

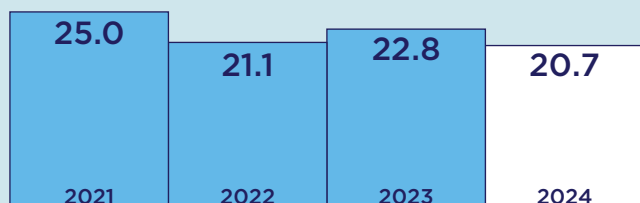
PERFORMANCE AT A GLANCE

## OPERATIONAL PERFORMANCE

2024: Target met/not met

Target met: Target not met:

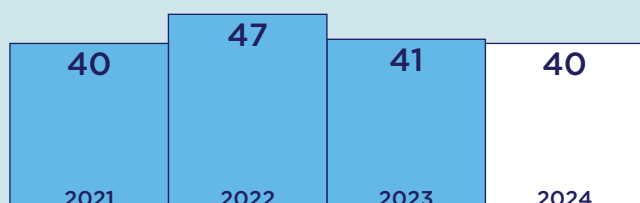
**LEAKAGE** **20.7**  
megalitres/day



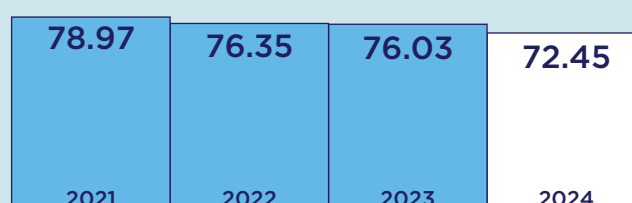
**CUSTOMERS ON OUR WATER SUPPORT SCHEME** **22,229**  
(a 50% bill reduction)



**GREENHOUSE GAS EMISSIONS** **40**  
kgCO<sub>2</sub>e/megalitre



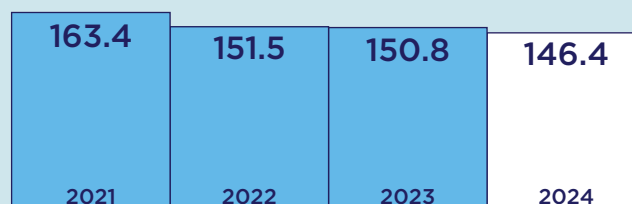
**C-MEX SCORE** **72.45**  
(industry measure of customer satisfaction)



**SUPPLY INTERRUPTIONS** **0:03:36**  
hours:minutes:seconds/  
property/year

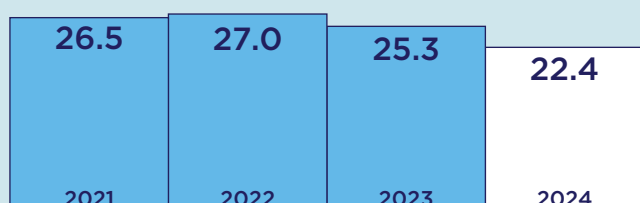


**CONSUMPTION** **146.4**  
litres consumed per  
person per day

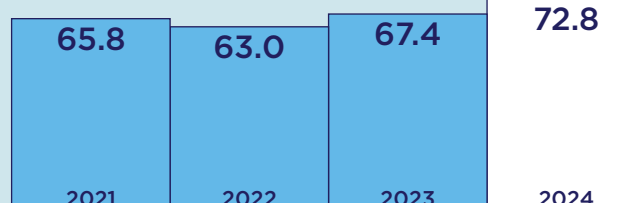


## FINANCIAL PERFORMANCE

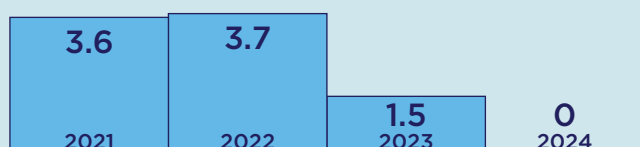
**CAPITAL INVESTMENT** **22.4**  
£m



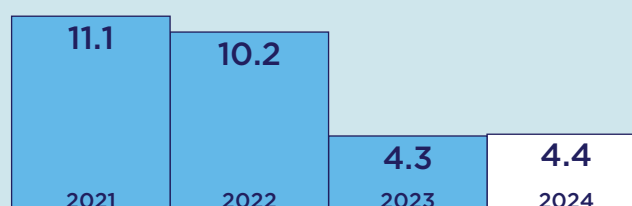
**REVENUE** **72.8**  
£m



**APPOINTED DIVIDENDS PAYABLE** **0**  
£m



**OPERATING PROFIT** **4.4**  
£m



DELIVERING ON OUR PROMISE



We have **industry leading** water quality, as measured by the **Drinking Water Inspectorate**

100%

We successfully completed an important water main replacement scheme on the A22 road, Purley, which takes us **a step closer towards 100% of properties in our supply area being supplied by more than one treatment works by 2025**



We achieved a **third Biodiversity Benchmark Award** from The Wildlife Trusts for enhancing and protecting the biodiversity at our Bough Beech site, alongside retaining the awards we already hold at our Elmer and Fetcham Springs sites. We remain the only water company currently hold the award



We've continued to deliver our commitment to cause zero serious pollutions, with **no category 1 or 2 pollution incidents** caused in more than **16 years**

34%

We've **reduced** our greenhouse gas emission **footprint** by **34%** since 2019/20 and by 3.5% in the last year alone



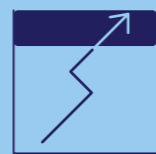
We've partnered and helped run **27 community events**, including Run Reigate, Run Gatwick, Eco Fair, Pride In Surrey and Orphest

85%

We've surpassed this year's target of 80% for vulnerable support scheme helpfulness, with **85%** of people on our support surveyed saying the **extra services offered are helpful**

15%

Our smart network has enabled us to reduce our leakage by nearly **15%** since 2020. We've also **achieved our leakage reduction target** every year since the target was first set in 1999, which is industry leading



We've maintained **upper quartile** performance in the industry for keeping **supply interruptions to a minimum**

90%

We've resolved more than **90%** of customer calls first time and achieved our **first contact resolution** performance target

43%

Our **vehicle fleet** now comprises **43% electric and hybrid vehicles**, with the aim to reach 100% by 2030

# WE DELIVERED

OUR BUSINESS AT A GLANCE

**WHO WE ARE:**

We are a local water supplier, which for more than 150 years has supplied fresh, clean drinking water to our customers and communities. Throughout our history, the people at SES Water have remained committed to delivering this core purpose – it’s what we’ve done and it’s what we will always do.

**WHAT WE DO:**

We supply around 160 million litres of clean water every day to more than 750,000 people in parts of Surrey, Kent, West Sussex and south London.

**OUR VALUES:**

Our values define who we are, guide our behaviours and underpin everything we do.



**SERVICE**

We put our customers first and take pride in our service delivery.



**INNOVATION**

We seek to improve our business, to be forward thinking and to embrace change.



**COLLABORATION**

We are respectful, welcome diversity and support each other to achieve our goals.



**COMMITMENT**

We are passionate about our work, act responsibly and care about quality.



**INTEGRITY**

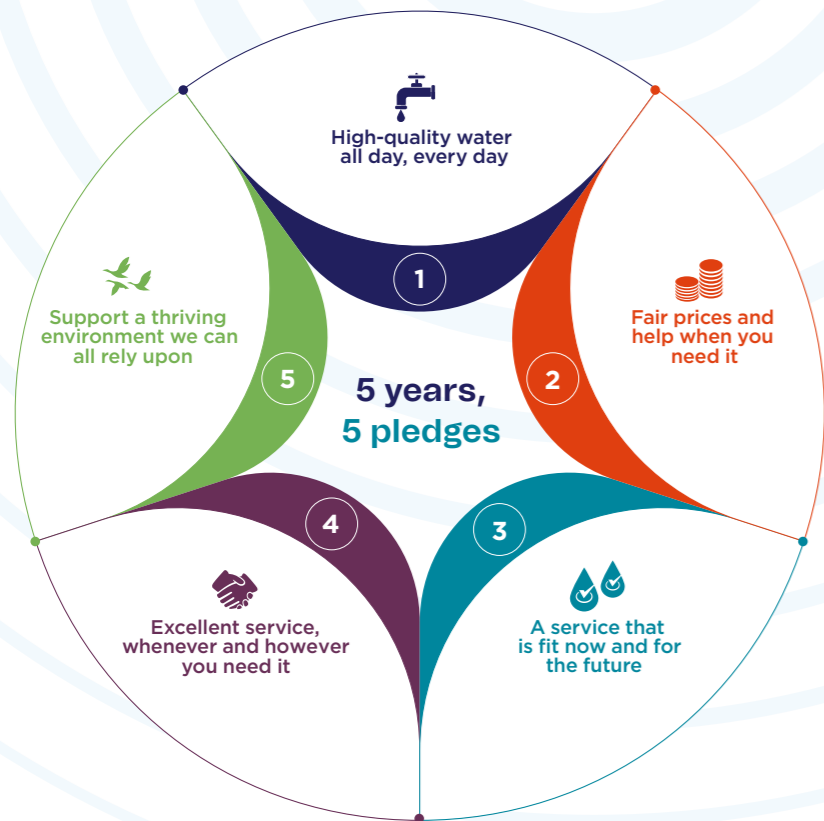
We are accountable, ethical and trustworthy.



**COMPASSION**

We care about the effects of our actions and make a positive impact on the community.

# UNDERSTANDING SES WATER



**OUR PLEDGES  
2020-2025**

[Read more on pages 22 to 33](#)

353

Employees

8

Water treatment works

160m

Litres of water supplied daily

85%

Water from underground sources

100%

Percentage of our pipe network that is 'smart'

