available from the Corporate Governance section of the Company's website.

TRAINING AND DEVELOPMENT

Directors are primarily responsible for their personal development and for compliance, where appropriate, with the continuing professional development requirements of their respective professions. The Board also receives regular updates on legislative, regulatory and other governance developments, including briefings from external specialists as appropriate. Such updates have been supplemented in 2023/24 through a formal Board training schedule, which has included access to various online training modules, together with specific training on Competition and Markets Authority (CMA) matters given the results of the strategic review. In addition, the Board periodically visits the Company's Water Treatment Works and enquires into operational policies, practices and procedures.

BOARD ARRANGEMENTS

The Board met six times during 2023/24 to conduct regular Board business, in addition to five separate meetings to deep dive on specific topics, including preparation for PR24. Committees met as required and considered regular and ad hoc business. Attendance at meetings by directors is summarised on page 83.

The Board has also established ad hoc committees, chaired by independent directors, to consider key risk items, including the strategy for power purchases (Energy Strategy Committee), for managing the Company's exposure to risks associated with the defined benefit pension scheme (Pensions Risk Management Committee), for considering the way in which the Company should be financed in the future (Financing Committee), for health, safety and wellbeing matters (Health, Safety and Wellbeing Committee), an ESG Committee and a Governance Committee to consider recent requirements from both Ofwat and the FRC in the area of Board Leadership, Transparency and Governance (BLTG). In addition, the Board utilised the Price Review Committee (PR24 Committee) in light of the PR24 Business Plan submission.

These committees are chaired by independent non-executive directors and comprise non-executive and executive directors with such other senior executives and external advisors as are appropriate for the matters to be considered.

Separate panels, independently chaired – the Customer Scrutiny and Environmental Scrutiny Panels – continue to operate to constructively challenge the Company on its customers and environmental ambitions and performance respectively.

SYSTEM OF INTERNAL CONTROL

The directors acknowledge that they are responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement.

The Board has reviewed the effectiveness of the Company's system of internal control, including control of financial, operational, and compliance matters and risk management. It confirms that the Company has complied with its own system of internal controls, detailed below, and that:

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company
- The systems have been in place for 2023/24 and up to date of approval of the Annual Report and accounts
- The systems are regularly reviewed by the Board
- The systems meet the FRC 2014 guidance on these matters.

The Board has confirmed that the Company has complied with its system of internal controls in the year, noting that controls over Guaranteed Service Standards and Social Tariffs were strengthened in the last two years. Improvements in controls over major contracts and aspects of revenue were actioned by management in 2023/24.

ACTION POINTS ASSOCIATED WITH 2023/24 BOARD EFFECTIVENESS REVIEW

Action:
Board structure: Review the structure of the Board and associated responsibilities following the recent CMA approval of Pennon's acquisition of the Company
Board content: Enhance the content of Board agendas and papers to include a greater focus on customer feedback, health and safety initiatives, financial resilience, operational delivery plan status and digital projects
Deep dives: Reintroduce a wider set of Board deepdive sessions focused on emerging risks
Financial performance: Increase Board challenge with management on overall financial performance, including improvements in revenue and cost forecasting and cash collections

The Company's system of internal control is founded upon the following key features:

1. CONTROL ENVIRONMENT

The directors have put in place an organisational structure with clearly defined lines of responsibility and delegations of authority, and also ensured key business process controls are in place, such as balance sheet reconciliations and monitoring budgets to actual. The Company has a clearly defined policy on whistleblowing, which is detailed in the employee handbook, and includes access to independent and confidential advice. Murray Legg, as senior independent non-executive director, has responsibility in the first instance for managing whistleblowing matters. The Company's Code of Conduct and Business Ethics policy, which has been approved by the Board, has been drawn to the attention of all employees and published on the Company's intranet.

2. RISK MANAGEMENT

Managing business risk to enable opportunities is a key element of all activities. This is done using a framework which provides a consistent and sustained way of implementing the Company's values. Business risks, which may be related to business systems, physical assets, people, finances or customers, are reviewed regularly by the Audit Committee and discussed by the Board.

An overview of key business risks and the mitigations the Company has established The Board has completed a robust assessment of the Company's emerging and principal risks.

3. INFORMATION SYSTEMS

There is a comprehensive budgeting system with an annual budget approved by the Board. At each Board meeting, monthly trading results, balance sheets and cashflow statements are reported against the corresponding figures for the budget and the prior year, and the forecast for the full year is reviewed.

4. CONTROL PROCEDURES

There are clearly defined policies, processes and controls for managing key business risks, such as appropriate delegations of authority for capital and operating expenditure, preventative IT controls to reduce the possibility of a cyber-attack being successful and automated controls within the treatment processes and networks. Larger projects and major investments require Board approval.

5. MONITORING SYSTEM

The Company's internal financial, operational and compliance control systems have been reviewed in the context of evolving legal and regulatory requirements and additional assurance procedures have been agreed and implemented.

The Audit Committee considers the need for a dedicated internal audit function. The Quality and Compliance function was established in 2014 and routinely conducts internal environmental, quality, health and safety and security audits across all areas of the business, alongside a programme of internal compliance audits that focuses on perceived areas of risk, as identified and agreed annually with the Audit Committee. The outcomes of audits and the forward programme are reviewed through quarterly updates to the Committee. While the monitoring and control arrangements that operated during the year are appropriate, as noted above, areas for improvement have been identified and actioned in 2023/24 to improve controls over revenue and major contracts. The external auditor has been informed of the Company's internal audit programme and tailored its external audit work as needed.

TAXATION STRATEGY

SES Water regards full compliance and responsible conduct in all aspects of its tax matters as a fundamental part of being a well-run and respected business.

This taxation strategy, which has been approved by the Board, is designed to ensure that the Company:

- Only undertakes tax planning activities that seek to comply with both the spirit and the letter of the law
- Avoids any action or behaviour that might be interpreted as aggressive tax avoidance
- Maintains an open, transparent and professional relationship with HMRC reflecting mutual respect and a collaborative working relationship
- Maintains an effective governance and risk management framework that ensures these objectives are implemented in practice.

We consider that these objectives will ensure full compliance with the HMRC framework for co-operative compliance.

The Company recognises that the majority of the benefit to be gained from reducing taxation liabilities will, under the regulatory process for controlling charges to our customers, ultimately benefit customers through reduced bills rather than benefit shareholders. The Company considers this an integral part of the incentive-based regime for monopoly service providers in England and Wales.

The Company operates solely in England and its customers are all based here. All of the Company's profits are taxable in the UK.

The Company's effective cash tax rate on reported profits will vary from year to year – and from the standard rate of UK corporation tax – due to the availability of tax deductions for capital investment and pension contributions. These deductions arise from the tax incentives for capital investment and employee retirement provisions that have been maintained by the Government explicitly to encourage such investment. The Company considers that utilising such incentives is entirely consistent with being a well-run and respected business.

Board attendance record 2023/24

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Murray Legg	12/12	4/4	4/4	2/2
Dave Shemmans	12/12	n/a	4/4	2/2
Jon Woods	11/12	4/4	4/4	2/2
Rebecca Wiles	12/12	4/4	4/4	2/2
Kenji Oida	9/12	n/a	n/a	n/a
Ken Kageyama	9/12	n/a	n/a	n/a
Paul Kerr	12/12	n/a	n/a	n/a
Ian Cain	12/12	n/a	n/a	2/2

Tax risks are encompassed within the Company's general risk management framework (described on pages 64 to 71). In any particular year the principal tax risks arise from changes in legislation or the interpretation of taxation law in practice, leading to higher taxation liabilities than have been allowed for in prices charged to customers.

In addition to corporation tax, the Company makes further contributions to national finances in the form of business rates, employers' National Insurance contributions, environmental taxes and other regulatory levies, including charges for abstracting water from the natural environment.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

The Board has given careful consideration to whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable in accordance with the requirements of the Code. The preparation of this document is overseen by the executive directors with input from senior executives from across the business. The whole report has been reviewed in detail by the Audit Committee, which has noted the close personal involvement of directors who are involved in the day-to-day operation of the business and therefore well placed to ensure the accuracy of matters reported, and the thorough assurance processes which underpin the reliability of key performance information. The Annual Report and Accounts were also considered to include the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Board is therefore satisfied that the document meets the requirements of the Code in this respect.

GOING CONCERN

The Company's activities, together with the factors that are likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 71.

The financial position of the Company is set out on pages 59 to 63. Note 2.26 of the financial statements on pages 137 and 138 sets out the Company's position in relation to risks associated with financial instruments, credit and interest rates, and describes the Company's risk mitigation measures.

The going concern basis has been adopted for preparing the financial statements. The directors have considered the financial position of the Company and concluded that it will be able to meet its liabilities as they fall due for the foreseeable future. For these purposes, the foreseeable future is taken to mean a period of at least 12 months from the date of approval of this Annual Report.

In making this assessment, the directors have noted that no repayments of the Company's long-dated bond or private placement notes are due within the next 12 months and on 12 June 2024 the Company successfully refinanced its two revolving credit facilities (RCFs) (resulting in a single £65.0m RCF with an expiry date of 12 December 2025). The directors have also noted that the Company's credit rating and outlook has remained at Baa2 stable.

In addition, the directors have noted that subsequent to the re-financing and consistent with the recently submitted PR24 Business Plan, equity support will be required in the next 12 months to ensure the Company meets its liabilities as they fall due and operates within the gearing limits set out in our long-dated bond and private placement notes.

The directors' conclusions on the going concern basis therefore reflect the recent CMA approval of the Pennon Group plc's acquisition of the Company and the commitment from Pennon Group plc (the ultimate shareholders of the Company) in the form of a letter of financial support for the next 18 months to December 2025.

The directors have assessed and are satisfied with the Pennon Group plc's ability and intent to fulfil the requirement of the support letter.

In making their going concern assessment, the directors have also considered severe but plausible downside scenarios having regard to operational matters, the ongoing high inflationary environment, the Company's forecast liquidity and the long-term bond covenants. If required the Company has a number of mitigating actions to deal with liquidity issues, including further future RCF and debt financing, re-scoping and deferral of capital projects, and the written commitment from Pennon Group plc through the aforementioned letter of support to address the downside scenarios.

SES Water (the Appointee) is the only entity within the regulatory ring-fence required by Appointee's licence.

In making their going concern assessment, the directors have considered the financing of other entities outside of the regulatory ring-fence and within the wider SES Group Holdings, and are not aware of any entity's external debt that would result in an issue with respect to SES Water's going concern status. In accordance with SES Water's licence, none of the debt outside the ring-fence is guaranteed by SES Water and there is no cross-default in SES Water's debt to the debt outside the ring-fence.

LONG-TERM VIABILITY STATEMENT INTRODUCTION

The directors have assessed the viability of the Company to March 2034, taking account of the Company's current position, performance and the potential impact of the principal risks documented in the Strategic report. The Board considers the review of long term viability to be an extension of the Company's 2024 Price Review ("PR24") business plan submission and associated financial modelling that reviews profitability and liquidity, and tests the debt linked covenants and associated headroom to operate within them.

The main purpose of performing this assessment is to ensure that the Company is financially resilient for the medium term and can withstand various severe but plausible downside scenarios.

As noted, these assumptions within this long-term viability statement are based on those assumptions in the AMP 8 business plan. These assumptions were subject to our well-established internal procedures for managing data quality and assurance. In addition we used a range of suitably qualified external assurance providers to give additional comfort to the data and underlying assumptions which were incorporated into our business plans.

PERIOD OF ASSESSMENT

The directors have determined that the period to March 2034 is an appropriate period over which to provide this viability statement. The 10 year assessment ending 31 March 2034 covers the final year of AMP 7, AMP 8 and the early part of AMP 9.

The Company has submitted its AMP 8 PR24 business plan with AMP 9 representing an extension of the AMP 8 assumptions. Whilst the Company has good visibility over the remaining year of AMP 7, the level of uncertainty increases the longer the look-forward period as the variability of potential outcomes increases over time. At this point in the regulatory cycle the company faces uncertainty on the outcome of the PR24 final determination from Ofwat.

The following key assumptions underpin the assessment:

- SES Water will be able to continue to access debt finance and capital markets to refinance our long-dated index-linked bond commencing in 2027
- Determinations of future Price Reviews are based on reasonable terms which take into account Ofwat's statutory duty to ensure that companies can finance the proper carrying out of their functions with debt and equity
- The water sector is not renationalised in a way that prejudices our financial viability.

SUPPORT

In 2023/24 £22m of equity was received to support the liquidity and gearing requirements of the Company. Further funding is required commencing 2024/25 as detailed in our business plan submission. The funding provides investment for our capital programme and would increase our financial resilience through lower gearing.

On 14 June 2024 the CMA approved the sale of the Company to Pennon Group plc. As noted above a letter of support (LOS) has been provided by our ultimate parent Pennon Group plc to December 2025. The LOS provides for the provision of financial support including equity to address gearing and operational matters including coverage for severe but plausible downside risks.

Beyond December 2025 the Board assumes that alongside ongoing financing through the debt markets that equity will be provided by our shareholder consistent at least with our submitted PR24 business plan. The company will engage with its new shareholder to further develop its medium term financing plan to take account of the implications of Ofwat's PR24 Determination expected in December 2024 (which may increase the equity requirement of the business).