22,229

Number of customers on our Water Support scheme

15%

Water from our reservoir

74%

Customers with a water meter

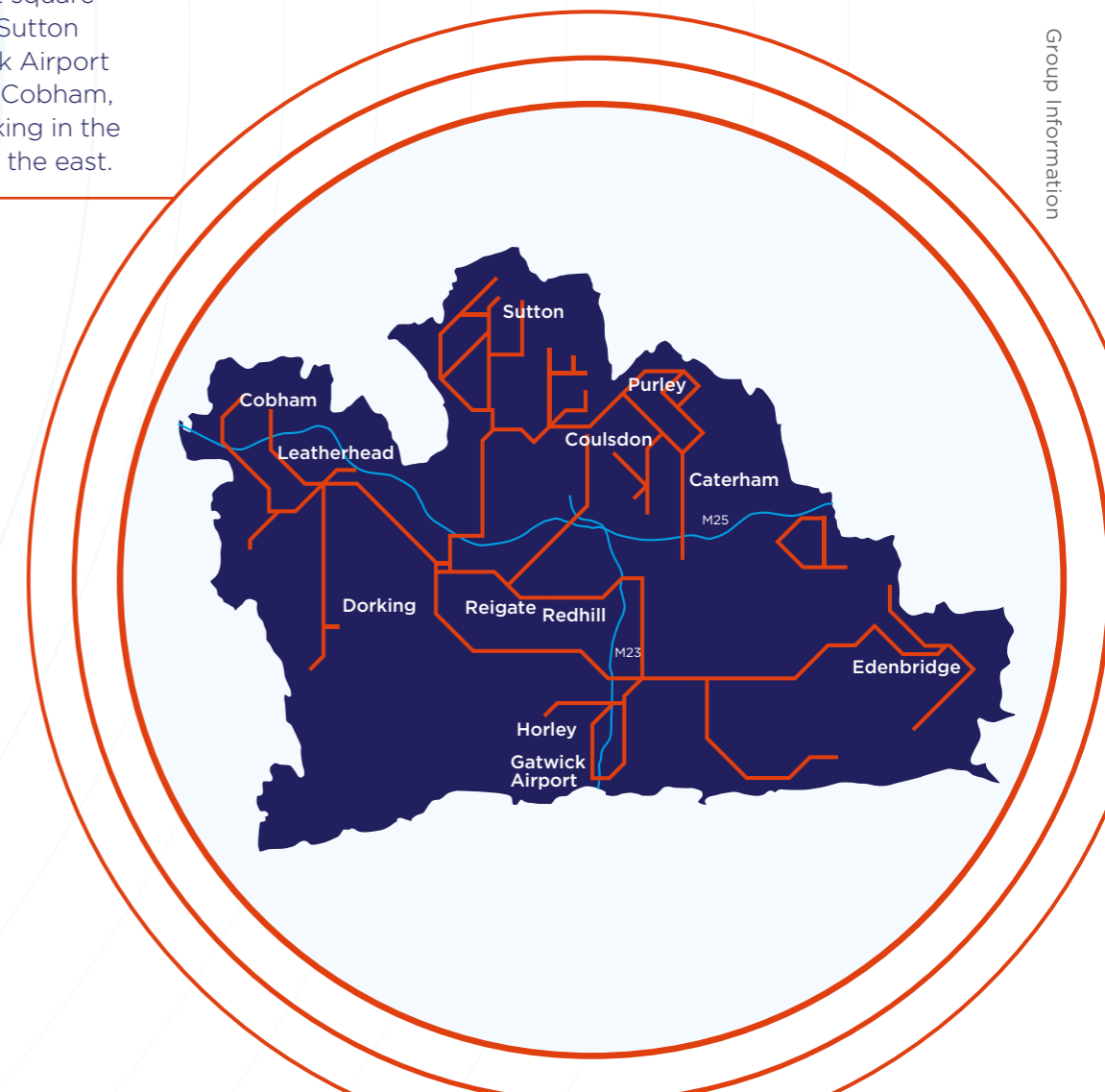
750k

People our water is supplied to

**WHERE WE OPERATE:**

Our supply area is 322 square miles extending from Sutton in the north to Gatwick Airport in the south and from Cobham, Leatherhead and Dorking in the west to Edenbridge in the east.

322  
SQUARE  
MILES





BUSINESS OVERVIEW

# OUR STRUCTURE

Our structure allows us to focus on our core function of supplying a reliable supply of high-quality water while ensuring we provide excellent service to our customers, have the right support teams in place and continue to develop our capability into the future. The Competition and Markets Authority (CMA) published its clearance of the merger of SES Water with South West Water on 14 June 2024.

We are owned by Pennon Group plc, who on 10 January 2024 acquired 100% of the issued share capital of Sumisho Osaka Gas Water UK Ltd, the holding company of SES Water and other group entities, from our previous shareholders Sumitomo Corporation and Osaka Gas.

	<p><b>EXECUTIVE LEADERSHIP</b> <b>Ian Cain</b> Chief Executive Officer</p>	<p>Responsible for the performance of the Company in line with the strategy and objectives agreed with the Board</p> <p><b>KEY FUNCTIONS</b> Development of the Company's purpose and strategic plans for consideration by the Board, ensuring the Board is supplied with information relevant to its role, leading executive directors and senior management in dealing with operational requirements of the business and providing clear and visible leadership in business conduct.</p>
	<p><b>OPERATIONS</b> <b>Tom Kelly</b> Wholesale Director</p>	<p>Responsible for the delivery of water from source to tap - including maintaining a sufficient water supply and reducing leakage together with overall responsibility for environmental compliance matters</p> <p><b>KEY FUNCTIONS</b> Water resources planning and management, water treatment and distribution, capital investment programme, energy procurement, environmental strategy, and the service provided to business retailers and developers</p>
	<p><b>QUALITY AND COMPLIANCE</b> <b>Nicola Houlahan</b> Quality and Compliance Director</p>	<p>Responsible for water quality, health and safety, the externally accredited quality and environment systems and providing independent internal assurance</p> <p><b>KEY FUNCTIONS</b> Water quality, health and safety, compliance and assurance, risk management</p>
	<p><b>CUSTOMER EXPERIENCE</b> <b>Debra Goodwin</b> Chief Customer Officer</p>	<p>Responsible for overall customer experience, communications and community engagement</p> <p><b>KEY FUNCTIONS</b> Customer insight, experience, service, billing, complaints, collections, marketing and communications</p>
	<p><b>INFORMATION TECHNOLOGY</b> <b>Dan Lamb</b> Chief Digital and Information Officer</p>	<p>Responsible for the management, implementation and usability of technology and data</p> <p><b>KEY FUNCTIONS</b> Digital strategy, IT infrastructure and support, cyber security and data management</p>
	<p><b>BUSINESS SUPPORT AND CONTROL</b> <b>Paul Kerr</b> Chief Financial Officer</p>	<p>Responsible for finance, corporate services and governance and ensuring adherence with statutory and regulatory requirements</p> <p><b>KEY FUNCTIONS</b> Finance, economic regulation, procurement, administration, property and facilities</p>
	<p><b>HR, LEARNING AND DEVELOPMENT</b> <b>Sarah Brown</b> Group Human Resources Director</p>	<p>Responsible for the overall provision of human resources services, policies and procedures, people strategy and equality, diversity and inclusion</p> <p><b>KEY FUNCTIONS</b> Payroll and benefits, learning and development, employee relations, recruitment and retention and employee wellbeing</p>

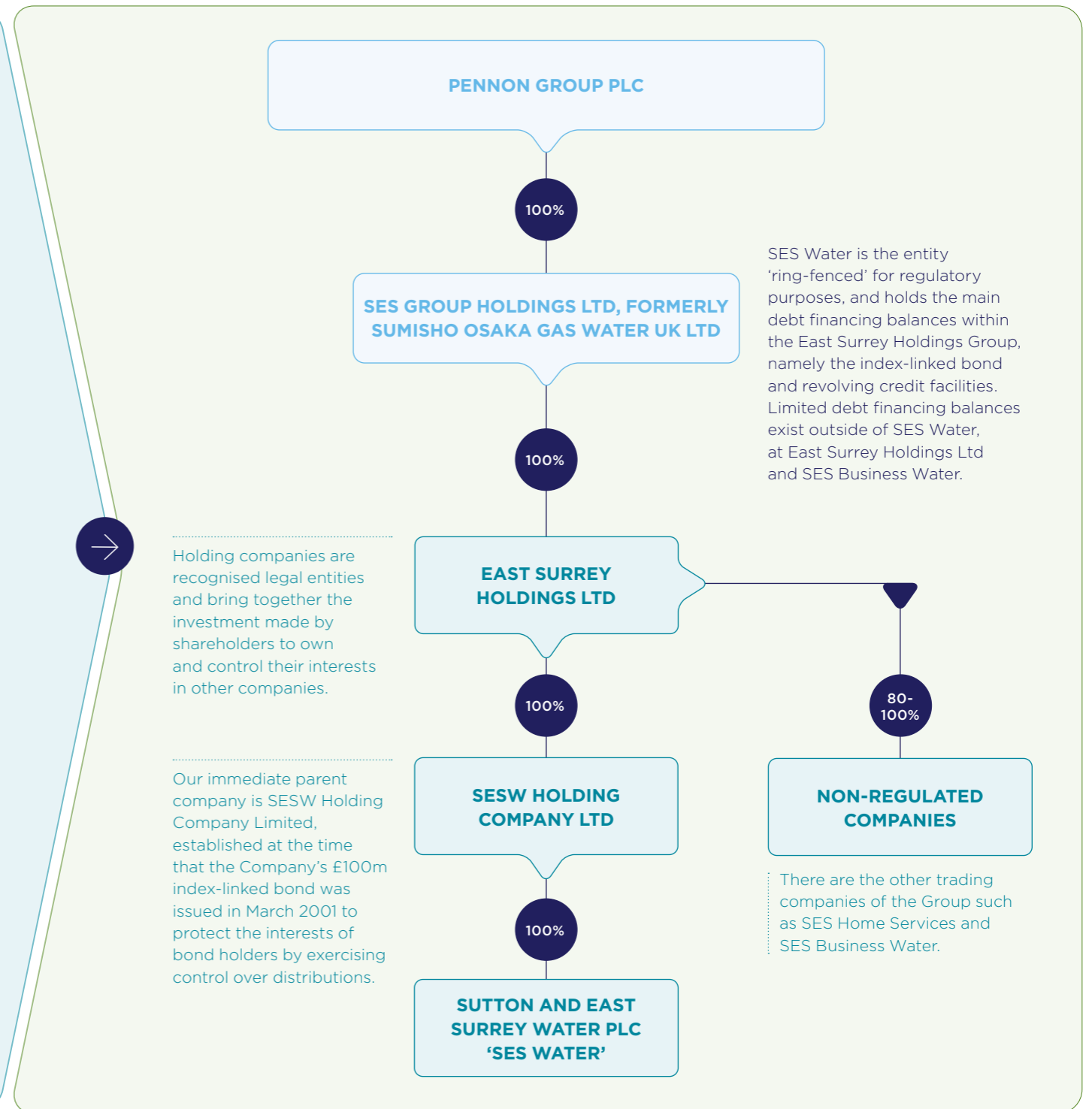
Our immediate parent company is SESW Holding Company Limited, established at the time the Company's £100m index-linked bond was issued in March 2001 to protect the interests of bond holders by exercising control over distributions.

All companies within this structure are subject to UK corporation tax. This has been the case since 2013, and we have not operated any complex off-shore financing arrangements at any time during this period.

**PRIVATE OWNERSHIP**

Investing in water services is key to ensuring resilient supplies for customers, both now and in the future, and since privatisation in 1989, over £150bn has been invested across the industry. We have always been independent with responsible shareholders who put the interests of our customers first, allowing money to be re-invested in improving our services or kept in reserve.

Like any investors, our investors expect a return on the equity they put in and over time they have taken a fair level of dividend, in line with Ofwat's allowed level of return. Dividend levels are agreed each year by the Board and take into account how well we are performing against a range of targets, including the commitments we have made to our customers and financial performance. You can read more about our dividend policy and how payment decisions are made on pages 111 and 112.



CHAIR'S STATEMENT

# OUR CHAIR REFLECTS ON THE LAST 12 MONTHS AND LOOKS AHEAD TO 2024/25



**Dave Shemmans**  
Chair

“ I’ve witnessed great compassion and dedication among our teams to go the extra mile and be there for our customers. ”

It’s been another busy year for the Company and, as many will be aware, we’ve also had an additional focus on managing the strategic review initiated by our previous shareholders, Sumitomo Corporation and Osaka Gas.

This strategic review concluded in the purchase of the Company by Pennon Group plc at the start of 2024 and approval of the merger by the CMA on 14 June 2024. We’re excited about the opportunities our new shareholder will bring to the business and our customers, and on behalf of the Board and the Company I would like to thank Sumitomo Corporation and Osaka Gas for the strong support over their many years of ownership of our Company.

The Board and I take our obligations for good corporate governance extremely seriously and these standards are kept under continuous review. As ever, the strength and depth of the Company means it is well placed to progress in what has become an increasingly challenging sector to operate in.

Both our Environmental Scrutiny Panel (ESP) and our Customer Scrutiny Panel (CSP) continue to consistently scrutinise and challenge the work we do. Both groups play a key role in monitoring our performance and challenge the progress of our improvement plans. We welcome their constructive feedback, and I would like to thank the members on both panels for their continued support.

Overall, I’m proud that we’ve continued to deliver industry leading water quality – the foundation and core responsibility of any water company.

We’ve also advanced innovation and have started seeing the benefits from the deployment of our smart network technology, helping us to achieve our target for leakage reduction. In fact, our smart network has enabled us to reduce our leakage by nearly 15% since 2020.