The directors have assumed that there will be no change to the corporate or group structure of the SES Group Holdings Ltd (as detailed in pages 6 to 7 of this APR) that could result in an impact to the viability of the Company.

STRESS TESTING

The Company's business plan is stress tested against a number of scenarios and sensitivities which would be managed through careful risk management and identification of mitigating actions.

The directors have tested the Company's ability to withstand the impact of scenarios specified by Ofwat, including a:

- Failure to deliver regulatory performance commitments equivalent to 3% of the allowed return on regulatory equity in any one year resulting in additional costs.
- 5% increase in bad debt
- 2% increase in interest rates
- 10% totex overspend over five years
- 3% of turnover financial penalties
- Combined scenario of 10% totex overspend over five years, penalties for failure to deliver regulatory performance commitments of 3% of the allowed return on regulatory equity and financial penalties equivalent to 3% of turnover.

The directors have also tested the Company's ability to withstand the impact of various company-specific scenarios as set out below. The sensitivities (both Ofwat and company specific) are tested against the amount of headroom available on our gearing covenant and where there is little or no headroom mitigating actions are identified.

A CYBER-ATTACK THAT RESULTS IN A FINE OF 4% IMPACT OF REVENUES:

- A cyber-attack on the Company's information and operational technology systems leads to short-term asset failures and data breaches with additional opex incurred estimated at c£3m.

We have modelled that the cyber attack is short term in nature (lasting a few days). Additional opex is required to remediate the incident and compensate for the impact to customer service equivalent to 4% of turnover estimated at c£3m

Principal risks associated with the cyber-attack include:

- Delivery of poor customer service
- Loss of customer data
- Unable to operate our information and data systems to deliver operational performance
- Failure to supply water to meet customer demand.

A WATER QUALITY FAILURE:

- Operational issues lead to a significant drop in the quality of water from one or more of our water treatment works assets. This results in an interruption to water supply to a significant portion of our customer base.

We have modelled a major water quality or network incident that affects 10% of our customer base with compensation payments to customers and additional opex incurred estimated at £4.8m

Principal risks associated with a water quality failure include:

- Delivery of poor customer service
- Failure to supply water to meet customer demand
- Failure to meet our legal and regulatory obligations as a water provider.

TOTEX (OPERATING COST AND CAPITAL EXPENDITURE) OVERSPEND:

- An underestimate is made in our budgeting process of the time, effort and cost (including chemical and power costs that make up a significant proportion of opex) required to perform key activities across the Company and meet our performance commitments resulting in additional total expenditure
- The expected financial efficiencies to be gained through technology and new ways of working are not achieved and as such activities do not yield the overall financial savings expected.

We have modelled that additional expenditure is incurred (assumed at 10% of total expenditure), potentially through the need to contract with external parties, to manage daily activities estimated at c£4.0m per annum.

Principal risks associated with an underperformance of totex include;

- Failure to fund additional expenditure
- Liquidity constraints
- Adverse pressure on financial covenants.

CONTINUED IMPACT OF COST OF LIVING ISSUES

- Cost of living issues impact our customers ability to pay their water bills.

We have modelled that a further increase of 20% in our bad debt occurs where customers are unable to pay their water bills, estimated at c£1.4m increase to our bad debt provision.

Principal risks of the cost of living issues include:

- Increase in customer debt levels
- Failure to fund lower cash levels
- Liquidity constraints
- Adverse pressure on financial covenants.

LOSS OF COLLEAGUES:

- A sustained loss of colleagues due to illness or significant work-based disputes or unexpected events occur that results in key activities not being able to be performed across the Company.

We have modelled that one third of the workforce is replaced by temporary staff, therefore additional opex is required to hire and train these temporary colleagues to perform key duties estimated at c£1.0m

Principal risks associated with a loss of key colleagues include;

- Delivery of poor customer service
- Failure to supply water to meet customer demand
- Loss of company knowledge.

ADDITIONAL CLIMATE-RELATED COSTS:

- Additional funding is required to address climate-related matters, such as net zero carbon and asset enhancements in the medium term.

We have modelled that additional capital expenditure (equivalent to 2.5% of total AMP opex) is incurred when compared with forecast estimated at c£1.0m.

Principal risks of climate-related costs include:

- Failure to fund additional expenditure
- Failure to supply water to meet customer demand
- Failure to meet our legal and regulatory obligations as a water provider
- Adverse pressure on financial covenants.

REDEMPTION COSTS ASSOCIATED WITH OUR LONG-TERM BOND:

- Significant additional fees are incurred in association with the redemption and replacement of the Company's long dated bond commencing 2027 through 2031.

We have modelled that additional expenditure is incurred when compared with forecast amounts to fulfil these refinancing options. Additional redemption costs of c£2m are modeled from 2027 to 2031.

Principal risks associated with any redemption costs of our bond include:

- Failure to fund any additional expenditure
- Adverse pressure on financial covenants.

SIGNIFICANT INCREASE IN INFLATION RATES

- Our index-linked bond is increased each year by RPI; in a high inflation environment this increases the level of debt that we have and is repayable to bond holders.

We have modelled that a 2% increase in CPIH and RPI rates is assumed from Year 5 onwards compared to the Office for Budget Responsibility (OBR) inflation forecast. The increase in inflation results in a c£1.0m additional indexation charge per year.

Principal risks associated with an increase in inflation include;

- Significant increase in our gearing
- Adverse pressure on financial covenants
- A time lag before inflation is recovered through tariffs.

COMBINED SCENARIO

A combined scenario is modelled combining the above cyber-attack, operating cost overspend and the impact of higher than forecast inflation.

We continue to consider these scenarios relevant for our Company, given that they are reflective of the key risks separately documented within the Strategic Report of this Annual Report. We consider the above stress-testing scenarios stretching to the Company as these scenarios represent the higher categories of risk identified for the Company.

MITIGATION

On the basis of these assumptions, the headroom to raise additional debt within our covenants would be sufficient to address the above scenarios with the exception of the combined downside scenarios, a totex underpeformance and the water quality event, which would require further debt or equity funding.

Initially mitigation of these risks would be covered through the use of available cash, use of restricted cash in agreement with with the bond guarantor or by drawing down further monies on our RCF facility. During the going concern period to December 2025 the LOS provided by Pennon Group plc as part of SESW going concern assessment would be drawn upon to cover the amounts above the available funds from RCF or cash balances.

Beyond December 2025 the Board assumes that alongside management action to reduce or mitigate the risk, management will utilise restricted cash to fund operations, that additional debt will be raised through the debt markets and that any if necessary additional equity will be provided by Pennon.

CONCLUSION

The Board assumes that there will be continual access to debt markets through maintaining investment grade status.

Our index linked bond has specific covenants on interest cover and gearing, these covenants impose tight financial constraints than the metrics used by the independent credit rating agencies, which publish their own assessment of the Company's credit strength, and should be sufficient to maintain investment grade status.

Annual compliance with financial covenants is subject to external assurance and certificates of compliance with the broader covenants of the £100m index-linked bond are issued annually to the independent Controlling Finance Party.

The Company's medium term financing plan will be developed in the coming year with its new shareholder having regard, inter alia, to the outcome of PR24, the desired level of gearing and an appropriate headroom or mechanism for dealing with risk..

The implications of Ofwat's PR 24 Determination are expected in December 2024. The equity requirement may increase depending upon the outcome of the PR24 Determination.

In conclusion, the directors are comfortable that in conjunction with Pennon Group plc that a medium term financing plan will be developed that provides long term financial viability, taking into account the outcome of PR24, the desired level of gearing and providing appropriate headroom for the AMP.

STATEMENT BY THE CHAIR OF THE NOMINATION COMMITTEE

"I am pleased with the progress the Committee has made on ensuring the stability of the Board and executive management team in the last year."

The Nomination Committee met in November and March, focusing primarily on senior leader succession, talent, building capability and recruitment, and ensuring that the requisite skillsets were maintained at both Board and senior management level during the recent strategic review which concluded with acquisition of the Company by Pennon Group plc on 10 January 2024.

I am pleased with the progress the Committee has made on ensuring the stability of the Board and executive management team in the last year, which was critical in the Company's submission of its PR24 Business Plan and Long-Term Delivery Strategy in October 2023, and in the run up to the acquisition by the Pennon Group.

Looking ahead the Committee will engage with Pennon Group plc to prepare for potential changes to the SES Water Board following the CMA clearance of the merger of SES Water with South West Water on 14 June 2024.
I am delighted that Susan, Gill and Andrew from the Pennon Group plc have now joined us on the SES Water Board.

Dave Shemmans

Chair of the Nomination Committee
10 July 2024

Membership and meetings attended:

Dave Shemmans (Chair)	**2/2**
Murray Legg	**2/2**
Jon Woods	**2/2**
Ian Cain	**2/2**
Rebecca Wiles	**2/2**

Attendees:

Senior employees or external advisors may attend specific meetings by invitation.

Responsibilities:

- Ensuring the Board and its committees have the right balance of skills, knowledge and experience
- Planning for orderly succession to the Board and ensuring an effective succession planning system is in place for other senior executive positions
- Making recommendations to the Board on the appointment of any director
- Identifying and nominating suitable candidates for executive and non-executive director vacancies, having regard to, among other factors, the benefits of diversity, including gender diversity
- Contributing to the annual review of Board performance, particularly in relation to the ability of non-executive directors to devote adequate time to the Company's business.

Terms of reference:

The Committee's full terms of reference as approved by the Board can be found in the Corporate Governance section of the Company's website.

ACTIVITIES OF THE COMMITTEE IN SUMMARY:

The Board appointed Dave Shemmans as Chair of the Company with effect from 24 March 2022. Dave's appointment will run until completion of the PR24 process, which is anticipated, for the purpose of this appointment, to be in December 2024. As such, Dave's term as Chair will end on 31 December 2024, pending further discussion with Pennon Group plc following the CMA's recent approval of the merger on 14 June 2024. Dave's total period as a director of the Company would therefore be ten years and four months, compared with the normal limit of nine years.

Dave Shemmans was considered fully independent by the Board upon his appointment as a non-executive director in September 2014, although under related FRC guidance he is not considered independent when appointed to Chair of the Board. Murray Legg, the senior independent non-executive director on the Board, independently confirmed that all Board members supported Dave's appointment, and Ofwat had no objections to this arrangement.

Dave is also the Chair of East Surrey Holdings, the parent company of SES Water and of various non-regulated companies including SES Water Services. The Board did not consider this additional role to have any implications for Dave being regarded as Chair of the SES Water Board.

Following the acquisition of the Company by Pennon Group plc on 10 January 2024 the Sumitomo Corporation and Osaka Gas shareholder representatives on the Board (Ken Kageyama and Kenji Oida respectively) resigned. I would like to thank Ken and Kenji for their considerable time and support for the Company over recent years, and for their work with the Board during the recent strategic review.

Murray Legg continues as the senior independent non-executive director and Chair of the Audit Committee of SES Water. In addition, he is Chair of the Audit Committee of East Surrey Holdings, the latter being the parent company of SES Water. The Board does not consider this additional role has any implication on Murray's role as the senior independent non-executive director of SES Water.

The Board is committed to evaluating its performance every two years, with the most recent internal evaluation being concluded in May 2024. The Board concluded during this recent review that it remained satisfied that the Nomination Committee continued to perform its duties in line with its terms of reference.

The Board Chair reviews individual non-executive director performance annually and, in turn, the senior independent non-executive director undertakes a review of the Chair's performance annually. All reviews concluded that the Chair and non-executive directors' performed strongly during the year, providing effective strategic guidance, management challenge and support and ensuring strong governance across the Company.

The Board has examined the Company's action plan for diversity and gender pay, along with its Equality, Diversity and Inclusion policy. We maintain our dedication to fostering an inclusive atmosphere rooted in our values, where individuals can thrive regardless of their background or personal attributes. Further details, including our gender pay reporting, are available at https://seswater.co.uk/about-us/publications/our-gender-pay-gap-report.

LOOKING AHEAD

Looking ahead, the Committee, and the Board as a whole, will engage with Pennon Group plc now that the CMA have approved the merger to prepare for changes to the SES Water Board, and with due consideration for key upcoming areas of focus in 2024/25, including finalisation of the Company's PR24 Business Plan. This will need to be done in a way that ensures continuity of knowledge and experience for the benefit of the Company, its employees and its customers.

The Committee will continue to focus its attention on succession planning at executive director and senior management levels, recognising the importance of a smooth flow of new talent alongside the continuous development of existing employees to enable the Company to thrive in a challenging and changing business environment.

STATEMENT BY THE CHAIR OF THE AUDIT COMMITTEE

> The Committee dedicated significant time this year to the additional work associated with PR24 Business Plan submission, financing matters and activities related to the strategic review of the Company.

The Audit Committee continues to seek to ensure the Company's financial and regulatory processes, controls and reporting remain robust, and that there is effective risk management in place throughout the Company.

The year-ended 31 March 2024 was particularly challenging for the business not only due to the ongoing adverse economic pressures on the Company, but also as a result of the additional work for the PR24 Business Plan submission and in support for the shareholders' strategic review and resulting sale to Pennon Group plc.

Therefore, a key focus of the Committee, working closely with the Financing Committee, has been to ensure the Company, with the support of its shareholders, has appropriate resources and plans to maintain its financial resilience and going concern status during this year of substantial change and pressure on management.

The Committee continued its core activities which include ensuring compliance with statutory and regulatory reporting requirements, and reviewing key accounting and judgemental matters. The Committee also focused on ensuring high standards of integrity, financial reporting, risk management and internal controls. The Committee has noted in particular management's enhancement in 2023/24 of the financial data reporting from Aptumo, the Company's billing system.

Throughout the year, the Committee and management maintained positive engagement with the external auditor.

I continue to be impressed by the diligence and seriousness the Company applies to its assurance activities, and to the work performed to ensure the ongoing financial resilience of the Company. Of note was the successful execution of management's plan for additional equity investment and debt refinancing as the year progressed, with further refinancing completed in June 2024.

The Committee has reviewed this Annual Report and accounts. It is able to confirm to the Board that it meets the requirements of the UK Corporate Governance Code by being – when taken as a whole – fair, balanced and understandable. It provides the information necessary for a user to assess the Company's financial performance and strategy. I am satisfied that, as a result of the work undertaken during the year, the Committee has acted in accordance with its terms of reference.

Murray Legg
Chair of the Audit Committee
10 July 2024

Strategic Report
Governance
Financial Statements
Group Information

Membership and meetings attended:

Murray Legg (Chair)	**4/4**
Jon Woods	**4/4**
Rebecca Wiles	**4/4**

Attendees:

The Chair, Chief Executive Officer, Chief Financial Officer, Quality and Compliance Director, Chief Information Officer and shareholder representatives attend each meeting by invitation. The external auditor attends all meetings and meets with the Committee without management present at least once every year. Other members of the financial and general management team attend meetings periodically by invitation.

COMPOSITION AND TRAINING OF THE COMMITTEE

Murray Legg is considered by the Board to have recent and relevant financial experience because he is a chartered accountant who has audited and advised major UK utilities and a variety of listed and unlisted companies in other sectors in a series of increasingly senior roles at PwC for over 35 years. He is also the chair for a UK listed company, attending its Audit Committee.

The Committee receives regular accounting and corporate governance updates at least twice each year as well as specific or personal training. During 2023/24, members of the Committee, in conjunction with the full Board, received online training provided by the Company covering a variety of topics. Members of the Committee periodically visit water treatment works, the Bough Beech Reservoir, and other sites where operational practices and issues are explained. Advice on regulatory developments is made available to the Committee from specialist advisors on regulatory matters, and in 2023/24 this has included detailed reviews – together with the full Board – on PR24 Business Plan matters and Competition and Markets Authority (CMA) considerations ahead of the acquisition by the Pennon Group plc.

Responsibilities:

- Reviewing the form and content of the Company's interim and year-end accounts and results announcements
- Reviewing submissions to Ofwat, including annual performance reports, price control compliance, risk and compliance statements and periodic business plans and re-submissions
- Reviewing the effectiveness of internal controls and risk management systems
- Reviewing the scope and findings of internal audit work
- Overseeing the relationship with the external auditors (including financial and non-financial auditors), including approval of audit plans and assessment of their objectivity and independence.

Terms of reference:

The Committee's full terms of reference as approved by the Board can be found in the Corporate Governance section of the Company's website.

MAIN ACTIVITIES OF THE COMMITTEE

The Audit Committee met four times during 2023/24, and on 12 June 2024 to consider and approve this Annual Report which was then approved by the Board on the same day. At least once a year a private session is held with the external auditor without management present. At each meeting, the Committee operates to a formal agenda of items including the minutes and action points of the last meeting.

This ensures that an accurate record of its deliberations has been maintained and actions are progressed.

The Committee chair also has preparatory discussions with the Chief Financial Officer, the Financial Director, the external auditor and, where necessary, other members of senior management prior to Committee meetings. He also reviews data, processes and assurance measures involved in key regulatory submissions, as well as considering the potential effect of proposed new accounting and regulatory standards.

When reviewing the risks faced by the Company – and the mitigations already in place – the Committee has this year given particular attention to certain key matters – notably PR24 Business Plan submission, cash collections and bad debt provisioning, financial resilience matters (in conjunction with the Financing Committee), cyber security, the use of our South Africa off-shore service centre, a review of the Guaranteed Standards Scheme (GSS) governance, and the results of reviews undertaken of major contracts.

FINANCIAL RESILIENCE MATTERS

SES Water has continued to be impacted by high inflation increasing the cost of chemicals and consumables across both our operational and capital programme, which has put continued pressure on liquidity in the year.

In addition, the Company has been impacted by continuing high levels of inflation for the majority of the year on the cost of the long-term RPI-linked bond; this has continued to put pressure on the bond covenants at year end.

To address these financial resilience matters, management – working with shareholders – completed the injection of £22.0m equity investment into the Company in the year. In addition, management completed certain key debt re-financing activities, including issuance of a £40.0m private placement debt (in November 2023 and March 2024) and re-financing of the combined £75.0m revolving credit facilities (RCFs). The combined £75.0m RCFs were replaced with a single £65m facility on 12 June 2024, with an expiry date of 12 December 2025. As of 1 July 2024, £50m of this £65.0m RCF was drawn down.

All bond interest cover ratios (including the impact of inflation) were met at year end.

CYBER SECURITY

The Committee's consideration of the threat to assets, controls and personal data (of employees, customers and data-share partners) posed by malicious activity over the internet continues to be performed in conjunction with the Company's Cyber Assessment Framework (CAF) submission to the DWI under the Network and Information Systems regulations (NIS). The latter focused on the threat to the Company's operational technology. The Committee noted the effectiveness of the Company's existing protective measures but – following a series of external penetration tests in the year – continued improvements to our plans for handling cyber threats are to be implemented.

In addition to the matters covered under separate headings above, during the year the Committee has also considered other matters below:

- Documents required by Ofwat to be published by the Company, including the Annual Performance Report (incorporating regulatory accounts, performance against Final Determination performance measures, and financial resilience measures); targeted assurance plans; and the Company's wholesale, household, developer services and New Appointment and Variations (NAV) charges schemes
- The Company's risk register and progress on systems resilience, including reviewing and challenging at six-monthly intervals management's assessment of the key risks faced by the business, the probability of their occurrence and the impact of mitigation measures in place. The key risks from the Company's latest risk register are illustrated on pages 64 to 71 of this report
- The Company's long-term viability statement, going concern assumption, tax policy statement and certificates of compliance with its Instrument of Appointment
- The Company's compliance with covenants associated with its £100m index-linked bond, including the maintenance of appropriate financial ratios and the funding of ring-fenced reserve accounts
- The operation of internal controls within the business and progress with management responses on detailed control points identified by external audits
- The operation of the Company's compliance and assurance function and the associated programme of internal audits
- Oversight of management's work with Mott MacDonald, the external auditor of the Company's regulatory performance commitments, including interim and year-end reviews
- Key policies under annual review, including the Company's code of conduct and whistleblowing policies, together with consideration of new Company policies, such as an asset management policy
- The Company's consideration of the effect of any new accounting standards to be adopted in 2024/25
- The appropriate treatment in the financial statements of government-mandated changes in tax rates
- The appropriateness of the underlying actuarial assumptions underpinning the valuation of the Company's Section of the Water Companies Pension Scheme (WCPS)
- Review of compliance of the Company on service level agreements with SES Business Water and other associated companies, ensuring services provided are on an arm's-length basis and no cross-subsidy from the appointed business is occurring
- Formal evaluation of the performance of the external auditor.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In recommending the Annual Report and accounts to the Board for approval, the Committee reviewed significant issues, judgements and estimates reflected in the financial statements to ensure that appropriate rigour had been applied as part of the year-end process. The Committee:

- Considers and provides for doubtful debts. The Committee supported management's approach to provisioning, which involved a consideration of the level of bad debt provisions required in the light of recent cash collection rates and the ongoing effects of the cost of living crisis. This also involved a consideration of the cash collection processes and resources in place within the Company, the results of which underpin the doubtful debt provision
- The derecognition of revenue where there is a history of customers not paying water bills
- The estimated unbilled revenue for measured customers. The Committee agreed with management's estimate of this balance, which represents consumed but unbilled water usage at year end, after taking into account recent consumption trends
- The appropriateness of the Company's policy for capitalising expenditure as fixed assets under FRS 101 and the consistent application of the policy in the year. The Committee noted that the policy and practice was consistent with that adopted with a review in the year being completed to ensure that rates of recharge reflected mix of work done. The Committee noted that this policy extended to ensuring that appropriate processes and controls were in place for the transfer of Assets Under Construction to Fixed Assets, including the commencement of depreciation charges, and that appropriate review by management continued in this area in the year
- The appropriateness of the accounting estimates and disclosures for the benefits provided to employees through the Company's Section of the WCPS. The Committee concluded that the estimates applied by the Company's actuarial advisors in calculating the annual cost and valuing the assets and liabilities associated with the defined benefit obligation were within the range typically adopted for prudent provisions in the current economic environment.

GOING CONCERN

Having carefully considered the Company's liquidity and forecast obligations and having made appropriate enquiries of management, the Committee supported the directors' assessment that the Company should adopt a going concern assumption for the preparation of the annual financial statements.

The Committee noted that management has considered the impact of the current economic conditions, future equity support from its shareholders, recent debt re-financing, ability and intent of our new shareholder – Pennon Group plc – to fulfil such support. The directors have also considered severe but plausible downside scenarios having regard to the ongoing high inflationary environment, the Company's forecast liquidity, and the long-term bond covenants.

FAIR, BALANCED AND UNDERSTANDABLE REPORT

The UK Corporate Governance Code requires the Board to consider whether the Annual Report has been, when taken as a whole, fair, balanced and understandable and provides the information necessary for users to assess the Company's performance, business model and strategy. The Board has asked the Audit Committee to advise on compliance with this important requirement.

In considering the advice to be given to the Board, the Committee reviewed the Company's processes for ensuring the accuracy of information within this Annual Report, noting the continuous updates to the well-established processes for assurance of key performance measures (including those required for regulatory purposes) and underpinning the Company's Risk and Compliance Statement to the Water Services Regulatory Authority (which can be found in the Annual Performance Report), as well as the financial controls and audit procedures for ensuring the integrity of the accounts.

The Committee has drawn further assurance from the close personal involvement of executive directors and senior employees in the preparation and review of the Annual Report, reflecting the detailed involvement that senior employees have in the day-to-day operations and control of a business of the size and nature of the Company. Having reviewed drafts of the Annual Report, had enquiries answered satisfactorily and noted enhancements made to initial drafts, the Committee is pleased to confirm to the Board that it considers the Annual Report meets the high standards required by the UK Corporate Governance Code.

EXTERNAL AUDITOR

The Committee approved PwC's proposed approach for the year-end statutory audit at its meeting in November 2023. Regular dialogue was held with the auditor regarding the progress and findings from the audit. The Committee approved the management representations to the external auditor and also requested feedback from both management and the external audit team about the effectiveness of the audit carried out.

The effectiveness of the audit process and quality of the audit were assessed by the Committee through review of PwC's reports and communications during the year, and formal feedback will be provided in July to PwC.

During the year, the Committee focused on how robust and effective PwC's challenges were on key areas of judgement by management, and whether PwC had exhibited an appropriate level of professional scepticism in such areas. This included the Committee reviewing PwC's work on management's provisions for doubtful debts and the estimated unbilled revenue for measured customers, together with considering the level of challenge that PwC provided to management's assessment of going concern and long-term viability. In all such instances, the Committee considered an appropriate level of challenge has been provided by PwC, as reflected in its year-end reporting to the Committee and published audit report.

The Committee noted that PwC had conducted an annual review of its independence, identifying all services provided to the Company and its associates, and assessing whether the content and scale of such work was a threat to its independence.

The last tender for the external auditor was conducted in 2018/19 with PwC appointed external auditor for the year-ended 31 March 2020. The audit partner since appointment has been Richard French.

Note 6 to the statutory accounts (page 140) shows that the fees due to PwC all related to audit or other assurance procedures on the Company's statutory and regulatory obligations. The Committee concurred with the auditor's assessment that there are no factors which would impair its objectivity and independence. The Committee is satisfied that there are adequate safeguards in place to protect the independence and objectivity of the service provided by the external auditor including a requirement for all non-audit work likely to exceed £10,000 to be approved by the chair of the Committee. Amounts under this threshold will be approved by the Chief Financial Officer and are considered pre-approved by the Audit Committee.

External audit partners are rotated every five years. The external audit partner in respect of the 2024 financial year has been Richard French who has now completed five years in that role for Sutton and East Surrey Water Plc. Richard French will therefore step down as audit partner for Sutton and East Surrey Water Plc on completion of the 2024 audit and the Committee would like to thank him for his input and support in their work over the last five years. Colin Bates will take over as external audit partner in respect of the 2025 financial year.

STATEMENT BY THE CHAIR OF THE HEALTH, SAFETY AND WELLBEING COMMITTEE

"Acknowledging the importance placed on ensuring health and safety leadership, the Committee was pleased to note the progress made in the year."

The Health, Safety and Wellbeing Committee supports the Company to fulfil its legal and moral obligations in developing a supportive health and safety culture, and maintaining appropriate systems and processes that protect all colleagues and those in the community impacted by our work.

The Committee met quarterly in 2023/24 and was pleased to note the ongoing excellent health and safety performance. There were no Lost Time Accidents (LTAs) during this period, no reportable incidents or injuries at year end and the number of minor Non-Lost Time Accidents (NLTAs) was also lower than the previous year. The Company was also very proud to achieve two RoSPA gold awards for health and safety performance and the management of occupational road risk during 2023.