Just as important has been assisting our customers wherever we can through our financial support schemes and priority services register, providing the extra care to those customers that need it. In moments where customers have been affected by burst pipes, I’ve witnessed great compassion and dedication among our teams to go the extra mile and be there for our customers.



I’m also proud of the operational teams who manage our network 24/7 and who have kept the supplies running throughout adverse weather conditions across the year, ranging from especially dry periods in the summer to a very wet winter. With the ever-changing climate a constant reminder, what I have seen this year has just re-confirmed my confidence in our teams being prepared for any situation.

In addition, our water resources put us in good stead for the summer months ahead, following an especially wet winter, and we are proud to have not implemented a hosepipe ban within our supply area for over a decade.

And while managing all the above I’ve been consistently impressed by our ability as a team to develop and submit an exciting and ambitious PR24 submission, alongside our visionary long-term delivery strategy. Through the deployment of cutting-edge technology we are planning to balance the needs of a growing population and focus on the environment, while delivering industry leading water quality for decades to come. It’s all about the best quality water all day, every day, today, tomorrow and into the future.

With customers in mind I’m not only pleased with what we have done to deliver high-quality water every day, but also the part the team has played in many community outreach programmes, from our education programme to community support, assisting those who require that extra little bit of help.

We’ve also held more community events and developed more partnerships with local charities and groups than ever before, and this has helped us forge a closer bond with our customers. It has been positive to hear some of the feedback received from these events, which also provides us with valuable customer insight, although we acknowledge there is more to be done here to raise levels of customer satisfaction.

With our smaller size, and being focused on providing drinking water only, we can be agile, fast, risk-taking and innovative. This has allowed us to develop a close relationship with our communities and push the boundaries of technology for the greater good of our customers, water network and the industry as a whole.

The Board has also maintained a close working relationship with our regulator Ofwat and other key stakeholders, such as Consumer Council for Water (CCW), keeping them regularly apprised of important business matters.

It’s pleasing to see our recent efforts on debt and equity raising have improved the liquidity and financial resilience of the Company. However there continues to be significant adverse pressure on overall financial results from escalating operational costs due to inflation and meeting performance commitments.

Cost of living and macro-economic conditions have also hit cash collections and therefore have increased our bad debt provision in the year. It’s also worth noting no dividends were paid to our shareholders this year.

Meanwhile we’ve continued to make great strides in enhancing and protecting the biodiversity across all our operational sites, and I was delighted to see us achieve a third Biodiversity Benchmark Award from The Wildlife Trusts – this time for our water treatment works at Bough Beech Reservoir. We remain the only UK water company to hold this prestigious award, which is a fantastic achievement.

In summary, our performance has been good in a very demanding year, and I would like to thank the SES Water team for all they have done and the dedication to the future plans which they exhibit every day. Working in an industry which is rightly scrutinised from all angles requires the workforce to have a great deal of resilience and determination and it is a testament to this team that we continue to be a high-performing Company. Great job team.

**Dave Shemmans**  
Chair  
10 July 2024



# FOCUSED ON DELIVERING FOR OUR CUSTOMERS AND COMMUNITIES



**Ian Cain**  
Chief Executive Officer

“ I’m very proud of how we’ve performed, achieving 70% of our performance commitments and leading the industry in a number of key areas.



As I reflect on the past year, it’s clear the public and political pressure on water companies is intense and there is significant focus on how they adapt to better serve customers and the environment in the future.

With that backdrop in mind, I’m very proud of how we’ve performed, achieving c70% of our performance commitments and leading the industry in a number of key areas – in particular our water quality, our leakage reduction and continuing to build the resilience in our network.

**STRATEGIC REVIEW OUTCOME**

As we release our Annual Report, we do so off the back of completing a strategic review of the business which concluded with acquisition of the Company by Pennon Group plc at the start of 2024, which the CMA has now approved.

It’s clear Pennon has been impressed by our business, our performance and our people. It has ambitious plans for growth and wants us to be part of that vision for the future as we embrace the challenges the sector faces. It shares our aspirations for our customers and, over time, will create exciting opportunities for our people.

Understandably, strategic reviews can create uncertainty and I am personally thankful for the support of our Board throughout the process. At the heart of this new era for the Company is ensuring we continue to be industry-leading for our customers and the environment. It is clear our strong performance has demonstrated our value, as we proudly move into the Pennon Group.

**SUPPORTING OUR CUSTOMERS**

Continued levels of high inflation and the cost of living crisis continue to impact our day-to-day operations. This has posed a significant challenge for our customers and I’m all too aware of the impact necessary but tough decisions can have, such as the increase in our annual tariff for household and non-household customers.

Customers rightly expect us to deliver high standards of service and value for money. It was therefore extremely disappointing to experience a rare, severe, mains burst where a small number of customer homes in Gatton Park, Redhill, were flooded.

Our focus was unstinting and fully on looking after those customers impacted and our teams mobilised with commendable efficiency, working around the clock to address the situation head-on, offering steadfast support to our customers.

Our efforts not only mitigated the impact of the situation but also embodied the spirit of solidarity and empathy that defines our Company.

More broadly we continue to provide support for those customers who require extra care, with 2,800 more customers now receiving financial help from our water support programme and a 30% increase in customers now on our Priority Services Register.

**INDUSTRY LEADING PERFORMANCE**

I was delighted to see that for 2023 our water quality risk index score is likely to place us as the top-ranking company for water quality in the Drinking Water Inspectorate’s 2024 report.

We’ve maintained our industry leading leakage performance, reducing leakage by nearly 15% since 2020, by using our smart network technology and staying at or below the maximum allowed level of leakage every year since the target was first set back in 1999. I was pleased to see BBC South East feature our smart network technology for the first time. It was great to see the dedication of our teams and how they go the extra mile for our customers in action.



It’s clear Pennon has been impressed by our business, our performance and our people.



We’ve also laid 6.2 kilometres of new water mains in the past year and progressed a number of key mains replacement schemes across our supply area. As a result, we’re on track to meet our target for the number of mains repairs in the remaining year of the Asset Management Plan (AMP).

We also completed an important mains replacement scheme on the busy A22 Godstone Road in Purley, directly benefitting 27,000 properties in the Purley area and vastly improving the resilience of the local water supply network. This means we’re nearing completion of a 15-year resilience programme we’ve been progressing since 2010. By 2025, every property across our region will be supplied by more than one treatment works. This was an outstanding achievement amidst an incredibly busy year.

In addition, achieving a third Biodiversity Benchmark Award from The Wildlife Trusts for enhancing and protecting the biodiversity at our Bough Beech site proved to be another standout success for us this year – alongside retaining the awards we already hold at our Elmer and Fetcham Springs sites. I’m proud we remain the only water company to currently hold the award. Furthermore, our vehicle fleet now comprises 43% electric and hybrid vehicles, with the aim to reach 100% by 2030.

We also continue to deliver our commitment to achieve zero serious pollutions, with no category 1 or 2 pollution incidents caused in over 16 years.







£8,000

Donated towards building a new wildlife centre for the Wildlife Aid Foundation

**OUR PARTNERSHIP WITH THE WILDLIFE AID FOUNDATION**

The Company has partnered with The Wildlife Aid Foundation (WAF), donating £8,000 towards building a new wildlife centre for the charity.

The Foundation, based in Leatherhead, is dedicated to the rescue, rehabilitation and release of British wildlife and deals with more than 20,000 wildlife-related incidents each year.

As part of SES Water's wider community partnership programme, it has chosen to work with WAF to help build a new centre, which will allow the charity to care for more animals, while also inspiring future generations about the role they can play in conserving British wildlife.



£45m

Programme of investment over a 15-year period from 2010 to 2025

**A22 MAINS REPLACEMENT**

Back in September 2023 we successfully completed crucial improvement works ahead of schedule, which required the closure of a section of the A22 Godstone Road in Purley.

The work involved digging a 300m trench through the centre of the road to lay the new water main pipe, an operation which required months of extensive prior planning and stakeholder engagement.

As part of our current Business Plan, we have pledged for 100% of properties in our supply area to be supplied by more than one treatment works by 2025, which will reduce the risk of supply failures and help move water from one area to another, more efficiently.

The completion of the works will directly benefit 27,000 properties in the Purley and surrounding areas and vastly improve the resilience of the local water supply network. The project formed part of a £45m programme of investment over a 15-year period from 2010 to 2025.



**THE LOOK AHEAD**

We submitted our most ambitious plan ever to Ofwat with our PR24 submission totalling an expenditure of £413m. It proposes an increase of £13m per year to reduce leakage, install smart meters for all customers, improve the resilience of our water treatment works and supply network to climate change, and protect and improve our local environment. We've considered a range of future scenarios for climate change, population growth, technology advancement and abstraction reduction, identifying the investment we need to make over the next five years and beyond. We're pleased to have spoken to so many customers across our communities about these plans and hear their feedback.

**CONNECTING WITH OUR COMMUNITIES**

We've established stronger connections and fostered deeper relationships with key stakeholders. This heightened engagement with our local MPs and local councillors is important for us as it reinforces our dedication to transparency, collaboration, and proactive involvement in local communities.

Building new partnerships and strengthening our relationships with local organisations has been another key priority for us this year and we have continued to play an active role in the communities we serve. The past year has seen us award more than £20,000 to three local charities and support 27 local community events, which has led to more than 1,100 conversations with customers. We've also welcomed more than 3,200 students and teachers

to our 'Flow Zone' education centre at Bough Beech reservoir, helping them to learn more about water and how they can use less and help protect the environment. I'm proud that we've opened up our visits to schools outside our supply area ensuring we educate our future customers, too.

As we look ahead, we do so with confidence that we remain industry leading in a number of key performance areas. Our ambitious PR24 plan will further help us deliver on our promises for our customers, as we embark on our new journey with the Pennon Group.

*Ian Cain*

**Ian Cain**  
Chief Executive Officer  
10 July 2024



# MARKET REVIEW

Scrutiny of the water industry continued this year with increased focus on its performance for customers and the environment, as well as the financial position of some water companies.

The introduction of a new customer-based licence condition has cemented the ongoing transformation in how water companies care for their customers, while the Government set out its environmental expectations for the sector in its Integrated Plan for Water.

The first part of the year was dominated by the production of Business Plans for 2025 to 2030, which were submitted to Ofwat at the start of October 2023. These Business Plans saw record levels of investment proposed by all water companies to meet higher environmental standards, reduce stormwater overflows, tackle leakage and develop new water resources.

<p><b>MARKET DRIVER</b></p> <p><b>Putting our customers first and providing extra care to those that need it</b></p>	
<p><b>WHAT'S HAPPENED</b></p> <ul style="list-style-type: none"> <li>Water industry regulator Ofwat introduced a dedicated condition in the licence of each water company in England and Wales to transform the care they give their customers, particularly those that need extra help with their water and wastewater services. The condition will help to drive up standards and provide support for the full diversity of customer needs. Companies that fail to provide the levels of service expected could be fined up to 10% of their turnover.</li> <li>Ofwat produced new guidance on how water companies should support customers that need extra help, which set the requirement for each company to prepare a dedicated vulnerability strategy by June 2024.</li> </ul>	<ul style="list-style-type: none"> <li>Household and business customers have continued to feel the impact of higher costs of living, despite a fall in inflation. Energy prices increased over the winter period and the UK officially entered recession at the end of 2023 as households cut back on spending.</li> </ul> <p><b>“A complete change in culture is needed in some companies if we're to improve people's experiences and repair fractured trust and the new customer licence condition can help to focus minds.”</b></p> <p><b>Mike Kiel</b> Interim Chief Executive Officer, Consumer Council for Water (CCW)</p>
<p><b>WHAT WE'VE DONE</b></p> <ul style="list-style-type: none"> <li>We are providing more than 22,000 customers with a discount on their water bill through our Water Support tariff.</li> <li>We have increased the number of customers on our Priority Services Register to more than 26,000, helping to ensure those with additional needs receive extra support. This has been boosted by our first data share with UK Power Networks and working with local partners such as the Croydon Energy Project to identify people who require extra financial and non-financial help.</li> <li>We have issued a draft vulnerability strategy that sets out how we will support our customers who require extra help. It builds on our strong work to date and maximises the partnerships we have with organisations that help us reach our customers with a wide range of additional needs and provide targeted support.</li> <li>We have established new relationships with a range of local community organisations that we are supporting directly with funding and people, including The Lucy Rayner Foundation and the Orpheus Centre. Working with these groups directly, rather than through the Community Foundation for Surrey as we did previously, ensures that we are supporting organisations who share our aims, and can develop more reciprocal ways of working so together we deliver more for our communities.</li> </ul>	<ul style="list-style-type: none"> <li>Our Extra Care team has attended more than 100 community events in locations including community hubs, foodbanks, assisted living schemes and job centres to promote our support services for customers with additional financial and non-financial needs.</li> <li>All new starters now have full vulnerability training before going live on calls and more than 160 of our employees have taken part in dementia friendly training, helping them to recognise the triggers that might mean a customer needs extra help and assessing their individual needs to put in place the right package of support.</li> <li>We continue to roll out our customer-wide metering programme with nearly 75% of our customers now on a meter. We are also conducting a smart metering trial with a small number of customers ahead of the wider roll-out of smart meters that will begin next year.</li> </ul> <p><b>26,000</b></p> <p><b>Number of customers on our Priority Services Register</b></p>

<p><b>MARKET DRIVER</b></p> <p><b>Investing for the future – delivering more for people and nature</b></p>	
<p><b>WHAT'S HAPPENED</b></p> <ul style="list-style-type: none"> <li>Ofwat began its five-yearly Price Review, known as PR24, following the submission of water company Business Plans in October 2023. Using its final methodology published in December 2022, the economic regulator is assessing the quality and ambition of each water company's plan, what they will deliver for customers and the environment, how it will be funded and at what cost to customers. Draft determinations are expected to be made in July 2024, with final determinations expected in December. This will set the level of investment and customer bills across the 2025 to 2030 period.</li> <li>The financial resilience of water companies has been in the spotlight recently and Ofwat has reinforced its expectation that companies will increase their financial resilience, reduce levels of gearing through injections of equity and put restrictions on dividends to shareholders.</li> </ul>	<p><b>“The water industry needs to deliver a step change in investment and performance to clean up our rivers and seas, while also helping to ensure that we can meet the challenge of climate change.”</b></p> <p><b>David Black</b> Chief Executive Officer, Ofwat</p>
<p><b>WHAT WE'VE DONE</b></p> <ul style="list-style-type: none"> <li>We submitted our PR24 Business Plan, with a total expenditure of £413m, to Ofwat. It proposes an increase of £13m per year to reduce leakage, install smart meters for all customers, improve the resilience of our water treatment works and supply network to climate change, and protect and improve our local environment. Our plan requires customer bills to rise by around £25 per year, on average over the five-year period, and relies on an equity injection of £35m between 2024/25 and 2026/27.</li> <li>Our Business Plan was set in the context of a long-term delivery strategy – a 25-year adaptive strategy that looks ahead and helps us prepare for future uncertainties. We've considered a range of future scenarios for climate change, population growth, technology advancement and abstraction reduction, identifying the investment we need to make over the next five years and beyond.</li> </ul>	<ul style="list-style-type: none"> <li>We presented our business plan to customers at our second 'Your water, your say' online meeting in November 2023. 120 people attended the session led by our executive team, where more than 70 questions were asked on the day or following the event to help our customers understand how we will use money from bills to improve our service.</li> </ul>
<p><b>£413m</b></p> <p><b>Total expenditure proposed in our PR24 Business Plan</b></p>	<p><b>£13m</b></p> <p><b>Proposed increase per year to reduce leakage, install smart meters for all customers, improve resilience of our water treatment works and supply network and protect and improve our local environment</b></p>
	



OUR MARKETS AND EMERGING DRIVERS CONTINUED

**MARKET DRIVER**

**Improving the water environment so we supply clean and plentiful water while nature thrives**

**WHAT'S HAPPENED**

- The Government launched its Integrated Plan for Water, which supports the goals of the Environment Act by taking a systematic local, catchment-based approach to transform the management of the whole water system. The Plan reinforced government's commitment to reduce abstraction from chalk streams and restore these sensitive catchments. It also set out a 'Roadmap to Water Efficiency' that included a review of water efficiency standards in building regulations and the roll-out of a mandatory water labelling scheme by 2025.
- The Office of Environmental Protection reported on the Government's progress in meeting its stated environmental ambitions and statutory targets. The Environment Act target for 'Clean and Plentiful Water' showed a mixed picture on progress and was assessed as being "largely off track" in its overall prospects of meeting its long-term ambitions, targets and commitments.
- The Environment Agency, Ofwat and Natural England provided feedback on water companies' draft Water Resources Management Plans (WRMPs) and the regional plans which informed them.

"This ambitious plan marks a step change in how we manage our waters – pulling together all the strands of our complex water system and setting us on a trajectory for a clean and sustainable water supply for future generations. Crucially, it will ensure that we secure clean water from a healthy environment, where chalk streams are restored and entire catchments – from source to sea – are the focal point."

**Rebecca Pow MP**  
Water Minister, launching the Integrated Plan for Water

**WHAT WE'VE DONE**

- We submitted our next Water Industry National Environment Programme (WINEP) to the Environment Agency and incorporated it into our PR24 Business Plan. It includes more than £5m of investment to protect the environment, including preventing deterioration of our water sources from pollution, protecting species and managing our bio-security, and investigating which sources we should reduce our abstractions from.
- We've achieved the Wildlife Trusts Biodiversity Benchmark Award at Bough Beech Water Treatment Works, making it the third of our sites to receive this important accreditation. Our Fetcham Springs and Elmer sites both retained their awards.
- We produced our revised draft WRMP that responded to the feedback we received from the Environment Agency, Ofwat, Natural England and more than 100 customers and stakeholders during our public consultation. Our WRMP, which is aligned with Water Resources South East's regional plan, sets out how we will continue to provide reliable water supplies and increase our resilience to drought as the climate changes and population grows. It also plans to reduce abstractions from existing sources by up to 30 million litres of water per day by 2050, to help protect sensitive habitats, particularly in our chalk stream catchments. Our long-term strategy is focused on reducing demand for water by more than halving leakage levels and helping our household and business customers use less. Over the last year we have continued to make progress in both these areas.

- We continue to be fully compliant with our environmental licences and consents and have had no category 1 or category 2 pollutions for more than 16 years.
- We've welcomed more than 3,200 students and teachers to our Flow Zone education centre at Bough Beech reservoir helping them to learn more about water and how they can use less and help protect the environment. We've opened up our visits to schools outside our supply area as we think it's important that we educate those who could become our future customers, too.



**MARKET DRIVER**

**Innovating to improve our performance**

**WHAT'S HAPPENED**

- Ofwat announced the winners of its third Water Breakthrough Challenge, which saw £40m of funding made available for 16 innovative solutions put forward by UK water companies and their partners. The fourth round of the challenge opened for entries.
- Ten innovators from outside the sector have won funding in Ofwat's first Water Discovery Challenge. The competition, worth £4.5m, is part of the Ofwat Innovation Fund and was exclusively for non-water sector parties to secure funding to help solve the biggest industry challenges.
- Ofwat conducted an initial consultation on its dedicated Water Efficiency Fund for AMP 8 in July 2023. The £100m fund is being set up to stimulate a measurable reduction in demand across household and business customers. It also consulted on its Innovation Fund for 2025 to 2030, proposing a doubling of the fund to £400m.

"This fund will enable the sector to accelerate the sort of collaborative and innovative work that is necessary to make progress in this area. By bringing fresh ideas and existing expertise together, we can achieve more resilient supplies, improve environmental protection, and deliver better value for customers."

**Paul Hickey**  
Senior Director,  
Ofwat launching the Water Efficiency Fund consultation

**WHAT WE'VE DONE**

- Our innovative work that uses no-dig technology to assess the health of our underground pipes won the Asset Management Initiative award at the annual Water Industry Awards. This groundbreaking project, the first of its kind in the UK water sector, is helping to inform our water main replacement programme so we target those pipes most likely to leak and burst, while minimising disruption to our customers and communities.
- We received £224,000 from the third Ofwat Water Breakthrough Challenge for our project to design a universal access point for water. Its purpose is to provide a standardised entry point on pressurised water pipes to help companies tackle leakage and better manage their underground pipes.
- We reduced our leakage by nearly 15% since 2020, using our smart network AI technology to find and fix leaks faster than ever before.

- We're contributing to a national project with companies, regulators, government and subject matter experts to mainstreaming nature-based solutions, challenges facing the use of nature-based solutions across regulation and policy, total value frameworks and regularisation of these solutions across industries. This project is being facilitated by regional Rivers Trust colleagues and we are presenting several areas to pilot the proposals borne from the phased workstreams.
- Our Innovation Manager continues to lead the industry's leakage research agenda and has compiled a 'leakage innovation heatmap' that brings together all research programmes currently being undertaken across the sector focused on leakage reduction to aid co-ordination, share learning and foster collaboration.
- Initiated relationships with key stakeholders to collaborate on our technologies and bring together investment to derive greater value. This includes relationships with local stakeholders, county and district councils and key businesses, such as Gatwick Airport.

**£224,000**

Funding we received from third Ofwat Water Breakthrough Challenge for universal access point for water

BUSINESS OVERVIEW

# CREATING LONG-TERM VALUE

## OUR PURPOSE

Harnessing the potential of water to enhance nature and improve lives.

We take pride in being a local company with a long heritage, and our customers have told us they value their water being supplied by a local company whose employees have comprehensive knowledge of our supply area. To do this, our business model is reliant on a number of key resources and relationships that enable us to meet our obligations.



We are committed to protecting the natural environment, for the benefit of local people and wildlife.



We've partnered with The Great British School Trip to help fund travel costs for schools to attend our Flow Zone education centre.