A focus of the Committee was to review the cause of all accidents and to challenge the Company's response to all Potential Hazard Early Warning (PHEW) reports, ensuring that future strategy, delivery plans and proposed campaigns align with those areas identified as having a higher potential to cause harm. Specific areas addressed in 2023/24 were the risks of working at height, ensuring that contractors and consultants have equal access to appropriate health and safety induction material and colleague lone working. In addition, new training packages were developed in-house to address the risk from distracted driving and a new supplier was identified to deliver more effective safety and conflict resolution training for those colleagues dealing with the public.

The Company operates a 'STOP' card system, enabling any colleague to intervene and request that works are ceased where they believe there may be a risk to the health, safety or wellbeing of colleagues, contractors working on our behalf or the public. This is with the authorisation of the CEO. In 2023/24, four of our colleagues stopped works until important changes to the tools used, or processes involved, had been made.

Acknowledging the importance placed on ensuring health and safety leadership, the Committee was pleased to note the progress made in the year to ensure all members of the senior leadership team were engaged in completing health and safety inspections and holding wellbeing conversations across all areas of our operations. As chair of this Board Committee, I also attended one of the three Company Health, Safety and Wellbeing Committee meetings and witnessed firsthand the energy and engagement from all members representing different areas of our business.

Another important Committee agenda item is to review and learn from incidents in the industry and across the utility sector more widely and consider whether any adjustments are required in SES Water's policies and procedures.

The Committee also particularly acknowledged the success of the Company-wide initiative to engage all colleagues in our agenda through Health and Safety roadshows at our treatment work sites and a Health and Safety Day at the Head Office in 2023. These events included a personal re-launch of the STOP card by the CEO, focus on manual handling, HGV blind-spot awareness, demonstrations of alternative safety equipment, and engagement with both the providers of our health support agencies and our own Mental Health First Aiders.

A key event that brought operational colleagues together to consider the risks from complacency, fatigue and distraction was the organisation of a safety stand-down event at the start of the year. An external speaker provided an insightful and thought-provoking presentation and further support for the Company's ongoing review of the Working Time Regulations.

The Committee also reviews data on health and wellbeing and was encouraged by the attendance statistics for the Company's free colleague health checks, noting the anonymised outputs will drive the Company's future focus to encourage hydration, exercise, healthy nutrition and management of stress.

The Committee reported to the Board and supported a separate annual presentation to the Board by the Group Health and Safety Manager.

Rebecca Wiles

Rebecca Wiles
Chair of the Health, Safety and Wellbeing Committee
10 July 2024

Membership and meetings attended:

Rebecca Wiles (Chair)	**4/4**
Ian Cain	**3/4**

Attendees:

The Chair, Chief Executive Officer, Quality and Compliance Director, Wholesale Director, HR Director, Group Health and Safety Manager and shareholder representatives were invited to attend each meeting.

Responsibilities:

- To approve the Company's strategic plans for the development of health, safety and wellbeing maturity
- To review health and safety performance, focusing on the analysis of key trends, the outcome of investigations and the Company's response to incidents
- To review wellbeing statistics and survey outputs
- To consider the effectiveness of activities delivered in respect of health, safety and wellbeing, and to agree action plans and the prioritisation of forthcoming initiatives
- To actively engage with, take feedback from and ensure the beneficial input to, the Company's employee Health, Safety and Wellbeing Committee.

Terms of reference:

The Committee's full terms of reference, as approved by the Board, can be found in the Corporate Governance section of the Company's website.

STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

"The Committee has focused on ensuring the Executive Pay Policy is fully aligned with recent Ofwat guidance."

This report outlines our approach to executive remuneration highlighting the actions taken by the Committee to ensure we have a fair and transparent reward system, aligned with the long-term interests of our Company and stakeholders.

The focus of the Committee in 2023/24 has been to ensure the reward and incentive opportunities for key senior managers and the executive directors are appropriate in light of the Company's operational, financial and regulatory performance.

In a period of increased pressure on the industry, we recognise and understand the heightened scrutiny of executive pay. We have taken on board Ofwat's guidance that serious breaches of customer trust, particularly environmental, should be reflected in the pay of executives. We balance this with the need to attract and retain high-calibre individuals who will run the Company for our customers and deliver on performance commitments. Our Executive Pay Policy is designed to attract, motivate, and retain exceptional talent while maintaining a clear link between pay and performance. It aims to strike the right balance between providing competitive rewards to drive Company growth, enhance shareholder value, and ensure responsible and prudent governance

In April 2024, we reviewed our Executive Pay Policy, including reviewing and discussing Ofwat's recent publications and associated sector-wide correspondence, ensuring that the Executive Pay Policy addressed these matters clearly. While no substantial changes were deemed necessary to the prior year Executive Pay Policy, the Committee have enhanced this report to explain more clearly the decision making process and final results of the executive pay for the year-end 31 March 2024.

Full details of the Executive Pay Policy, in addition to the achievements against the targets for 2023/24, and the consequent bonuses payable to executive directors, are set out in this report. These targets are also shared by the colleague bonus scheme.

Each year we review our colleague's pay with our representative forum, the Joint Negotiation and Consultative Committee (JNCC). We reacted fairly to the continued challenges of the rising cost of living by awarding a 4.5% pay increase for 2024/25, increased the maximum potential employee bonus payment to £750 and gave an additional day's annual leave for 2024/25 only. As part of the pay review process, we ensure that no colleagues are paid below the Real Living Wage rate of pay.

The major decisions on directors' remuneration included the approval of the annual pay increase, annual bonuses based on personal targets and Customer Pledges – including a discretionary reduction of 3.15% to reflect that the financial performance target was not met – and the 2021 LTIP plan pay-out. The Committee discussed, challenged and agreed executive director's pay and benefits, ensuring that their long-term incentives and bonuses were payable on achievement of the targets set out in this report The achievements of results against these targets are noted on page 107.

During the year no substantial changes were made to the directors' remuneration framework, but a new long-term incentive plan (LTIP) for 2024 was introduced. Following the acquisition by the Pennon Group, and subsequent CMA approval on 14 June 2024, the Executive Pay Policy will be reviewed as part of the wider Pennon Group remuneration.

As well as remuneration, a competitive pension scheme and holiday entitlement, we offer our colleagues a range of wellbeing schemes including medical cash plans, colleague assistance programmes, flu vaccinations, annual health checks and medical health insurance. We have 1 in 13 of our colleagues trained as Mental Health First Aiders.

The Committee continues to focus on equality, diversity and inclusion, with progress against our action plan being presented at the main Board earlier in the year. We are proud the Company provides equal opportunities for everyone. We continue to review our gender pay gap – data for this can be seen in the report dated 5 April 2023 on the Company's website. Our pay gap has improved from 10.1% in 2022, to 7.1% in 2023.

We are committed to:

- Promote equitable pay practices that support diversity and inclusion, ensuring that remuneration is free from discrimination based on gender, race or other factors
- Ensure that remuneration for executives and colleagues is fair, competitive and aligned with the market to attract and retain talent
- Maintain transparency in the remuneration process, ensuring it is clearly communicated and understood by all stakeholders, and reward is aligned with the Company's objectives, and awarded for performance
- Conduct regular reviews of remuneration policies and practices to ensure they remain relevant, effective and aligned with the Company's goals and industry trends.

The most recent review of the effectiveness of the Board and its committees concluded that the Remuneration Committee continued to fulfil its objectives appropriately.

Jon Woods

Jon Woods
Chair of the Remuneration Committee
10 July 2024

IMPLEMENTATION OF EXECUTIVE PAY POLICY IN 2023/24

THE TABLE BELOW SUMMARISES THE IMPLEMENTATION OF THE DIRECTORS' EXECUTIVE PAY POLICY FOR EXECUTIVE DIRECTORS IN 2023/24.

BASE SALARY
Core element of a fixed amount, reflecting the size and scope of the role.

BENEFITS
Appropriate and sufficient level of benefits based on individual circumstances. Includes car allowance and private medical insurance, for example.

RETIREMENT BENEFITS
Executive directors are eligible to participate in the Company's defined contribution pension scheme (or such other pension plan as may be deemed appropriate).

ANNUAL BONUS
Rewards performance against annual targets which support the strategic direction of the Company.

LONG-TERM INCENTIVE PLAN (LTIP)
Rewards performance against targets set by the Board for financial performance over three years.

MEMBERSHIP AND MEETINGS ATTENDED:

Jon Woods (Chair)	2/2
Dave Shemmans	2/2
Murray Legg	2/2
Rebecca Wiles	2/2

ATTENDEES:
The Chief Executive Officer attends meetings for all business other than any business relating to his own remuneration. The Company Secretary or his nominee acts as secretary to the Committee.

RESPONSIBILITIES:

- Making recommendations to the Board on the framework for remuneration of the Chairman, independent non-executive directors, Chief Executive Officer, Chief Financial Officer and members of the executive and senior management team
- Approving the design of and determining targets for the Company's performance-related pay schemes and approving total annual payments under such schemes
- Determining the total individual remuneration package of each executive director including, where appropriate, bonuses and incentive payments
- Determining policy for and scope of pension arrangements and service agreements for executive directors and designated senior executives
- Ensuring that disclosures of remuneration comply with the relevant regulations and obligations applicable to the Company.

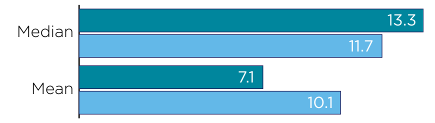
TERMS OF REFERENCE:
The Committee's full terms of reference as approved by the Board can be found on the Company's website.

GENDER PAY AND BONUS PAY PERCENTAGES

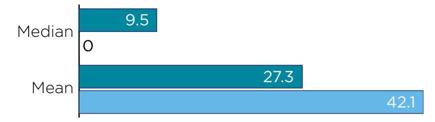
The differences in adjusted hourly pay between the average (mean) or middle (median) man and the average or middle woman expressed as a percentage of the man's pay.

The differences in the total bonuses paid to the average (mean) or middle (median) man and the average or middle woman expressed as a percentage of the man's total bonus.

GENDER PAY GAP 2023 (%)

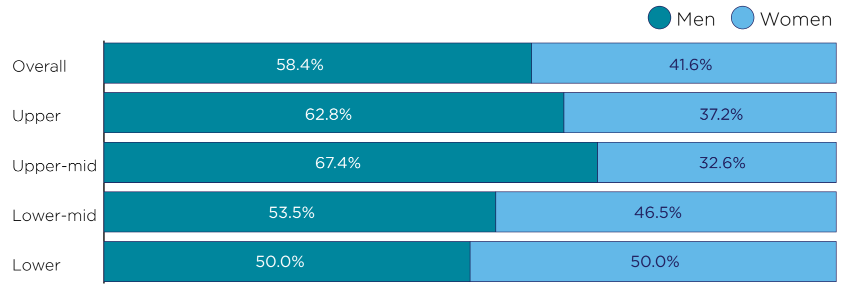


BONUS PAY GAP 2023 (%)



PAY QUARTILES

The charts below illustrate the gender distribution across SES Water in four quartiles.



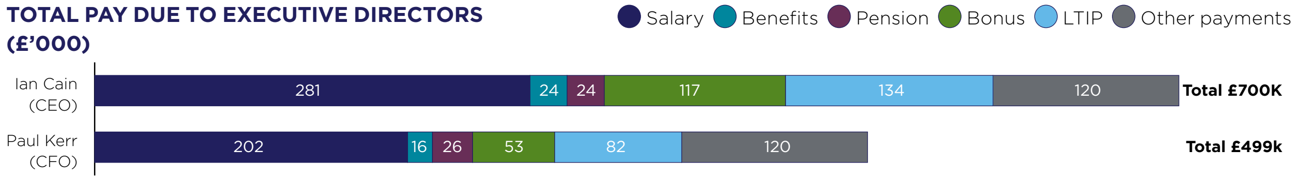
GENDER SPLIT BY ROLE

	Male	Female	Total
Directors	2	0	2
Senior managers	10	11	21
Employees	199	131	330
Non-executive directors	3	1	4
Total	214	143	**357**

IMPLEMENTATION OF DIRECTOR'S EXECUTIVE PAY POLICY IN 2023/24

The table below summarises the implementation of the Executive Pay Policy for executive directors in 2023/24.

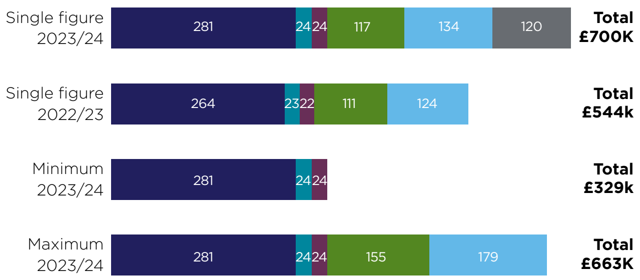
TOTAL PAY DUE TO EXECUTIVE DIRECTORS (£'000)



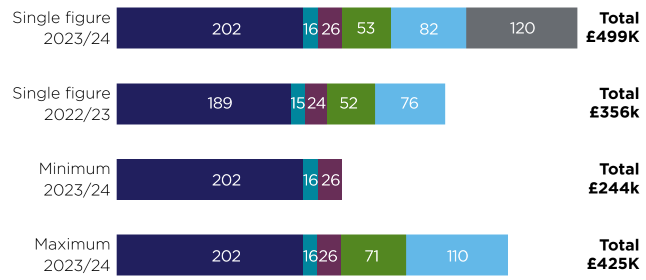
SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS FOR 2023/24 COMPARED WITH PERFORMANCE SCENARIOS

Fixed pay comprises base salary, benefits and pension, with variable pay comprising other benefits such as bonus and LTIP. The charts below show the relative split between these fixed and variable pay elements for Ian Cain and Paul Kerr as compared with the remuneration scenarios described on page 104.