## INPUTS

**Water resources**  
Managing our water resources through our forward-looking, 50-year Water Resources Management Plan (WRMP) and protecting and enhancing the environment. →

**Employees**  
Developing and motivating our 345 employees, incentivising them to deliver a high-quality customer experience at every touchpoint with consumers of our services. →

**Customer engagement**  
Engaging customers with the role we all play in valuing water, encouraging behaviour change to protect resources and sharing ownership for how water is used, viewed and valued. →

**Suppliers**  
Building a strong relationship with those companies who work on our behalf and are key to the successful operation of our business. →

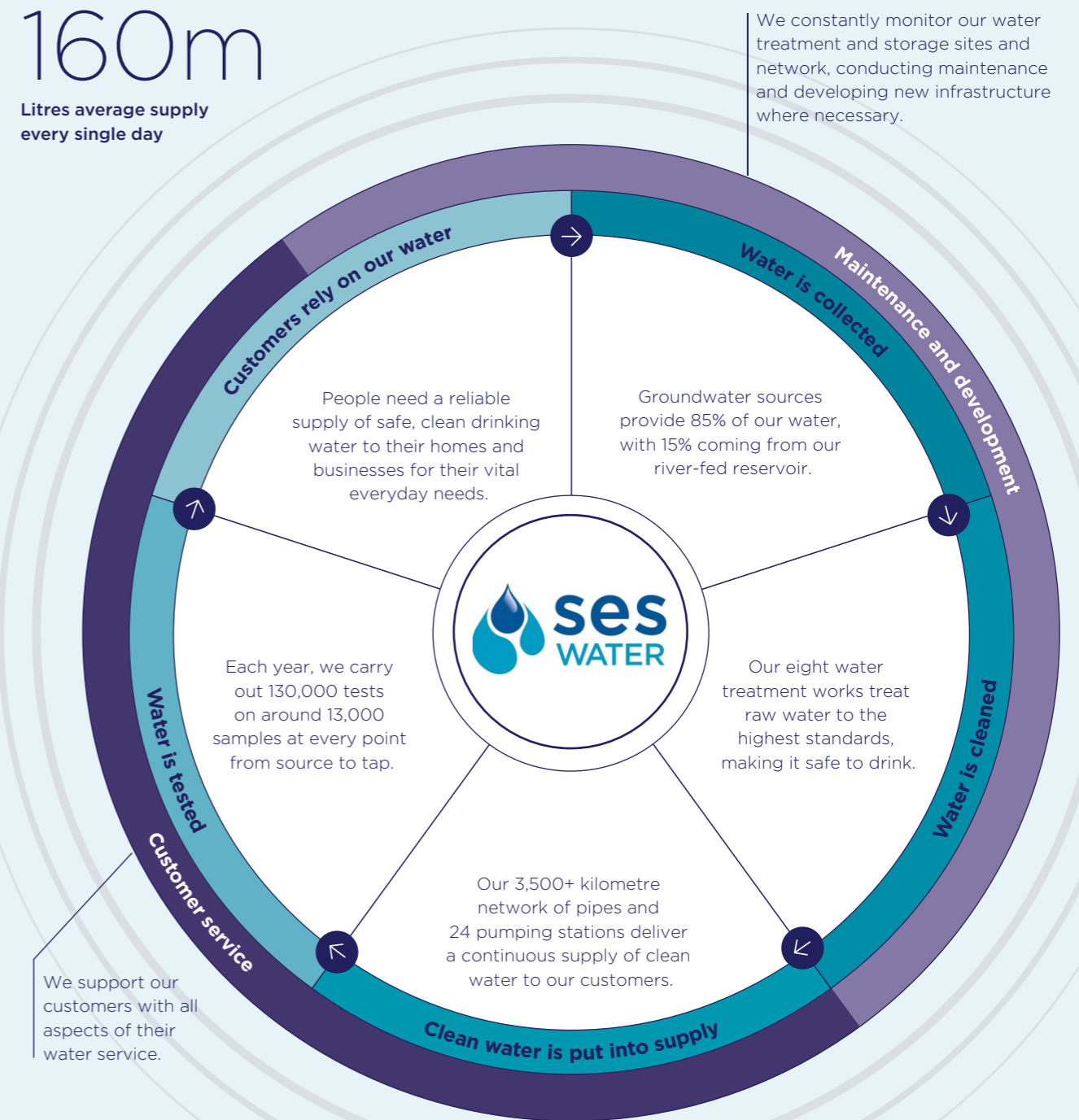
**Physical assets**  
Efficient maintenance of our sites, equipment and networks, significant capital investment to construct new assets and innovation to inform future development. →

**Financing**  
Maintaining a robust capital structure, long-term cost-effective debt, shareholder support and an appropriate credit rating. →

**The Next Generation**  
Taking pride educating the youth about the values of water, the environment and protecting our resources. →

# 160m

Litres average supply every single day



## OUTCOMES

The value we share between our stakeholders

### Customers

We are delivering our customers' priorities through our Business Plan pledges, including providing a reliable and resilient service, supporting our vulnerable customers and making sure our bills are fair and affordable.

### Employees

We invest in our people through new training and development opportunities, fair pay, recognition of good performance and programmes to attract and retain high-quality employees.

### Communities

We have provided grants to local causes through our community fund as well as delivering an industry leading education programme for more schools, young people, businesses and community groups.

### Regulators

We have regular consultation and engagement with our regulators, including Ofwat, the Drinking Water Inspectorate (DWI) and the Environment Agency, to balance and deliver their expectations.

### Local authorities

We are planning ahead for a 50% growth in the number of people living in our area by 2080 and working with others to limit the disruption of our essential work in local areas.

Playing our part in achieving the sector's Public Interest Commitments:

# X3

Triple the rate of sector-wide leakage reduction by 2030.

# NET ZERO

Achieve net zero operational carbon emissions for the sector. You can read more about our Carbon transition on pages 48 to 51.

# 5%

Make bills affordable as a minimum for all households, with water and sewerage bills no more than 5% of their disposable income by 2030, and develop a strategy to end water poverty.

# 4 BILLION

Prevent the equivalent of four billion plastic bottles ending up as waste by 2030.

# 100%

Be the first sector to achieve 100% commitment to the Social Mobility Pledge.



OUR PURPOSE AND STRATEGY IN ACTION

# OUR PURPOSE

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 support the communities we serve, while protecting and enhancing our local environment.



Our purpose influences everything we do, underpinning what we do and how we do it, both now and in the future. That's why we're doing all we can to harness the potential of water to enhance nature and improve lives.

Our purpose is delivered through decisive action. It puts our customers and the environment at the heart of our decision-making, ensuring we create solutions for better lives.

We want to bring benefits to the communities we serve, from being a diverse and inclusive place to work, to eradicating water poverty. We are inspiring the next generation through our education programme, helping to create water-conscious consumers of the future.

And all of this is being achieved while continuing to do what we've always done – delivering an essential, resilient service, of the highest quality, all day, every day.

**OUR LONG-TERM GOALS:**

Provide our customers with high-quality water from sustainable sources.

Help customers reduce their water footprint and charge a fair, affordable price for what they use.

Deliver a resilient water supply from source to tap and minimise wastage.

Improve the environment and have a positive impact on our local area.



**OUR STRATEGY IN ACTION THIS YEAR**

**ENHANCING NATURE**

- Reduced leaks by nearly 15% since 2020 with the UK's first intelligent water network.
- Removed over 60,000 plastic bottles from local community events including Run Reigate, Run Gatwick, the East Surrey YMCA Fun Run, Pride in Surrey, and Feasty Fest by supplying water.
- Reduced our carbon footprint by 3.5% in the past year (34% since 2019) and increased the number of electric and hybrid vehicles in our fleet to 43%.
- Achieved a third Biodiversity Benchmark with The Wildlife Trusts for our land management to enhance organic habitats at Bough Beech.

- Delivered a water quality performance which is the best in the industry.
- Hosted a soil health event and funded herbal ley agreements as part of our catchment management work.
- Supported the establishment of the Lower Eden Farm Cluster.
- Provided training and equipment to local groups, such as River Mole River Watch, to assist with our environmental monitoring.
- Supported nature-based learning at the Bough Beech nature reserve.
- Encouraged local community groups to improve their water efficiency by providing funding through our Every Drop Counts Community Fund.
- Implemented a car share scheme for colleagues and provided new, secure cycle storage to enhance our Cycle to Work scheme.

**IMPROVING LIVES:**

- Helped over 22,000 vulnerable customers via Water Support schemes.
- Welcomed more than 3,200 teachers and pupils to Flow Zone (our Education Centre).
- Took part in local job fairs and schools/college career events to continue to raise our profile as part of our early careers and social mobility activity.
- Donated £20,000 to three local charities (The Lucy Rayner Foundation, The Wildlife Aid Foundation, and The Orpheus Centre) and built meaningful partnerships with each organisation. In addition, we have donated a further £4,250 through fundraising.
- 153 colleagues have taken part in Give A Day, supporting a wide range of local charities including Stripey Stork, Community Fridge, The Wildlife Aid Foundation, The Orpheus Centre, The Conservation Volunteers, Crossroads Care, and MHA.
- 166 colleagues have completed Dementia Friendly training, and we are well on our way to becoming a Dementia Friendly Company.
- Worked with The Orpheus Centre to run an accessibility audit with the aim of becoming a disability confident employer. Outcomes from the audit will be actioned in the year ahead.
- Held lunch and learn sessions for International Women's Day and with organisations including Pride in Surrey, The Lucy Rayner Foundation and 'Titanium Talks' to help keep health and safety top of mind.
- Provided driver distraction training to 89% of our driver population to support the health and safety of colleagues while driving a Company or private vehicle.



OUR PLEDGES

# OUR FIVE PLEDGES

“  
 We all need to use water wisely and we're committed to helping our customers do this by providing information, support and incentives.  
 ”

Our Business Plan for 2020 to 2025 has one simple objective – to deliver more of what matters to our customers. It was built around our customers' priorities through an extensive engagement programme and led us to making five pledges to improve our service.

We've considered how the world around us is changing and made sure our plan is fit for the future. From climate change and population growth to smart technology, our pledges set out how we aim to transform our service and how we deliver it to our customers.

By delivering on our pledges, we'll not only provide a great service, but we'll contribute more to society. However, successful delivery is not entirely in our hands. Water is a precious resource and we live in an area where it's coming under increasing pressure because of the changing climate and higher demand. We all need to use water wisely and we're committed to helping our customers do this by providing information, support and incentives.

This year we have achieved 70% of our performance commitments and are working hard to improve in the areas where we missed our target.



# 3

Achieved our third Biodiversity Benchmark Award from The Wildlife Trusts for part of our Bough Beech Water Treatment Works



We've determined our CRI score to be 0.01, which is likely to place us as the top-ranking company when the DWI publishes its Annual Report in July 2024



# 85%

of customers on our support think the extra services we offer are helpful



High-quality water all day, every day

# 1



Fair prices and help when you need it

# 2



Support a thriving environment we can all rely upon

# 5

5 years, 5 pledges



Excellent service, whenever and however you need it

# 4



A service that is fit now and for the future

# 3



# 6.2km

of new water main laid in the past year



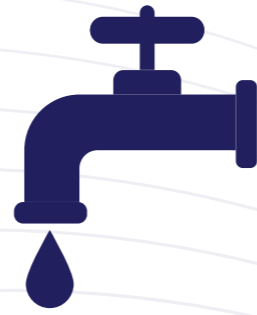
# 91%

Number of customer contacts resolved first time



OUR PLEDGES IN ACTION

WE'LL PROVIDE YOU WITH HIGH-QUALITY WATER ALL DAY, EVERY DAY



OUR PLEDGE IN ACTION

Nothing is more important to us than keeping our customers supplied with safe, clean water

HIGHLIGHTS

- For 2023, we reported a water quality risk index score of 0.01. This is likely to place us as industry-leading for water quality in the Drinking Water Inspectorate's (DWI) 2024 report. We had five small water quality events, which led us to reporting a low event risk index score of 5.9. This is likely to place us as one of the top-ranking companies for management of water quality events in the 2024 report
- We've continued to take actions to minimise the number of customers contacting us about the taste, smell or appearance of their water. Our annual performance is likely to continue to be significantly better than the industry average
- Our performance for supply interruptions continues to be excellent and we continue to work hard to minimise risk of interruption.



KPIs

Target met ✓ Target not met ✗

**WATER QUALITY - DWI COMPLIANCE RISK INDEX (CRI)**  
score

**MAINS REPAIRS**  
number/1,000 kilometres

**WATER SOFTENING**  
number of periods exceeding hardness target (mg/l)

WHY DO WE MEASURE THIS?

All water companies in the UK are measured against the DWI's CRI to ensure our water is of the highest quality.

WHY DO WE MEASURE THIS?

We want our network to be as resilient as possible, which is why we have a programme of mains replacement schemes across our supply area.

WHY DO WE MEASURE THIS?

We are unique in the industry in having a legal obligation to soften the groundwater we treat.

PERFORMANCE

We've determined our CRI score to be 0.01, which is likely to place us as industry-leading when the DWI publishes its Annual Report in July 2024.

PERFORMANCE

While slightly over target, the number of bursts over the year has significantly reduced, demonstrating the underlying resilience of our network to again deliver top quartile industry performance.

PERFORMANCE

A better performance than last year still resulted in missing our target. Work continues to improve resilience at two of our five softening sites.

2024	0.01
2023	0.01

2024	63.8
2023	101.5

2024	4.2
2023	5.6

**SUPPLY INTERRUPTIONS**  
hours:minutes:seconds/  
property/year

**TASTE, ODOUR AND DISCOLOURATION CONTACTS**  
number per 1,000 customers

WHY DO WE MEASURE THIS?

Although some planned interruptions to supply are unavoidable, we are always working to improve the long-term resilience of our supply network.

WHY DO WE MEASURE THIS?

We have a challenging target to minimise the number of customers who need to contact us about the taste, smell or appearance of their water.

PERFORMANCE

Our performance this year continues to be excellent, again resulting in a financial reward from Ofwat. We continue to work hard to minimise risk of interruption.

PERFORMANCE

We recorded 0.58 contacts per 1,000 customers this year, which is above our target limit of 0.50 so we will receive a financial penalty from Ofwat, but our performance is expected to be significantly better than the industry average.

2024	0:03:36
2023	0:03:51

2024	0.58
2023	0.64

OUR PLEDGES IN ACTION CONTINUED

# WE'LL PROVIDE YOUR SERVICE AT A FAIR PRICE AND OFFER HELP WHEN YOU NEED IT



**OUR PLEDGE IN ACTION**

This year, we have been able to support our customers to pay their bills and provided financial support options when they have needed it the most.

**HIGHLIGHTS**

- Our average household bill for 2023/24 equated to around 60 pence a day
- More than 22,000 customers are benefitting from our Water Support scheme, which provides a 50% bill reduction to eligible people
- We continue to work in the community attending community hubs, foodbanks, assisted living schemes, job centres and advice cafes to promote our services and have attended more than 100 local events this year with our Extra Care team
- 9.3% of our customers are on our Priority Services Register, which provides extra support to those who have health, access or communication needs
- More than 80% of our customers think the extra services we offer are helpful
- We reduced the volume of connected properties with no billing account to just 2.38% on average across the year, meaning more customers are paying for the water they are using
- We have data sharing in place with UK Power Networks, as well as Southern Water, which has helped us identify customers who need extra help from us.



**KPIs**

Target met  Target not met

**SUPPORTING CUSTOMERS IN FINANCIAL HARDSHIP**

number

**WHY DO WE MEASURE THIS?**

We continue to welcome more customers, who are struggling financially, onto our Water Support Scheme, which provides a 50% bill reduction to eligible people.

**PERFORMANCE**

Approximately 2,800 more customers now receiving financial help from our water support programme.

2024	22,229
2023	19,476

**CUSTOMERS ON OUR PRIORITY SERVICES REGISTER**

%

**WHY DO WE MEASURE THIS?**

Our priority services register provides extra support to customers who have health, access or communication needs, and helps us tailor the help we can offer.

**PERFORMANCE**

A 30% increase in customers now on PSR as a result of improved marketing, community events and data sharing.

2024	9.3%
2023	7.0%

**VULNERABLE SUPPORT SCHEME HELPFULNESS**

%

**WHY DO WE MEASURE THIS?**

It is important we are tailoring our support in the right way to help those who need it.

**PERFORMANCE**

Stronger scheme helpfulness with a focus on improved customer understanding enabling tailored marketing and the introduction of stronger trusted partnerships with local community groups.

2024	85.1%
2023	81%

**VOID PROPERTIES**

%

**WHY DO WE MEASURE THIS?**

We have a target to reduce the number of 'void' properties in our supply area, which means they are connected to our network but not charged for any water.

**PERFORMANCE**

Improved rate of billed properties as a result of an enhanced void investigation and billing programme.

2024	2.38%
2023	2.43%

**VULNERABLE SUPPORT SCHEME AWARENESS**

%

**WHY DO WE MEASURE THIS?**

Promotion of our support schemes is important so people are aware of the financial help available to them.

**PERFORMANCE**

Improved awareness across customer base with stronger community partnerships built. However, we haven't met our target.

2024	39.5%
2023	38.0%

**PROPORTION OF CUSTOMERS WHO BELIEVE THEIR BILL IS NOT GOOD VALUE**

% dissatisfied

**WHY DO WE MEASURE THIS?**

It is important our customers feel they are getting good value for the service they receive from us.

**PERFORMANCE**

A challenging year for value for money perception impacted by wider socio-economic, geo-political factors as well as a growing negative industry narrative.

2024	7.2%
2023	5.0%



OUR PLEDGES IN ACTION CONTINUED

# WE'LL PROVIDE YOU WITH A SERVICE THAT IS FIT NOW AND FOR THE FUTURE



## OUR PLEDGE IN ACTION

We target our investment in our infrastructure every year where it is needed most and are using innovative technology to provide a better service to our customers.

## HIGHLIGHTS

- We have stayed at or below the maximum allowed level of leakage every year since the target was first set more than 20 years ago and have once again met our leakage reduction target, which is industry leading
- We have laid 6.2 kilometres of new water main in the past year and progressed a number of key mains replacement schemes across our supply area. As a result we are on track to meet our target for the number of mains repairs in the remaining year of the Asset Management Plan (AMP)
- We completed an important mains replacement scheme on the busy A22 Godstone Road in Purley, directly benefitting 27,000 properties in the Purley area and vastly improving the resilience of the local water supply network. This also means we're nearing completion of a 15-year resilience programme we've been progressing since 2010. By 2025, every property across our region will be supplied by more than one treatment works if, due to operational challenges, this is needed. Other key mains replacement schemes have been completed this year in areas such as Dorking, Cobham, Leatherhead and Fetcham
- Our ongoing focus on operating, maintaining and investing in our water treatment works means we have again achieved our unplanned outage target.



## KPIs

Target met  Target not met

**LEAKAGE REDUCTION**  
MI/day



**RISK OF SEVERE RESTRICTIONS IN A DROUGHT**



% customers

### WHY DO WE MEASURE THIS?

Managing leakage is one of our customers' top priorities and a key focus for us to reduce it.

### WHY DO WE MEASURE THIS?

We operate in a water-stressed region, therefore we need to monitor our water resources closely.

### PERFORMANCE

Our focus on improving operational practices and embedding innovation continues to deliver positive results with leakage reduced by nearly 15% from four years ago\*.

2024	20.7
2023	22.8

### PERFORMANCE

Our resilience to drought, during a year of comparative recovery from the challenges of 2022, continues to be strong.

2024	0.0
2023	0.0



**UNPLANNED OUTAGES AT TREATMENT WORKS**



%

**RISK OF SUPPLY FAILURES**



% of properties connected to more than one treatment works

### WHY DO WE MEASURE THIS?

There are times when unexpected incidents reduce the performance of our water treatment works or require us to take them out of service for maintenance.

### WHY DO WE MEASURE THIS?

By 2025, we plan for every property to be supplied by more than one treatment works if needed.

### PERFORMANCE

Improved for the second year running (and remaining as upper quartile performance) our ongoing focus on operating, maintaining and investing in our water treatment works continues to meet our unplanned outage target.

2024	0.81%
2023	0.93%

### PERFORMANCE

Ongoing preparatory works for the final phase of our resilience programme progressed well in the year. We are on target to hit 100% resilience by March 2025.

2024	81%
2023	81%

\* We are continuing to conduct work – overseen by Ofwat – to ensure our water balance reporting is fully compliant with all regulatory guidelines. While we are confident in the accuracy of our leakage reporting, we have agreed with Ofwat that we will not seek to apply for any outperformance payments associated with our leakage performance until this work is concluded.

OUR PLEDGES IN ACTION CONTINUED

# WE'LL PROVIDE EXCELLENT SERVICE, WHENEVER AND HOWEVER YOU NEED IT



### OUR PLEDGE IN ACTION

We want the most satisfied customers in the country and to get there we are fundamentally changing a lot of what we do and significantly investing in our people, our policies and the systems they use.



### HIGHLIGHTS

- We're currently 14th in the C-MeX ranking, which is below where we want to be. We continue to work hard to make sure we are meeting customer expectations and improving the experience they receive. We will do so by continually investing in our systems, people and processes
- Our high first call resolution levels have been maintained
- We have re-launched a clearer customer journey for those being fitted with a water meter, following direct customer feedback
- We have conducted customer surveys following local bursts to help us learn and improve our future actions for customers during incidents
- We are making sure our customer data is as up to date as possible, by checking with customers during each interaction
- We actively seek to learn from others and embrace independent challenge working closely with Ofwat, Consumer Council for Water (CCW), and Water UK, and build relationships with other water companies
- We remain committed to employing a Customer Scrutiny Panel, a relationship and source of feedback we value immensely.

### KPIs

Target met  Target not met

**C-MEX (INDUSTRY MEASURE OF CUSTOMER SATISFACTION)**



**FIRST CONTACT RESOLUTION**



**D-MEX (INDUSTRY MEASURE OF DEVELOPER SATISFACTION)**



score

%

score

#### WHY DO WE MEASURE THIS?

C-MeX is the industry metric for measuring customer satisfaction and experience across all companies.

#### WHY DO WE MEASURE THIS?

It is important that our customers receive an excellent, tailored resolution every time they contact us.

#### WHY DO WE MEASURE THIS?

D-MeX is the industry metric for measuring developer satisfaction and experience across all companies.

#### PERFORMANCE

Our performance remains below industry average although we continue to be determined to improve our customers' satisfaction with our services.

#### PERFORMANCE

High first call resolution levels maintained.

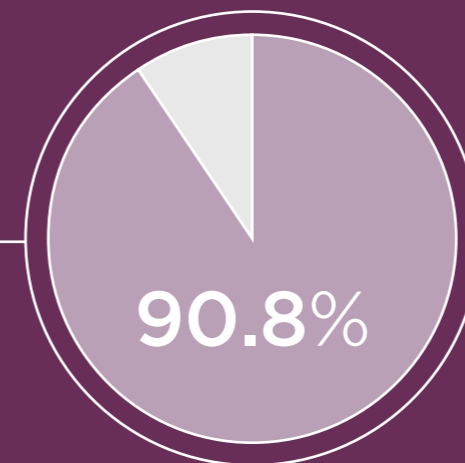
#### PERFORMANCE

We expect to complete the year in 17th place, as last year, and continue to work hard to embed improvements in service and fully understand and deliver against developers' changing needs

2024	72.45%
2023	76.03

2024	90.8%
2023	85.1%

2024	86.97%
2023	84.91%



Number of customer contacts resolved first time





OUR PLEDGES IN ACTION CONTINUED

# WE'LL SUPPORT A THRIVING ENVIRONMENT WE CAN ALL RELY ON



**OUR PLEDGE IN ACTION**

We are committed to reducing the impact of our operations by achieving net zero carbon emissions and continuing to implement more sustainable ways of pumping, treating and distributing millions of litres of water every single day.

**HIGHLIGHTS**

- We achieved our third Biodiversity Benchmark Award from The Wildlife Trusts for part of our Bough Beech water treatment works, while retaining the awards we already have at our Elmer and Fetcham Springs sites. We are the only water company to currently hold the accreditation
- We have reduced our carbon footprint by 3.5% in the last year alone
- Three quarters of our customers are already metered and we are looking to provide meters for 90% of our customers by March 2025
- Our vehicle fleet now comprises 43% electric and hybrid vehicles, with each electric car helping to save 2-3 tonnes of CO<sub>2</sub>e per year, as well as reducing the impact on local air quality
- We have continued our partnership with Run Series to support both Run Gatwick and Run Reigate as the events' official water provider, avoiding more than 48,000 single-use plastic water bottles from being given out at each event
- We've also supplied water at Feasty Fest, Pride In Surrey and the YMCA Fun Run
- We've continued to work with Bore Place, a charity local to our Bough Beech site, and a number of other partners to assess opportunity to develop biodiversity net gain on a landscape scale.



**KPIs**

Target met  Target not met

**CONSUMPTION**

litres consumed per person per day

**WHY DO WE MEASURE THIS?**

We operate in a region classified as being in serious water stress, which is why we have a target to reduce the amount of water each customer in our supply area uses per day.