IAN CAIN (£'000)



PAUL KERR (£'000)



The Company's Executive Pay Policy is designed to attract and retain good-quality senior executives having regard to other UK-based businesses. It provides for a remuneration package, the variable element of which reflects the Company's performance against stretching customer service, operational and financial objectives. The Board considers that the performance element of the remuneration package is appropriate given the main activities of the Company. Full details of each component of the directors' remuneration applicable for the 12 months ended 31 March 2024 are shown below.

UPDATED EXECUTIVE PAY POLICY – EFFECTIVE FROM 1 APRIL 2024

While this remuneration report focuses on Board and executive directors' remuneration for the year-ended 31 March 2024, the Board acknowledges and fully agrees with Ofwat's pronouncements on its expectations with respect to companies being transparent about how executives are remunerated and especially how any performance-related element is linked to customer interests and environmental performance, and that the measures be' stretching in nature.

In June 2023 Ofwat published its final guidance on a performance-related executive pay (PRP) recovery mechanism, which would allow them to ensure customers are protected and do not fund executive director's PRP where companies do not meet the expectations set out. These provisions apply from 2023/24, and in November 2023 they published their assessment of the industry. For both the 2023/24 consideration of executive pay, and ongoing into 2024/25 expected pay considerations, the Remuneration Committee has specifically reviewed the Executive Pay Policy against this latest set of Ofwat guidance. The Committee reviewed and discussed Ofwat's guidance around matters such as alignment to customer delivery, stretching targets, overall performance, compliance matters and ensuring that overall poor performance is not rewarded.

Performance targets will continue to be regularly assessed to ensure they remain stretching throughout the 2020 to 2025 Business Plan period.

The Remuneration Committee still retains the power to reduce all or part of PRP payments resulting from exceptional circumstances.

In terms of the process for determining potential executive annual bonus and LTIP payments, the Remuneration Committee reviews progress against objectives in each of its meetings during the year, based on the most recent performance data against the set measurement criteria. This includes both actual financial and non-financial performance data, together with forecast data for the remainder of the year or term of the relevant LTIP. The Committee also considers other macro-economic or geopolitical factors influencing any particular measurement period. Final decisions on both annual bonus and LTIP payments are made at the June Committee meeting, following receipt of the externally audited performance results for the year.

Measures are in place to avoid or deal with any potential conflicts of interest that should arise during this process. Neither the Chief Executive Officer nor the Chief Financial Officer are present during the discussions of their potential annual bonus or LTIP awards, and the Committee has access to third party audit reports to objectively verify both the financial and non-financial performance of the business, including delivery of service to the Company's customers.

The Executive Pay Policy incorporates business resilience as it supports customer performance in the LTIPs as opposed to simply financial performance, ensuring that executives have a responsibility to ensure the long-term financial sustainability of the Company.

This will be assessed using a set of measurements such as bond ratios, totex efficiency and credit ratings. Such business resilience targets also include network infrastructure, operational and information technology infrastructure resilience measurements. As part of this review of business resilience, the impact of the cost of living crisis and macro-economic environment, and how the executives have managed the long-term operational and financial sustainability of the business in the crisis, is a key consideration.

Through our Remuneration Committee, we are committed to being fully transparent and continuously reviewing our Executive Pay Policy over time and, where policies develop and change, we will explain the reasons in our Annual Report and signal changes to stakeholders.

For clarity in this report, each of the following sections details elements of executive directors' remuneration for the 12 months ended 31 March 2024. For the LTIPs all awards were considered under the updated Executive Pay Policy considered above.

COMPONENTS OF EXECUTIVE DIRECTORS' REMUNERATION APPLICABLE FOR THE 12 MONTHS ENDED 31 MARCH 2024

There are five components of the executive directors' remuneration – three fixed elements (base salary, benefits and retirement benefits) and two variable elements (annual bonus and LTIPs). These five components of remuneration are detailed below.

1. BASE SALARY

PURPOSE AND LINK TO STRATEGY

Core element of fixed remuneration, reflecting the size and scope of the role. Purpose is to recruit and retain directors of the calibre required for the business to drive success and delivery for customers in line with the top quartile of the industry.

OPERATION

Reviewed annually and normally fixed for 12 months commencing 1 April. While executive directors are contractually entitled to an annual review of their salary, there is no entitlement to an increase as a result of this review.

Salary levels are determined by the Committee taking into account a range of factors including:

- Role, experience and performance
- Prevailing market conditions
- External benchmarks for similar roles at comparable companies
- Award levels of the rest of the business.

OPPORTUNITY

Increases in base salaries are reviewed in the context of salary increases across the Company as a whole. The Committee considers any reasons why increases should diverge from this benchmark, including:

- Increase in scope, complexity or responsibility of the role
- Increase on promotion to executive director
- A salary falling significantly below market positioning.

PERFORMANCE METRICS

Contribution and overall performance in the role are taken into account in determining whether any increase in base salary should be awarded, and if so, at what level.

2. BENEFITS

PURPOSE AND LINK TO STRATEGY

Ensures the overall package is competitive to recruit and retain directors of the calibre required for the business.

OPERATION

Executive directors receive benefits in line with market practice, which include a car allowance, private medical insurance and life assurance. Other benefits may be provided based on the role and individual circumstances. These may include, for example, relocation and travel allowances.

OPPORTUNITY

Set at a level which the Committee considers appropriate against the market and provides a sufficient level of benefit based on individual circumstances.

PERFORMANCE METRICS

Not applicable.

3. RETIREMENT BENEFITS

PURPOSE AND LINK TO STRATEGY

The purpose is to recruit and retain directors of the calibre required for the business by providing market-competitive post-employment benefits. The executive pension contributions are set per individual's contract. This is higher than other employees within the business (at 15% for the CFO compared to between 6% and 10% for all other employees) and is considered part of their overall remuneration package.

OPERATION

Executive directors are eligible to participate in the Company's defined contribution pension scheme (or such other pension plan as may be deemed appropriate) and, if a member before closure of the scheme, the Company's defined benefit scheme.

The defined benefit scheme was closed to new entrants from 1 May 2002. Any executive director who is a member of the closed scheme can continue to receive benefits in accordance with the terms of the scheme. The executive directors are not members of the defined benefit scheme.

OPPORTUNITY

The executive directors have personal pension plans or where appropriate an option of a pension allowance at the same contribution rate as their pension in lieu of pension contributions by the Company (with employer NI deducted).

PERFORMANCE METRICS

Not applicable.

4. ANNUAL BONUS

PURPOSE AND LINK TO STRATEGY

Rewards performance against annual targets which support the strategic direction of the Company.

OPERATION

Annual targets include shared corporate targets for the levels of service to customers and other aspects of operational performance, financial performance, and individual targets for the achievement of personal goals. Targets are set by the Board (advised by the Remuneration Committee) before the start of each financial year and are assessed following audit of the Company's financial statements and independent assurance of the levels of service achieved, prior to publication of the Company's Annual Report and signature of the Risk and Compliance Statement.

As with all bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion, which is exercised by the Remuneration Committee on behalf of the Board.

OPPORTUNITY

The maximum bonus opportunities for the Chief Executive Officer and Chief Financial Officer are 55% and 35% respectively.

PERFORMANCE METRICS

The weighting of annual targets, under the policy, is across two main categories as follows:

	Customer pledges (70%)	Personal targets (30%)	Total
Chief Executive Officer	38.5%	16.5%	**55%**
Chief Financial Officer	24.5%	10.5%	**35%**

The specific customer pledges are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. These specific customer pledges have been determined by the Remuneration Committee to be those of most relevance to delivering quality and consistent levels of high customer service and therefore no changes to these metrics have been made for 2024/25.

	Total
Water quality	**16.67%**
C-Mex/D-Mex	**16.67%**
Leakage	**16.67%**
Supply interruptions	**16.67%**
PCC	**16.67%**
Affordability	**16.67%**
Total	**100.0%**

Performance metrics are selected to align with the Company's strategy. The targets set are designed to be stretching and require year-on-year improvements in overall business performance. In setting stretching performance targets, the Committee takes into account a range of factors, including the Company's medium-term business plans, commitments to customers, regulatory and other obligations, and shareholder expectations.

Personal targets focus upon critical areas of business development, including process and service enhancements, demonstration of the Company's values, and employee leadership and development.

5. LONG-TERM INCENTIVE PLAN

PURPOSE AND LINK TO STRATEGY

Rewards performance against longer-term financial targets which support the strategic direction and value of the Company and the Group of which it is a part. In addition, this plan provides an incentive for executives to remain in the business, which provides stability and continuity of key individuals in a competitive marketplace, allowing full focus on achieving customer objectives.

OPERATION

Targets for financial performance over three years for the Company and the Group of which it is a part are set by the Board (as advised by the Remuneration Committee) annually before the start of the three-year performance period. Rewards only crystallise if the shared corporate targets for the levels of service to customers and other aspects of operational performance (as applicable under the annual bonus) are achieved. Performance is assessed annually following audit of the Company's financial statements and independent assurance of the levels of service achieved, prior to publication of the Company's Annual Report and signature of the Risk and Compliance Statement. Rewards only become payable at the end of the three-year performance period, when performance over the three-year period as a whole is assessed. As with all bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion, which is exercised by the Remuneration Committee on behalf of the Board.

OPPORTUNITY

The maximum incentive payments opportunity for the three-year period are shown below:

LTIP	Maximum opportunity
Chief Executive Officer	70%
Chief Financial Officer	60%

PERFORMANCE METRICS

In 2019/20, the Executive Pay Policy was updated to substantially change the targets and measurement criteria for the Company's LTIPs commencing 1 April 2020. This update to the Executive Pay Policy in prior year did not change the on-target and maximum available opportunities available under the LTIP for the CEO and CFO. In 2021/22, these performance targets were aligned even further to performance for customers, and in 2022/23 have been enhanced further to reflect a focus on environmental resilience, with the requisite weighting as follows:

- Customer performance, service and support – 70%
- Environmental and reputational resilience – 30%.

Given the updates to the Executive Pay Policy noted above in recent years, and the improved alignment to customer and environmental performance, no further changes to such metrics have been made for 2024/25.

The specific measurement criteria are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. With the focus primarily on customer performance through long-term business resilience, as well as customer service and support, 70% of any potential LTIP award is clearly aligned to delivery for customers.

In addition, and in line with the Company's focus on sustainability, environmental targets are also included within the LTIP schemes, as can be noted in the following breakdown of key components, where progress on the Company's environmental and overall sustainability agenda form part of the overall executive LTIP scheme.

CUSTOMER PERFORMANCE THROUGH BUSINESS RESILIENCE – 2023/24

Target	Measurement criteria	Weighting
Systems-based resilience	Progress on key aspects of the Company-wide resilience plans with a focus on network and operational resilience • Such progress will be achieved through effective totex spend to minimise leakage, supply interruptions and supply failures and efficient capex programmes to minimise unplanned outages and ensuring performance commitments are met. Digital resilience will be a key part of achieving this overall systems-based resilience.	**15%**
Financial resilience	Ensure that customers benefit from a stable financial business that allows prioritisation of customer service • Outperformance of budget (allowing delivery to customers in an economically efficient manner) • Business Plan financial covenant and gearing ratios are met • Progress on enduring financial resilience solutions, including long-term refinancing and sinking fund solutions.	**25%**
Total weighting		**40%**

CUSTOMER SERVICE AND SUPPORT – 2023/24

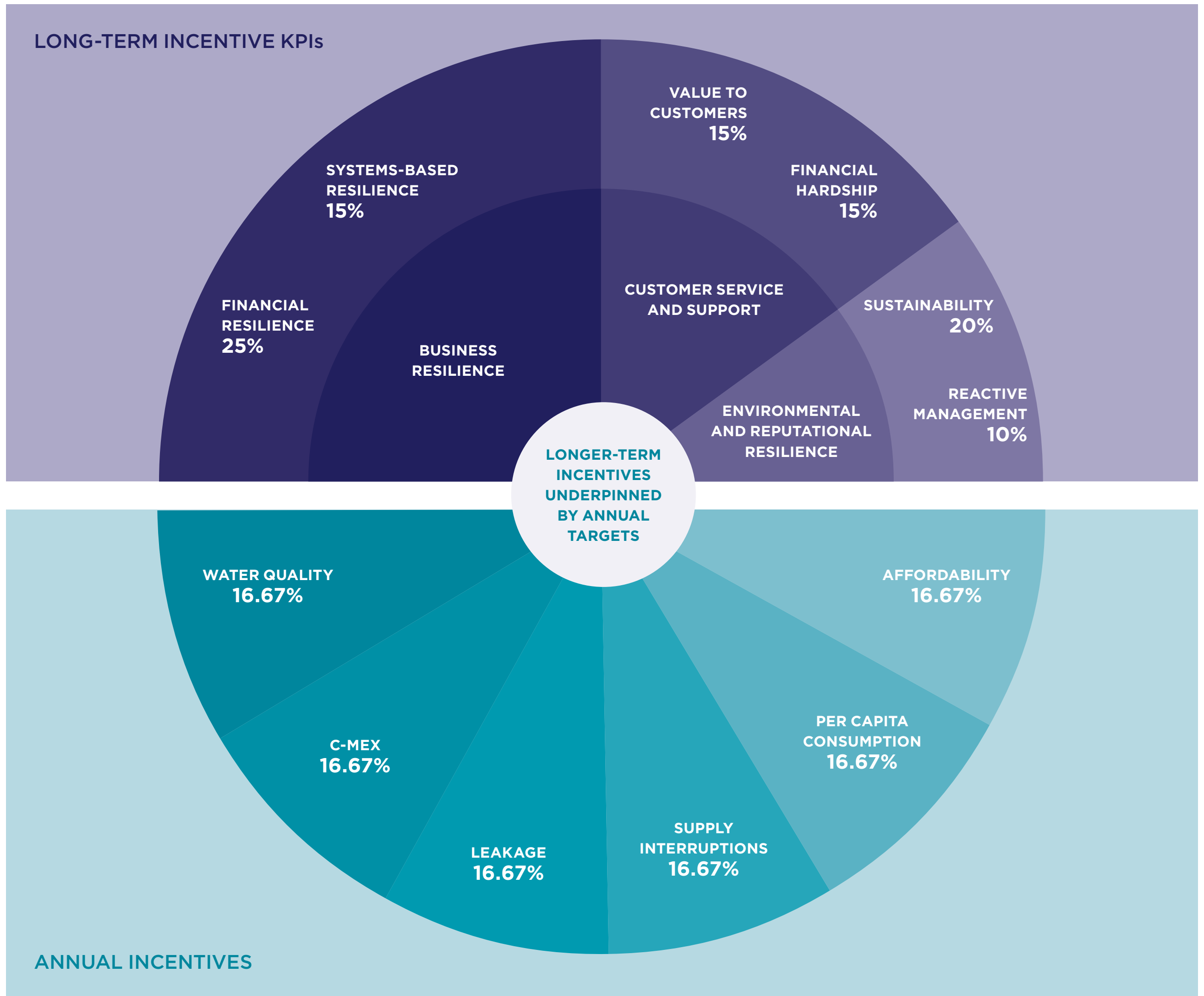
Target	Measurement criteria	Weighting
Value to customers	Development, deployment and delivery of a Company-wide, cost-effective customer plan that solidifies our position as a customer-oriented organisation and drives improvements in our C-MeX standing	**15%**
Financial hardship	Achievement of social tariff and Priority Services Register targets in line with the Company's Business Plan to ensure appropriate support for our most vulnerable customers	**15%**
Total weighting		**30%**

ENVIRONMENTAL AND REPUTATIONAL RESILIENCE – 2023/24

Target	Measurement criteria	Weighting
Proactive sustainability and social steps	Proactive steps taken to enhance reputation, including embracing and implementing a social value agenda and bringing to life the Company's environmental agenda (aligned to the water sector's Public Interest Commitments, including net zero carbon)	**20%**
Reactive management	Appropriateness of steps taken by management in light of potential reputational issues	**10%**
Total weighting		**30%**

LINKAGE OF ANNUAL AND LONG-TERM INCENTIVES TO BUSINESS STRATEGY

While the policy above notes the basis for measurement of the variable element of executive pay, it has been important for the Committee to ensure that both annual and long-term element of pay are firmly connected to the overall strategic aims of the business, which is summarised as follows. The focus on resilience in all its forms – business, financial, customer service, environmental and reputational – aligns to our overall business vision of being an outstanding water company that delivers service excellence.



OTHER REMUNERATION MATTERS

NON-EXECUTIVE DIRECTOR FEES

Non-executive directors receive only a fee, which is set at a level that reflects market conditions and is sufficient to attract individuals with appropriate knowledge, skills and experience. Fees are based on the level of fees paid to non-executive directors serving on the Boards of comparable companies and the time commitment and contribution expected for the role. Fees comprise a basic fee plus enhancements for additional responsibilities including chairing committees. Non-executive directors representing shareholders receive no fees from the Company.

Fees are reviewed annually and amended to reflect market positioning and any change in responsibilities. The Committee and Chief Executive Officer recommend the remuneration of the Chair to the Board. The Chair, Chief Executive Officer and Company Secretary recommend the remuneration of other non-executive directors to the Board. Non-executive directors do not receive an annual bonus nor do they receive any benefits or pension contributions.

PAY AND CONDITIONS FOR OTHER EMPLOYEES

The Company aims to provide an overall remuneration package for all its employees that not only complies with any statutory requirements but is competitive with remuneration for equivalent skills offered by other comparable employers. Remuneration is applied fairly and equitably across all employees. In particular, the Company applies the same core principles to all employees, whether executive directors or the most junior members of staff, namely:

- Employees will be remunerated in a manner that underpins the long-term stability of the business
- Each role will be remunerated fairly and consistently with due regard to market conditions, internal consistency and the Company's ability to pay
- Reimbursement of business-related travel costs and expenses.

Many elements of fixed pay, benefits and pension arrangements are common to all employees. In particular, employees all have the same rights to participate in the Company's defined contribution pension scheme, the cash health plan introduced in 2014 and the employee annual bonus scheme introduced in 2015.

GENDER PAY

As a Company, we believe in creating a diverse workforce which ensures equal opportunities for all employees. We do not discriminate based on gender.

We commissioned our seventh gender pay gap report for 5 April 2023. The report showed that the difference in average pay is 7.1% (2022: 10.1%); full details can be seen on our website. As is common in the utility industry, the main reasons for our gender pay gap is that there are more men than women in senior roles as well as more men in roles that attract shift pay and other working pattern allowances. Men have worked for the Company for many years and moved up our hierarchy. We are working hard to ensure our future looks different.

At SES Water we understand that people are our greatest strength and believe that by creating a diverse, gender-balanced workforce this not only helps to ensure that we have equal opportunities for all employees but also reflects the customers we serve.

Through our Thriving Together working group we provide information and support events to promote diversity. We have overhauled our recruitment process – ensuring we have males and females on our interview panels, and ensuring there are females represented at all stages of the interview process. We write our recruitment adverts in-house, checking language in adverts and job descriptions to make sure there is no gender bias. We support our hiring managers with a range of tools to assess role-based skills and recruitment training as required.

Each year we also celebrate events such as International Women's Day and Pride with members of our senior leadership team and partner organisations, inspiring people with their stories and providing networking opportunities.

We will continue not just as a standalone company, but as a sector, to jointly decrease the gender pay gap.

ANNUAL PAY AWARDS

Annual pay awards for most employees are negotiated with employee representatives of the JNCC, taking into account the Company's ability to pay, comparable awards in other businesses, and increases in the cost of living for employees. Agreed awards are effective from 1 April each year.

The pay rises agreed in this report were previously agreed with employee representatives in March 2023 for pay awards commencing 1 April 2023:

- Annual pay increases will coincide with the start of each financial year
- The annual pay rise will include basic pay, overtime, shift allowances, seven-day working and other allowances
- The opportunity to earn an employee bonus upon achievement of the Customer Pledges which includes customer service, health, safety, quality, environmental and financial targets. From 1 April 2017 the maximum bonus payable for achievement of all targets was £550 p.a., increased to £750 p.a. for the 2024/25 year only.

The Remuneration Committee takes into account the annual pay award for employees alongside the factors outlined above when considering any basic pay award for executive directors. Senior employees who are eligible for an annual bonus award share the same customer service, operational, financial and behavioural targets as the executive directors and have personal targets set in the same manner and consistent with those of the executive directors.

RECRUITMENT REMUNERATION POLICY

When hiring a new executive director, the Committee will seek to use the Executive Pay Policy to determine an appropriate ongoing remuneration package, as detailed on pages 100 to 104. If necessary, to facilitate the hiring of an executive of appropriate calibre, the Committee may exercise discretion to include any other remuneration component or award outside this policy as agreed with the Board. Appropriate costs and support will be covered if the recruitment requires the individual to relocate.

SERVICE CONTRACTS

The notice periods in executive directors' contracts are 12 months from the Company, 6 months from the executive director. Executive directors may be required to work their notice period or may be provided with pay in lieu of notice or placed on garden leave at the discretion of the Company. The executive directors' contracts commenced on the following dates:

- Ian Cain 12 February 2020
- Paul Kerr 13 April 2018.

Any payments for compensation for loss of office will be made at the complete discretion of the Board on the recommendation of the Remuneration Committee.

If the Company wishes to terminate an executive director's contract, other than in circumstances where the Company wishes to summarily dismiss, it is required to give either 12 months' notice or make a payment in lieu of base salary only. If the reason for dismissal is redundancy the executive director would be entitled to a statutory redundancy payment.

The non-executive directors, including the Chair, do not have service contracts and their appointments, while for a term of three years, may be terminated with 3 months notice. The Chair and the independent non-executive directors have letters of appointment. The appointments of the current non-executive directors commenced on the following dates:

- Dave Shemmans 1 September 2014
- Murray Legg 1 October 2015
- Jon Woods 1 March 2016
- Rebecca Wiles 26 May 2022.

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

The table below shows the total remuneration earned by each director in 2023/24.

	Salary		Taxable benefits[1]		Annual bonus[2]		Long-term incentive[3]		Pension-related benefits[5]		Other payments[6]		Total remuneration		Fixed remuneration		Variable remuneration	
£'000	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
Executive directors																		
Ian Cain	**281**	264	**24**	23	**117**	111	**134**	124	**24**	22	**120**	–	**700**	544	**329**	309	**371**	235
Paul Kerr	**202**	189	**16**	15	**53**	52	**82**	76	**26**	24	**120**	–	**499**	356	**244**	228	**255**	128
Total executive directors	**483**	453	**40**	38	**170**	163	**216**	200	**50**	46	**240**	–	**1,199**	900	**573**	537	**626**	363
Non-executive directors[4]																		
David Shemmans	**86**	81	**–**	–	**–**	–	**–**	–	**–**	–	**40**	–	**126**	81	**86**	81	**40**	–
Murray Legg	**44**	41	**–**	–	**–**	–	**–**	–	**–**	–	**10**	–	**54**	41	**44**	41	**10**	–
Jonathan Woods	**43**	40	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**43**	40	**43**	40	**–**	–
Rebecca Wiles	**37**	30	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**37**	30	**37**	30	**–**	–
Total non-executive directors	**210**	192	**–**	–	**–**	–	**–**	–	**–**	–	**50**	–	**260**	192	**210**	192	**50**	–
Total[7]	**693**	645	**40**	38	**170**	163	**216**	200	**50**	46	**290**	–	**1,459**	1,092	**783**	729	**676**	363

1. Taxable benefits include car allowances, private medical insurance and life insurance.
2. Annual bonuses are variable and were determined in accordance with the policy described on page 101 and reflect the performance against the targets on page 106. Ian Cain's bonus was paid out at 41.75% (against a maximum of 55%) of his personal and company specific targets and Paul Kerr's bonus was awarded on achieving 26.36% (against a maximum of 35%) as noted after page 107. No bonuses were deferred.
3. The 2021 LTIP scheme closed on 31 March 2024 and a payment of £133,875 was made to Ian Cain, and £82,299 to Paul Kerr, in respect of this scheme as detailed below. The other current LTIP schemes (the 2022 and 2023 LTIP) have expected payments accrued as at 31 March 2024.
4. Fees for the independent non-executive directors have been set in accordance with the policy disclosed on page 104. Dave Shemmans, the Board Chair, also acts as the Chair of East Surrey Holdings Limited, and Murray Legg, the Audit Committee Chair, also acts as the Audit Committee Chair of East Surrey Holdings Limited, for which they are separately remunerated by East Surrey Holdings Limited. None of the other non-executives received any remuneration from the Company.
5. Pension-related benefits represent the company's contributions to the directors' personal pension plans.
6. Ian Cain and Paul Kerr each received a payment of £120k from the former shareholders for services provided on the sale of the ESH group. Dave Shemmans and Murray Legg received £40k and £10k respectively from the shareholder on the sale of the ESH group. The amounts were not paid for out of SESW.
7. No payments to past service directors were made in this period.

DETAILS OF THE ANNUAL BONUS SCHEME (AUDITED)

The targets below are common to all employees including executive and senior management; note the haircut has only been applied to executive directors and senior management.