**PERFORMANCE**

Less challenging weather conditions in the last year have helped offset the drought impact from 2022. Coupled with progression of our metering programme and water efficiency work, our PCC is now on a sustained downward trend but remains above our target.

2024	146.4
2023	150.8

**GREENHOUSE GAS EMISSIONS**

kgCO<sub>2</sub>e/megalitre

**WHY DO WE MEASURE THIS?**

We are committed to achieving net zero operational carbon emissions.

**PERFORMANCE**

The progression of our net zero carbon plan has seen further reductions in greenhouse gases this year through ongoing energy efficiency and switching of fleet to pure electric vehicles and heating to non-fossil fuel alternatives.

2024	40.3
2023	41.0

**ABSTRACTION INCENTIVE MECHANISM**

average megalitres reduction

**WHY DO WE MEASURE THIS?**

The Abstraction Incentive Mechanism (AIM) means we will reduce abstraction of water from environmentally sensitive sites when flows or levels are low, but this has not been necessary this year.

**PERFORMANCE**

We remain compliant with our AIM target, focused on reducing abstraction in chalk catchments during sensitive times of year.

2024	Compliant
2023	Compliant

**RIVER-BASED IMPROVEMENT - DELIVERY OF WATER INDUSTRY NATIONAL ENVIRONMENT PROGRAMME (WINEP)**

number of schemes

**WHY DO WE MEASURE THIS?**

We are committed to improving the ecology and the quality of water in rivers through delivery of WINEP.

**PERFORMANCE**

We continue to deliver our programme of work agreed with the Environment Agency (EA). In June 2023, as a result of the Ofwat and EA plan realigning, we became fully compliant with this performance commitment.

2024	7
2023	6

**POLLUTION INCIDENTS**

number of category 1 and 2 incidents

**WHY DO WE MEASURE THIS?**

We are committed to not harming the environment.

**PERFORMANCE**

We continue to deliver our commitment to creating zero serious pollution. No category 1 or 2 pollution incidents have been caused by us in over 16 years.

2024	0
2023	0

**LAND-BASED IMPROVEMENT - BIODIVERSITY**

number of sites awarded benchmark

**WHY DO WE MEASURE THIS?**

We are committed to protecting and improving the biodiversity at all of our sites.

**PERFORMANCE**

We are delighted to have achieved accreditation at Bough Beech - our third and final target site for this Asset Management Plan (AMP). This collectively paves the way for our Biodiversity Net Gain Strategy from 2025.

2024	3
2023	2

# DELIVERING MORE VALUE FOR THE PUBLIC

We are proud to have played an important part in people’s daily lives for well over 150 years – but we don’t just supply water.

We take an active part in improving the communities we’re privileged to serve, including playing a full role in tackling wide social and environmental challenges. In the past year we’ve partnered and help run 27 community events as well as 153 colleagues having taken part in Give A Day to support a wide range of local charities.

“I’m sure you know that we are very appreciative of all the support you have given us, not just in the monetary sense but your willingness and generosity to support and promote the Charity to deliver a better service for all those involved. It is an absolute fact The Lucy Rayner Foundation would not be able to offer the services we do without the committed support that people like you provide us.

**Jenny Rayner**  
CEO, The Lucy Rayner Foundation



## INDUSTRY REFLECTION

The industry wants to do more to meet the high expectations which rightly come with running a vital public service for the public good. This is why we’re all working collaboratively to achieve the industry Public Interest Commitments, which include five challenging goals:

- Triple the rate of sector-wide leakage reduction by 2030
- Make bills affordable for all households with water and sewerage bills, as a minimum, no more than 5% of their disposable income by 2030 and develop a strategy to end water poverty
- Achieve net zero carbon emissions for operational activities for the sector
- Prevent the equivalent of four billion plastic bottles ending up as waste by 2030
- Be the first sector to achieve 100% commitment to the Social Mobility pledge



Thank you so much to all the team at SES Water – and what a fantastic team you are! I cannot begin to tell you our appreciation of you all and how you got stuck into the roles you were given on the day, we couldn’t have done it without you. We hope you loved being involved as much as we loved having you there! We look forward to working with you again in the future.

**Megan Robson**  
Events Fundraiser, The Orpheus Centre



## DOING MORE FOR OUR COMMUNITIES

In the past year, we have awarded more than £20,000 to three local charities, all of whom have been chosen on the basis of building meaningful long-term partnerships. Each of them also closely relates to our purpose of improving lives and enhancing nature.

These charities are: The Wildlife Aid Foundation in Leatherhead, The Lucy Rayner Foundation in Redhill and The Orpheus Centre in Godstone.

We have raised an additional £4,250 through fundraising for campaigns such as Macmillan coffee mornings, Save The Children and Movember.

Separately we have funded more than £4,000 in the past year to local water efficiency projects through our Every Drop Counts community fund.

The money from this fund helps projects buy water butts, so gardens and plants can be watered with rainwater, right through to new equipment to help children and adults learn about different ways to save water.

We’ve also supported 27 local community events, including: Run Gatwick, Run Reigate, YMCA Fun Run, Orphest, EcoFair, Feasty Fest and Pride In Surrey. Across all our events we’ve recorded more than 1,100 conversations with customers.

At the three running events, we provided water to 20,000 spectators and runners, while also preventing the use of 48,000 single-use plastic bottles.

More than 150 of our colleagues have also volunteered a day of their time, through the Company ‘Give A Day’ scheme, towards helping a local charity or community group. These events have included:

- Tree planting with Bore Place
- Hedgerow building with The Surrey Wildlife Trust
- The Great SES Water litter pick, which raised £600 for The Wildlife Aid Foundation
- Packing and delivering Christmas presents for Stripey Stork, a baby bank
- Fundraising for Crossroads Care, which supports unpaid carers from 6-80 year olds
- Painting a playground at Welcare, which supports under-privileged and minority ethnic background families
- Supporting the MHA by helping to host its Valentines and Coronation party and running a bingo session for the elderly community
- Supporting the Community Fridge by cooking a lunch for 37 carers and providing presents.





WORKING IN THE PUBLIC INTEREST CONTINUED

“

Our sincere thanks for your continued and generous support of the work we do. We are so grateful, and SES Water is just incredible, getting behind our campaigns throughout the year. It is very much appreciated.

**Sarah Medcraft**  
Corporate Partnerships Manager, Stripey Stork



**EDUCATING THE NEXT GENERATION OF WATER USERS**

During 2023/24, we reached a total of 4,611 people with our education programme and, within that total, welcomed 3,260 students and teachers to our Flow Zone Education Centre.

We've also opened up Flow Zone to schools outside of our supply area and have delivered in-person talks to more than 1,351 pupils and adults.

For the first time we also attended Eco Summit events, which brought teachers together from across Surrey with a focus on environmental education. We came away with more than 50 enquiries for our Education programme. We've also undertaken a roadshow visiting more than 80 schools across our supply area and in neighbouring communities.

”



“

Thank you very much for an excellent day at Bough Beech. The children loved the day and learned such a lot!

**St John's School**  
Redhill

”

“

Lisa was amazing. She kept all the children fully engaged with her enthusiasm – excellent visit, slick delivery, super informative trip.

**St Mary's Primary School**  
Oxted

”

“

The children really enjoyed their visit and the parents who accompanied us were also really impressed. We had our Deputy with us, and she said it was one of the best school trips she had been on!

**Regina Coeli School**

”



“

Just wanted to say a massive thank you to the lovely colleagues at SES Water.

It was a total pleasure to have you kindly help us and more importantly you brought sunshine and joy to our wonderful members. Same time next year?!

**Julia Nye**  
Community Co-ordinator,  
MHA Communities East Surrey

”

“

We're delighted and proud to be working in partnership with SES Water. With our shared values and goals, we're excited about the potential this partnership can bring to the community and Surrey's wildlife. This collaboration will provide essential support for Wildlife Aid to develop a new Wildlife Aid Centre, while continuing to be recognised as one of the UK's most respected wildlife rescue centres. Our partnership with SES Water will create the foundation for us to do even more.

**Simon Cowell**  
CEO, Wildlife Aid Foundation

”





OUR STAKEHOLDERS

# OUR WORK TOUCHES MANY PEOPLE AND ORGANISATIONS

In addition to the 750,000 customers who rely on our services, we have many stakeholders who can be affected by our work or whose actions impact us.

Understanding the needs of our different stakeholders and engaging with them constructively is very important and helps us to make better decisions. Particularly as the challenges we face increasingly require us to work collaboratively with others so that together we achieve more for the environment and society.

Building new partnerships and strengthening our relationships with local organisations has been a key priority for us this year, and we have continued to play an active role in the communities we serve. We are working closely with partners whose work aligns with our purpose, to harness the potential of water to enhance nature and improve lives.

Our Customer Scrutiny Panel (CSP) and Environmental Scrutiny Panel (ESP) have helped to challenge our plans and how we deliver them, encouraging us to learn from others and forge new alliances.

We've also listened carefully to our customers and those that represent them to make sure our Business Plan for 2025 to 2030 meets their needs and we invest in what matters most.

Striking the right balance between the expectations of our different stakeholders, including our shareholders, is important. Our Board brings our shareholders together with senior management and non-executive directors who provide independent expertise and insights to inform our decision-making. We ensure the voices of our customers and stakeholders are heard through regular attendance by our CSP and ESP chairs and other stakeholder representatives at our Board meetings. More about our Board structure and governance can be found on pages 74 to 86.

## OUR CUSTOMERS

What they expect	How we talk and listen to each other	How we work for the benefit of our customers
<ul style="list-style-type: none"> <li>Supply high-quality, wholesome water</li> <li>Reliable and resilient water supplies for now and in the future</li> <li>Reduce how much water is leaked from our network of pipes</li> <li>Play an active role in protecting and improving the environment</li> <li>Preparing for climate change and other factors that could impact on our service</li> <li>Making bills fair and affordable, and provide help to those who have financial difficulties</li> <li>Provide high-quality customer service with extra support for customers who have additional needs, whether temporary or long term</li> <li>Play an active role in our local communities through education programmes and by supporting local projects that benefit the environment and society.</li> </ul>	<ul style="list-style-type: none"> <li>Contact customers via email</li> <li>'MyAccount' customer portal</li> <li>Social media channels</li> <li>Community Support Officers who visit customers at home</li> <li>Voice of the Customer programme that captures customer feedback</li> <li>'Talk on Water' online community of over 300 customers</li> <li>Education programme which engages children and young people about the importance and value of water</li> <li>Dedicated research with a broad range of customers</li> <li>'Your Water, Your Say' meeting that we will continue to hold annually</li> <li>'Monday Blues' listening to any negative customer sentiment</li> <li>Community events</li> <li>Customer Scrutiny Panel.</li> </ul>	<ul style="list-style-type: none"> <li>By delivering the pledges set out in our Business Plan for 2020 to 2025, which include:                             <ul style="list-style-type: none"> <li>Reducing leakage by 15%</li> <li>Providing 25,000 customers with financial challenges a 50% reduction on their bill</li> </ul> </li> <li>Giving all our customers a free water meter so they only pay for what they use and helping them to reduce their water use</li> <li>Being able to provide all our customers with an alternative source of water should we experience a water supply problem</li> <li>Using smart technology and Artificial Intelligence to help us reduce water supply interruptions, fix network problems more quickly and help identify customers who need extra help during such events</li> <li>Offering excellent service through more channels to meet our customers' needs</li> <li>Providing extra support to more customers who need priority services and working with local energy providers to share information that helps identify those who need extra support.</li> <li>By developing a Business Plan for 2025 to 2030 that continues to meet our customers' needs and priorities at a price that is affordable.</li> </ul>