Customer Pledge	% split	Actual result
Water quality	16.67%	16.18%
C-Mex/D-Mex	16.67%	7.52%
Leakage	16.67%	15.87%
Supply interruptions	16.67%	15.87%
PCC	16.67%	5.01%
Affordability	16.67%	14.70%
Total	**100.00%**	**75.15%**
Discretion applied due to financial performance target not met		(3.15%)
Total		**72%**

EXPLANATION OF VARIABLE PAY ELEMENT FOR CEO AND CFO ON 31 MARCH 2024 (AUDITED)

ANNUAL BONUS PAYMENTS

The annual bonus payments for Ian Cain and Paul Kerr of £117k and £53k for the year-ended 31 March 2024 as noted above were based on achievement of specific customer pledges and personal targets for the year, with the results as follows:

Performance target	% Weighting (Maximum)	% of Targets Achieved	Actual Bonus Award %	Total Bonus Award (£)
Customer Pledges				
Ian Cain	38.5%	72%	27.72%	£78k
Paul Kerr	24.5%	72%	17.64%	£35k
Personal				
Ian Cain	16.5%	85%	14.03%	£39k
Paul Kerr	10.5%	83%	8.72%	£18k
Total bonus achieved				
Ian Cain	**55.0%**		**41.75%**	**£117k**
Paul Kerr	**35.0%**		**26.36%**	**£53k**

LONG-TERM INCENTIVE AWARDS WITH PERFORMANCE PERIODS ENDING IN 2024 (AUDITED)

The LTIP payments for Ian Cain and Paul Kerr of £133,875 and £82,299 respectively for the year-ended 31 March 2024 were based on achievements of specific performance targets, granted on completion of the three-year performance period to 31 March 2024 (the 2021 scheme). Achievements against the targets are set out below:

Performance target	% Weighting	% Achieved	% LTIP award
Business resilience			
Systems-based resilience	15%	75%	11.25%
Financial resilience	25%	50%	12.50%
Customer service and support			
Value to customers	15%	75%	11.25%
Financial hardship	15%	80%	12.00%
Environmental and reputational resilience			
Sustainability	20%	90%	18.00%
Reactive management	10%	100%	10.00%
Total weighting	**100%**		**75.00%**

CUSTOMER PLEDGES (AUDITED)

In line with the Company's Executive Pay Policy, bonuses equivalent to a maximum of 38.5% and 24.5% of Ian and Paul's annual salaries respectively relates to achievement of six specific Customer Pledges, equally weighted. The actual bonus targets for each of these pledges is primarily achievement of the associated performance commitment in the year in line with the associated outcome delivery incentive – for example the target for supply interruptions is ensuring that the 5 minutes/property/year was not breached. The Remuneration Committee then considers further achievement of these bonus targets associated with the pledges in terms of the manner of their achievement and any mitigating or external factors to conclude on actual performance against target. The final result of this assessment is provided below, including the reasoning for the Committee's final consideration of % of pledges (and therefore bonus targets) achieved. Both executives were awarded 72% of these bonus levels – resulting in an actual payout of 27.72% and 17.64% of their annual salary respectively.

Customer Pledge	% split	% achieved	Comment on 2023/24 results	Actual result
Water quality	16.70%	97.00%	The Compliance Risk Index (CRI) is again within top quartile water quality. Excellent results were achieved for the full year and no significant Water Quality events occurred in the year to date. A reduction is applied to reflect Taste, Odour, Discolouration (TOD) which was marginally behind tight regulatory targets despite overall strong performance (c£64k penalty forecast for 2023/24). A downside for softening performance has also been considered with target for the full year not going to be met (c£118k penalty expected).	16.18%
C-MeX/D-MeX	16.70%	45.00%	While C-Mex (Q2 2023/24) showed an improvement – SES Water came 11th in the Q2 C-Mex table with a score of 74.69 compared to 71.96 in Q1, C-Mex dropped again in Q3 2023/24 with 14th position, and 14th again for Q4 2023/24 giving a year placing of 14th. We have improved significantly on a number of the critical customer service KPIs that feed into the overarching customer experience and our reputational score is much improved. However whilst we have kept up with the industry we have not yet made the transformation in C-Mex that we are striving for. Continued positive progress on D-Mex although minor penalty – c£70k expected for the full year.	7.52%
Leakage	16.70%	95.00%	Year 4 leakage target achieved through continued effective use of our smart network (iDMA) and other innovative leakage solutions. Ofwat are still contending specific water balance elements of the calculation but no downside impact considered necessary given continued strong leakage performance. Cumulative leakage reward (now c£900k) is still to be released by Ofwat pending water balance review.	15.87%
Supply interruptions	16.70%	95.00%	Continued outperformance, with overall reward for the full year (c£215k). 95% reward in current year reflects achievement of this difficult target despite Gatton Park incident and successful early completion of the A22 resilience work without any customer impact.	15.87%
PCC	16.70%	30.00%	In the current year, the target has not been met given the legacy impact on demand following Covid. Customer water efficiency programme has made good progress, alongside CSL work, meter installation continues to progress but is behind target.	5.01%
Affordability	16.70%	88.00%	PSR, ST and Voids targets met.	14.70%
Total				**75.15%**
Discretion applied due to financial performance target not met				(3.15%)
Total	**100.00%**			**72.00%**

PERSONAL (AUDITED)

In line with the Company's Executive Pay Policy bonuses equivalent to a maximum of 16.5% and 10.5% of Ian and Paul's annual salaries respectively relate to the achievement of their personal objectives for the year. Actual performance against these personal objectives resulted in Ian and Paul receiving 85% and 83% of these personal bonus levels – resulting in an actual payout of 14.03% and 8.72% of their annual salaries respectively.

These payout levels reflect the significant achievement against objectives ensuring the relentless focus on delivering commitments to customers, the strengthening of business and operational resilience and building the platform for future success, navigating successfully the financial challenges for the business and customers through a cost of living crisis and motivating and retaining a very talented SES team through a period of significant volatility for the industry and uncertainty for our team through the shareholder sale.

LTIP PAYMENTS (AUDITED)

Ian Cain and Paul Kerr were awarded an LTIP payment of £133,875 and £82,299 respectively relating to the 2021 LTIP, which represented 75% of the available reward. This relates to 52.5% of Ian Cain's salary of £255,00 pa on 1 April 2021, and 45% of Paul Kerr's salary of £182,886 pa on 1 April 2021. This payout reflected achievement of certain financial metrics for the three years to 31 March 2024. The measurements include systems-based resilience, financial resilience, value to customers, financial hardship, environmental and reputational resilience. See chart on page 103. In the year Ian Cain and Paul Kerr were invited to the 2023 LTIP Scheme; the targets and potential payouts remain consistent with the 2021 scheme. The reward will be calculated on salaries at 1 April 2023, £281,080 pa for Ian Cain, and £201,568 pa for Paul Kerr. The scheme is documented on page 107.

PERCENTAGE CHANGE IN REMUNERATION FOR THE CEO AND CFO

The table below shows the percentage change in remuneration between the years ended 31 March 2023 and 31 March 2024 for the CEO, CFO and all employees.

	2024			2023		
	Salary	**Benefits**	**Incentive[1]**	Salary	Benefits	Incentive
CEO	**6.5%**	**6.5%**	**6.8%**	3.5%	3.5%	6.0%
CFO	**6.5%**	**6.5%**	**5.5%**	3.5%	3.5%	7.0%
All employees	**6.5%**	**0.0%**	**0.7%**	3.5%	0.0%	(12.5)%
	2022			2021		
	Salary	Benefits	Incentive	Salary	Benefits	Incentive
CEO	2.0%	230.0%	13.6%	0.0%	0.0%	416.7%[2]
CFO	2.0%	8.2%	12.0%	2.2%	0.0%	149.0%[3]
All employees	3.5%	0.0%	7.4%	2.2%	(2.1)%	7.3%

1. The 2024 figures do not include LTIP payments, however 2022 and 2023 comparatives include LTIP payments. Ian Cain and Paul Kerr each received a payment of £120k from the former shareholders for services provided on the sale of the ESH Group.
2. The CEO annual incentive increase of 417% is driven by a bonus covering 1 month of Ian Cain joining in February 2020 for financial year ending 31 March 2020, compared to a full year's bonus earned in financial year ending 31 March 2021.
3. The CFO incentive increase of 149% is driven by the first LTIP payment being made covering the years 2018 and 2021.

The non-executive directors, aligned to all employees, received a 4.5% pay rise. This is reviewed annually.

CEO PAY RATIO

As in prior year reporting and in line with regulatory requirements, we have chosen to use the Department of Business, Energy and Industry Strategy (BEIS) methodology, Option A, to show the pay ratio between the CEO compared to the total remuneration received by all employees. This includes all remuneration elements including benefits, overtime and long-term incentives. We have chosen to use Option A as we consider it to be the most accurate way of identifying employees across the percentile splits.

The table below provides the ratio between the CEO single figure remuneration, the 25th, the median and 75th percentile remuneration of all full-time equivalent employees as at 31 March 2024.

The calculations shown below are effective 31 March of each year started and there are no divergences noted from the single total figure between the CEO and employees' pay and benefits.

The increase in the ratio is due to the 2024 bonus and LTIP amount achieved by Ian Cain compared to that awarded to the wider employee population. In 2024 Ian Cain was awarded a one-off bonus for the successful completion of the sale of the wider group, this bonus is included in the ratio calculations causing the increase compared to prior years. Without this increase the ratios would be at consistent levels with 2023. The salary and total for employees in the 25th percentile is £27,689 (total pay £28,361), for median salary is £32,694 (total pay £59,830) and for 75th percentile salary of £46,200 (total pay £48,346). The median salary versus total pay is due to the overtime completed in the year.

Year	Method A	25th percentile ratio	Median	75th percentile ratio
2024	Option A	25:1	18:1	15:1
2023	Option A	20:1	16:1	11:1
2022	Option A	14:1	14:1	10:1
2021	Option A	14:1	14:1	9:1
2020	Option A	17:1	12:1	9:1

RELATIVE IMPORTANCE OF EMPLOYMENT COSTS

The table below shows the total of all the Company employees compared to interest paid and capital expenditure, both being key expenses in the Company to finance the business and invest in its asset base as described in the financial review.

£'000	**2024**	2023	% change
Employee costs	**15,748**	15,622	1%
Interest expense	**30,491**	30,612	0%
Capital expenditure	**22,446**	25,300	11%

DIRECTORS' REPORT

The directors present their report and audited financial statements for the Company for the year-ended 31 March 2024.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year or were appointed before this report was issued were:

- **D Shemmans**, Chair
- **I Cain**, Chief Executive Officer
- **P Kerr**, Chief Financial Officer and Company Secretary
- **M Legg**, senior independent non-executive
- **J Woods**, independent non-executive
- **R Wiles**, independent non-executive
- **K Kageyama**, non-executive (resigned on 10 January 2024)
- **K Oida**, non-executive (resigned on 10 January 2024)

Following the CMA clearance of the acquisition of the Company by Pennon Group plc on 14 June 2024, the following directors from Pennon Group plc were appointed to the Board of SES Water – Susan Davy, Gill Rider and Andrew Garard.

SERVICE CONTRACTS

All current executive directors have service contracts and notice periods as detailed in the Remuneration Committee report on page 105.

CONTRACTS OF SIGNIFICANCE

There were no contracts of significance (including provision of services) existing in the year between the Company and controlling shareholders, or to which the Company is a party and in which a director of the Company is, or was, materially interested.

Further information about directors' interests, together with confirmations and appointments, is contained in the Nomination and Remuneration Committee reports on pages 87 to 89 and 97 to 109 respectively.

REAPPOINTMENT

The articles of association provide that directors must retire at every Annual General Meeting following their last election or reappointment, which is consistent with the recommendation contained within the 2018 UK Corporate Governance Code (the 'Code'), that all directors should be subject to annual election. Information regarding the appointment of directors is included in the Nomination Committee report on pages 87 to 89.

OWNERSHIP AND RELATIONSHIP WITH ASSOCIATED COMPANIES

The Company is incorporated as a private limited company and domiciled in the UK, with its registered office and principal place of business at 66-74 London Road, Redhill, Surrey, England, RH1 1LJ.

Until 10 January 2024, the Company was jointly owned by the major Japanese businesses, Sumitomo Corporation and Osaka Gas. Each had a 50% stake in the UK-based holding company Sumisho Osaka Gas Water UK Ltd.

Sumisho Osaka Gas Water UK Ltd was established at the time Osaka Gas became a shareholder to enable joint ownership of the East Surrey Holdings Group and is entirely financed by shareholders' equity. East Surrey Holdings Ltd is the holding company for the trading companies of the Group and was the entity acquired by Sumitomo Corporation in February 2013.

On 10 January 2024 Pennon Group plc acquired 100% of the issued capital of Sumisho Osaka Gas Water UK Ltd the holding company of Sutton and East Surrey Water plc and certain other ancillary businesses, for £89 million from Sumitomo Corporation and Osaka Gas, with a total enterprise value of £380 million.

The full corporate structure, both pre- and post-acquisition by Pennon Group plc, is shown on page 7. Except where indicated, all companies within this corporate structure are domiciled in the UK for tax purposes.

Financial transactions with associated companies are disclosed in the statutory accounts on page 154 and further detailed in the regulatory accounts in the Annual Performance Report.

The immediate parent of the Company is SESW Holding Company Limited (which wholly owns the Company and has remained in place post the Pennon Group plc acquisition) and was established at the time that the Company's £100m index-linked bond was issued in March 2001 to protect the interests of bond holders by exercising control over distributions. The Company is an associate of other trading and property businesses within the East Surrey Holdings Group, transactions with whom are disclosed on page 154.

Up to 10 January 2024, the Company had entered into a management agreement with Sumitomo Corporation and Osaka Gas, as controlling shareholders, which complies with the independence procedures as set out in the Listing Rules 6.1.4D. Both the Company and the previous shareholders (as far as the Company is aware) have complied with these independence provisions. Further information with respect to the Code of conduct applied by the previous controlling shareholders with respect to the Company is contained within the Corporate governance report on page 76. This agreement was terminated on 10 January 2024 following the acquisition.

DIRECTORS' INDEMNITIES AND INSURANCE

There are contractual entitlements in place for the directors of the Company to claim indemnification by the Company in respect of certain liabilities, which might be incurred by them in the course of their duties as directors. These arrangements, which constitute qualifying third party indemnity provisions, have been established in compliance with the relevant provisions of the Companies Act 2006 and have been in force throughout the financial year. They include provision for the Company to fund the costs incurred by directors in defending certain claims against them in relation to their duties as directors of the Company.

The Company also maintains an appropriate level of directors' and officers' liability insurance.

PRINCIPAL ACTIVITIES

The Company is engaged principally in the supply of water across the London Boroughs of Croydon, Merton and Sutton, as well as Reigate and Banstead, Epsom and Ewell and parts of Kent and West Sussex.

STAKEHOLDER ENGAGEMENT – EMPLOYEE ENGAGEMENT

Details of engagement by the directors during the year with the Company's employees is provided on pages 39, 54 and 79.

STAKEHOLDER ENGAGEMENT – OTHER ENGAGEMENT

Details of engagement by the directors during the year with the Company's other stakeholders is provided on pages 38 to 41.

FINANCIAL RESULTS AND DIVIDENDS

Financial performance for the year is described on pages 59 to 63 in the Financial review.

Revenue for the year-ended 31 March 2024 was £72.8m (2023: £67.4m). Loss before taxation was £25.3m compared with a loss in 2023 of £25.5m. A loss of £19.2m was deducted from reserves (2023: £19.5m loss deduction).

Details of appointed ordinary dividends declared and paid during the year are given in note 22 of the financial statements. The total dividend declared and paid for the year-ended 31 March 2024 was nil pence (2023: 0.6 pence) per ordinary share.

DIVIDEND POLICY STATEMENT

APPOINTED DIVIDENDS

Ofwat amended the Condition P of the Company's licence effective from 17 May 2023 introducing specific requirements for declaring and paying appointed dividends. The Company's existing dividend policy applicable for the year-ended 31 March 2024, set out below, is consistent with these licence changes.

The Board considers that the base level of ordinary dividend for the appointed business should reflect the return on regulatory equity (defined as regulatory capital value less net debt) allowed in the regulator's most recent price review, subject to the Company having adequate resources available to fulfil its overall service commitments and its other financial obligations that includes compliance with the covenants associated with its index-linked bond (which are designed to protect the interests of the Company's creditors).

The Board will consider variations from this base level of ordinary dividend reflecting:

1. The overall level of service delivered to customers and the environment over time, compliance with statutory obligations, progress with the delivery of regulatory and other obligations and efficiency and the management of risks.

   Such other obligations will include delivering to our communities and employees – ensuring that 'in-the round' delivery is considered.

2. Known and forecast financial and non-financial performance against regulatory assumptions and internal targets, taking account of the relative importance to customers and stakeholders of such targets.

   The Board will explain the way in which these factors have been taken into account in arriving at the dividend declared in the Company's Annual Report and will refer to any quantitative analysis required by reporting standards in support of such explanations.

   The Board will adjust base dividends, if appropriate, to reflect the Company's performance and delivery to customers and the environment over time, and will take account of the performance levels agreed with Ofwat as part of its most recent Final Determination. These performance levels include consideration of such items as water quality, leakage levels, C-MeX performance, achieving our supply interruption target and ensuring improved resilience to reduce the risk of supply failures.

In particular, before declaring any dividend (including the base dividend) the Company will consider whether:

3. The payments would cause significant harm to the Company's ability to finance itself and to its long-term financial resilience and the potential impact any distributions may have on customers or employees.
4. Any payment of outperformance dividends in excess of the return on regulatory equity allowed in the regulator's most recent price review would not be made where the Company was materially failing to meet its performance targets, unless the dividend was accompanied by investment aimed at improving that position.
5. There would be any constraints on dividends resulting from the Company's current credit rating.

NON-APPOINTED DIVIDENDS

Non-appointed dividends are not governed by the appointed dividend policy noted above but are assessed separately based on the overall operational and financial performance of the non-appointed business, taking into account the levels of cash and distributable reserves related to the non-appointed business.

The above dividend policy is published on the Company's website and is supplemented by a diagrammatical representation of how the Board applies this dividend policy.

BOARD'S CONSIDERATION OF DIVIDENDS

APPOINTED DIVIDEND PAYABLE FOR THE YEAR-ENDED 31 MARCH 2024

The Board did not declare an interim or final dividend for the year-ended 31 March 2024.

The Company's generally good operational performance (with c70% of Performance Commitments achieved in the year) could have supported a dividend for the year-ended 31 March 2024. The Company managed effectively through the summer drought conditions without supply interruptions or a temporary use ban, maintained environmental compliance, ensured appropriate support was provided to vulnerable customers, delivered its leakage targets, consistently delivered high-quality water to its customers and improved D-MeX scores. Improvements are still required in areas where performance commitments were not achieved such as C-MeX.

However, the directors noted the Company's continued weak financial performance in the year due to considerable pressure from escalating supply costs, high network activity, lower revenue recovery, higher bad-debt charges and increasing adverse RPI accretion on our index-linked debt due to ongoing levels of high inflation. These factors reduced distributable reserves to marginally negative levels (pending a planned Yr 5 recapitalisation) and resulted in pressure on liquidity and the financial ratios associated with the Company's long-dated bond requiring new equity and other support from former and new shareholders. This weak financial performance and negative distributable reserves, combined with the uncertainty of future ownership during the strategic review, resulted in management determining that dividends for the year-ended 31 March 2024 should not be payable.

The directors' decision not to declare an interim or final dividend payable for the year-ended March 2024 is consistent with the new dividend policy licence conditions introduced by Ofwat in May 2023.

Dividends paid in the year-ended 31 March 2024

	2024	2023
Dividends paid – appointed	**nil**	£3.1m
Dividends paid – non-appointed	**nil**	£5.0m

APPOINTED DIVIDENDS PAID IN THE YEAR-ENDED 31 MARCH 2024

Due to the timing of appointed dividends declared and paid, the appointed dividend paid in the year-ended 31 March 2024 would typically comprise the final appointed dividend from the year-ended 31 March 2023 and the interim appointed dividend payable in respect of the year-ended 31 March 2024 (normally paid in December 2023).

The total appointed dividends paid in the year-ended 31 March 2024 of £nil (2023: £3.1m) represents, on this mixed year basis, a dividend yield of nil% (2023: 4.0%). This prior-year dividend was calculated using the latest revolving credit facility and net debt amounts for the Company and applying Ofwat's allowed level of return as defined in the Company's Final Determination.

NON-APPOINTED DIVIDENDS PAID IN THE YEAR-ENDED 31 MARCH 2024

Dividends paid in 2023/24 by the non-appointed business were nil (2023: £5.0m).

The non-appointed dividends were paid in prior year to East Surrey Holdings (ESH) Limited from the accumulated profits and cash generated by the non-appointed business of the Company (accumulated over a number of years from non-appointed activities such as billing on behalf of Thames Water and not distributed in recent years). These monies were retained within the ESH Group and were not distributed to the ultimate shareholder, but were being utilised, under the approval of the ESH Board, for other ESH Group activities.

FUTURE DEVELOPMENTS

A review of future developments for the water industry and the potential effect on the Company is provided within the market review on pages 14 to 17.

RESEARCH AND DEVELOPMENT

SES Water develops and deploys award-winning innovative solutions and also contributes significantly to the national innovation agenda. Building on our smart water network expertise, we are applying the learning we have gained regarding the Internet of Things and Artificial Intelligence into our above-ground asset solutions. Recognising the value in sharing our knowledge with the wider water industry, we became the first UK water company to provide in-depth industry webinars, both of which attracted worldwide attention and were hosted on the new water industry Spring Innovation platform, as well as presenting our findings at a number of national and international conferences.

We are currently participating in six Ofwat Innovation funded projects run by other water companies, and in addition we have successfully secured our own innovation funding from Ofwat to develop a universal access point for water. In recognition of our expertise and innovation, we were awarded the Innovation Award at the Utility Week Awards for our smart network and have been shortlisted for the Asset Management Initiative of the Year Award at this year's Water Industry Awards.

GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions have been reported using the UKWIR Carbon Accounting Workbook (CAW) Version 18.03.01. This uses Global Warming Potential values for 100-year time horizon from the IPCC Sixth Assessment Report AR6 for the UK water industry specific calculations and AR5 where UK government conversion factors are used. The data has been externally verified against ISO14064-1.

For 2023-24, CAW18_v03.01 was used, and the data externally verified against ISO14064-1.

Net operational greenhouse gas emissions (market-based reporting) in 2023/24 were 2,210 tonnes of carbon dioxide equivalent (tCO_2e) (2022/23: 2,289 tCO_2e), a 3.5% decrease on the previous year. This equates to operational emissions of 36.5 $kgCO_2e$ per million litres of treated water (2022/23: 36.8 $kgCO_2e$/Ml). Using 2022/23 emissions factors, operational emissions for 2023/24 would be equivalent to 2,211 tCO_2e, or 36.5 $kgCO_2e$ per million litres of treated water.

Using 2019/20 emissions factors, as required in our PR19 Greenhouse Gas Emissions Performance Commitment, operational emissions for 2023/24 would be: 2,437 tCO_2e, 40.3 $kgCO_2e$/Ml.

The emissions reported are associated with the operational emissions of the whole regulated operational business including our head offices and include:

- Scope 1 (Direct emissions)
- Scope 2 (Indirect energy use emissions)
- Scope 3 (Emissions from outsourced services and business travel)

	FY2024 (tCO_2e)
Scope 1	928
Scope 2	–
Scope 3*	1,281

* To enable like for like comparison with previous years, excludes emissions from chemicals and upstream emissions of purchased fuels required for Ofwat report from 23/24.

Operational greenhouse gas emissions for 2023/24 for the regulated business include (2022/23 emissions are in brackets):

- Gas consumption: 804,673 kWh and 147 tCO_2e (947,045 kWh and 173 tCO_2e)
- Consumption of travel fuels: 1,654,077 kWh and 419 tCO_2e (1,679,218 kWh and 424 tCO_2e)
- Purchase of electricity by the Company for its own use, including for transport: 53,211,063 kWh and 0 tCO_2e (54,332,386 kWh and 0 tCO_2e)

Note: all conversions are using the relevant greenhouse gas reporting figures on a net calorific value basis.

The data for consumption of transport fuels covers vehicles for which the Company is responsible for the purchase of fuel. It includes an estimate of business miles in company cars which are refunded through expenses. This is because the distance information is not practical to obtain. The Company is exploring options to digitise the expenses process to make this information more accessible.

The data for purchased electricity refers solely to the Scope 2 emissions, and excludes any Scope 3 emissions that arise from Transmission and Distribution through the network.

In 2023/24 we continued to purchase 100% Renewable Energy Guarantee of Origin backed electricity for all sites. The Company has 42 charging points across 100% of our operational treatment works and head office. The Company has solar panels installed at five treatment works and at its Redhill head office. In 2023/24 these generated 289,755 kWh (2022/23: 336,548 kWh).

CHARITABLE AND POLITICAL DONATIONS
During the year, the Company made charitable donations amounting to £14,139 (2023: £32,132). There were no political donations (2023: nil).

PAYMENT TO SUPPLIERS
Settlement terms are agreed with suppliers as part of contract terms and it is the Company's policy to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. As a result of a review of supplier payment terms, creditor days have increased to approximately 49 days (2023: 36 days).

GOING CONCERN AND LONG-TERM VIABILITY
The going concern and long-term viability statements required by the Disclosure and Transparency Rules are set out on pages 83 to 84 and are incorporated by reference in this report.

FINANCIAL INSTRUMENTS
The Company policy in relation to the use of financial instruments can be found in note 18 to the financial statements.

INSTRUMENT OF APPOINTMENT AND REGULATORY ACCOUNTS
In accordance with its Instrument of Appointment made under the Water Industry Act 1991 as amended, the directors are of the opinion that the Company is in compliance with paragraph 3.1 of Condition K of that Instrument, which relates to the control of the assets of the Appointed Business.

POST-BALANCE SHEET EVENTS
On 12 June 2024 the Company successfully refinanced its two revolving credit facilities (RCFs) (resulting in a single £65.0m RCF with an expiry date of 12 December 2025).

On 14 June 2024 the CMA published its clearance of the merger of SES Water with South West Water, following the acquisition announced on 10 January 2024.

DISCLOSURE OF INFORMATION TO AUDITORS
The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware:

- There is no relevant audit information of which the Company's auditors are unaware
- Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

CORPORATE GOVERNANCE
The Company's statement on corporate governance can be found in the Corporate governance report on pages 76 to 86 of this Annual Report. The Corporate governance report forms part of this Directors' report and is incorporated into it by reference.

ANNUAL GENERAL MEETING
The 2024 Annual General Meeting (AGM) will be held on 26 September 2024. Full details of the resolutions proposed to shareholders, and explanatory notes in respect of these resolutions, can be found in the notice of AGM, a copy of which can be found on the SES Water website. At the 2024 AGM, resolutions will be proposed, amongst other matters, to receive the Annual Report and financial statements; to approve the directors' remuneration report; and to reappoint PwC as statutory auditors.

By Order of the Board

Paul Kerr
Chief Financial Officer &
Company Secretary

Redhill, Surrey
10 July 2024
Company number 02447875

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- make judgements and accounting estimates that are reasonable and prudent, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' CONFIRMATIONS
In the case of each director in office at the date the Directors' report is approved:

- So far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.