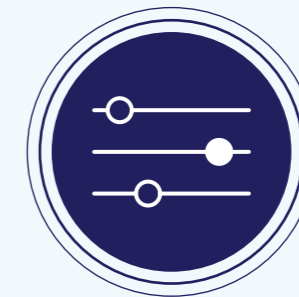
## OUR EMPLOYEES

What they expect	How we talk and listen to each other	How we work for the benefit of our customers
<ul style="list-style-type: none"> <li>That we provide them with good opportunities for training and developing new skills</li> <li>That we pay them fairly, with good performance in their job being recognised in their annual salary</li> <li>That we work to recruit and hold on to high-quality employees</li> <li>That we play an active role in the communities we serve, in our broader role as a responsible local business</li> <li>That we provide a working environment that's healthy and safe, and which welcomes and values everyone.</li> </ul>	<ul style="list-style-type: none"> <li>Through our regular employee engagement surveys, to find out what's working well and where we may need to improve</li> <li>By having a dedicated Board member who is responsible for employee engagement</li> <li>By making sure all employees have regular opportunities to see and talk to our senior leaders such as our executive team</li> <li>Through a structured programme for assessing how employees are performing and how people can be developed</li> <li>Through an ongoing programme of internal communications, and regular one-to-one meetings for each employee and their line manager</li> <li>Through regular 'Open Forum' meetings, hosted by our executive team members for all employees to attend.</li> </ul>	<ul style="list-style-type: none"> <li>Unlocking the potential of our people by investing in their development and leadership capability through skills development workshops, professional development, mentoring and job shadowing</li> <li>Making work life easier for our employees through our HR digital transformation programme introducing new systems and processes</li> <li>Through our comprehensive wellbeing offering, including cash plan, Employee Assistance Plan, discounted gym membership, Westfield Health medical plan, focus days and external speakers, and pension education</li> <li>Equality, diversity and inclusion - we treat people the same while celebrating their differences, including employee training and a dedicated Company-wide action plan</li> <li>Through our scheme to enable employees to volunteer in local communities</li> <li>Through our employee referral scheme, whereby existing employees can recommend candidates, like friends and family, who would be a good match for our Company</li> <li>By liaising with our Company Joint Negotiating and Consultative Committee (JNCC) to secure a pay deal for employees via constructive talks.</li> </ul>



## OUR REGULATORS

What they expect	How we talk and listen to each other	How we work for the benefit of our customers
<ul style="list-style-type: none"> <li>That we achieve the pledges that we made in our current business plan</li> <li>That we are efficient with customers' money and bills are affordable for all</li> <li>That we help customers that have additional needs</li> <li>That we innovate to improve our services and find better ways of working</li> <li>That we are financially resilient and pay our shareholders appropriate returns on their investment</li> <li>That we invest for the future, so our service is resilient to climate change and other pressures</li> <li>That we contribute to protecting and improving our local environment.</li> </ul>	<ul style="list-style-type: none"> <li>Through regular meetings with all our regulators</li> <li>By taking part in joint industry and regulator workshops</li> <li>By our regulators joining our Board meetings</li> <li>By responding to consultations and requests for information</li> <li>By sharing our learning, knowledge and experience through water sector forums</li> <li>By taking part in collaborative projects and research.</li> </ul>	<ul style="list-style-type: none"> <li>By maintaining our financial gearing (how much debt we have, as a proportion of what the Company is worth) at an acceptable level</li> <li>By developing a Business Plan for 2025 to 2030 that will deliver all our legal and regulatory obligations and provide a better service for our customers at an affordable price</li> <li>By updating the way in which we determine how much return our shareholders receive on their investment and how much senior executives are paid, so both are fair and appropriate amounts</li> <li>By continuing to lead the water industry's research and innovation programme to reduce leakage</li> <li>By delivering projects funded through Ofwat's Innovation competition.</li> </ul>





OUR STAKEHOLDERS CONTINUED

LOCAL COMMUNITY GROUPS		
What they expect	How we talk and listen to each other	How we work for the benefit of our customers
<ul style="list-style-type: none"> <li>That we play an active role in the communities we serve and support projects that will deliver environmental and societal benefits</li> <li>That we support people with additional needs or who need help accessing our services</li> <li>That the investment we make to improve our services delivers wider benefits to people and places</li> <li>That we support the local economy by creating jobs including apprenticeships for young people</li> <li>That we always do our best to minimise the impact of our work on our local communities and we proactively communicate in advance when we need to work in roads or open spaces.</li> </ul> 	<ul style="list-style-type: none"> <li>Through regular newsletters to local schools, charities and community partners</li> <li>By working in partnership with community organisations that help us reach and support people who have additional needs and by using their insights to help us improve our services</li> <li>By establishing partnerships with community organisations that we support financially and through employees volunteering time that aligns with our purpose of improving lives and enhancing nature</li> <li>Through our education programme with people of all ages</li> <li>By being members of local business forums.</li> </ul>	<ul style="list-style-type: none"> <li>By providing more than £20,000 in direct donations to our three community partners</li> <li>By raising £4,250 through fundraising for campaigns such as Macmillan coffee mornings, Save The Children and Movember and providing around 1,200 hours of employee volunteering time</li> <li>By reaching more than 4,600 people through our education programme including 3,260 students and teachers who visited our 'Flow Zone' education centre at Bough Beech Reservoir</li> <li>By expanding our school programme to include schools outside our area, whose students may become our customers of the future</li> <li>By enabling housing associations to act on behalf of their residents to get the help they need</li> <li>By regularly attending events run by local community organisations to provide advice to their customers and members.</li> </ul>

LOCAL AUTHORITIES		
What they expect	How we talk and listen to each other	How we work for the benefit of our customers
<ul style="list-style-type: none"> <li>That we plan ahead to adapt to the challenges of climate change and can cater for a growing population</li> <li>That we contribute to improving the environment, supporting nature recovery and improving biodiversity across the area we serve</li> <li>That we keep them informed about our plans and communicate proactively with local residents</li> <li>That we minimise disruption when we are carrying out work in roads and public spaces, liaising closely with them and others.</li> </ul> 	<ul style="list-style-type: none"> <li>Through regular meetings between our senior leaders, council executives and local politicians</li> <li>Through regular engagement with local authority communications teams</li> <li>By engaging with key council departments, such as highways, to plan projects such as water main replacement schemes</li> <li>By being members of the local resilience forum and taking part in activity that helps us prepare collectively for emergency events.</li> </ul>	<ul style="list-style-type: none"> <li>We've carefully planned our programme to improve our network and upgrade our water mains to minimise disruption to local businesses</li> <li>We have connected 880 new homes to our network in the last financial year.</li> </ul>

ENVIRONMENTAL ORGANISATIONS		
What they expect	How we talk and listen to each other	How we work for the benefit of our environmental organisations
<ul style="list-style-type: none"> <li>That we do no harm to the environment and operate in line with our environmental permits and abstraction licences</li> <li>That we meet all our statutory environmental obligations and deliver the investment required in our Water Industry National Environment Programme (WINEP)</li> <li>That our long-term investment programme maximises opportunities to enhance the environment and deliver biodiversity net-gain</li> <li>That we work in partnerships with them and other land and water users to combine funding and maximise the environmental and societal benefits we deliver</li> <li>That we help our customers to use less water and reduce leakage.</li> </ul> 	<ul style="list-style-type: none"> <li>Through our involvement in our local catchment partnerships</li> <li>Through regular meetings with a range of environmental organisations</li> <li>Through our work as part of WRSE to develop a long-term abstraction reduction forecast</li> <li>By engaging with our ESP and learning from other environmental and sustainability experts</li> <li>By devising and committing to stretching environmental and sustainability actions and strategies.</li> </ul>	<ul style="list-style-type: none"> <li>By causing no pollution to the environment</li> <li>By delivering all the schemes and investigations in our WINEP programme</li> <li>By achieving The Wildlife Trusts Biodiversity Benchmark at three of our main sites</li> <li>By continuing to reduce our carbon emissions by becoming more energy efficient, using more electric vehicles and renewable energy sources</li> <li>By working with farmers and landowners to reduce pollution and improve the quality of our water sources</li> <li>By putting forward an additional £5m of investment in our 2025 to 2030 Business Plan to deliver environmental improvements including a partnership project to improve the management of water in the River Eden catchment</li> <li>By investigating the impact of our abstractions to determine how much water should be left in the environment in the future.</li> </ul>

OUR SUPPLIERS		
What they expect	How we talk and listen to each other	How we work for the benefit of our suppliers
<ul style="list-style-type: none"> <li>That we have a procurement process that's open and transparent, and which complies with all the relevant laws and regulations</li> <li>That we take our legal obligations, such as around modern slavery, very seriously and ensure we are fully compliant, together with our suppliers</li> <li>That our contracts with suppliers include provision for data protection</li> <li>That we pay promptly for the goods and services supplied to us</li> <li>That we work efficiently and effectively as partners with suppliers</li> <li>That we have an ongoing clear focus on ensuring and enhancing health and safety among our suppliers</li> <li>That we give suppliers a clear view of upcoming work or other requirements.</li> </ul> 	<ul style="list-style-type: none"> <li>Through dedicated working relationships, depending on the scope and nature of the arrangement</li> <li>Through our Procurement team, business leads, industry forums and events</li> <li>Via performance reviews each year with suppliers that are critical to the work we do</li> <li>Through regular meetings centred on planning and how suppliers are performing</li> <li>Through industry leading innovation projects.</li> </ul>	<ul style="list-style-type: none"> <li>Offer opportunities, where appropriate, for innovative product/service trials and learnings that provide data for development</li> <li>We strive to have strong and productive working relationships</li> <li>As a smaller company, we can make effective decisions more quickly. We work with suppliers to submit joint entries for various water industry awards, such as for innovation or engineering</li> <li>We provide testimonials for suppliers to use in publicity campaigns and happily support supplier promotional work.</li> </ul>

SECTION 172 STATEMENT

# THE ROLE OF THE BOARD

Stakeholder engagement is a critical function of the Board, central to the creation and delivery of our plans, both in the shorter term and looking to the future. There is a role for the Board to play in assessing the needs of different stakeholders and carefully considering competing priorities as part of the decision-making process.

### OUR PROCESS

A key reporting requirement is a statement of the directors on our compliance with section 172(1) of the Companies Act 2006. This includes the main methods the directors have used to engage with stakeholders and understand the issues to which they must have regard. You can read our statement, along with some examples in action, on pages 80 and 81.

### A FOCUS ON EMPLOYEE ENGAGEMENT

Independent Non-Executive Director Jon Woods is the Board's lead on engaging with the workforce and has helped ensure the employee voice is heard in key discussions and decisions. Jon attends the Joint Negotiating and Consultative Committee (JNCC) annually, where he speaks directly with the representatives without management being present. This year key topics of discussion have included the strategic review and subsequent acquisition by the Pennon Group plc and the 2024/25 pay deal.



I have been pleased this year with the level of engagement from the Board and management with the employee workforce during the strategic review of the Company, providing timely updates ahead of the eventual sale of the Company.

**Jon Woods**  
Independent Non-Executive Director



### BOARD DEEP DIVES

In addition to regular meetings of the Board, regular deep-dive sessions take place throughout the year, which are an important part of the governance process and helpful for a greater

knowledge of both the Board and management. Time is spent looking at important projects to ensure the investment, structure, goals and delivery plans will result in long-term benefit for the Company and its

various stakeholders. It's also an opportunity for Board members, particularly the independent non-executive directors, to provide targeted challenge to and support for into specific management plans.





# EMBEDDING OUR PURPOSE INTO THE BUSINESS

During the last year, we have brought together our work to develop our purpose, our materiality assessment and our customer pledges to embed our sustainability principles into everything we do.

Our Environmental, Social and Governance (ESG) Committee have alerted us to the concept of 'greenwashing'. We therefore present our forthcoming challenges as well as our work across the key ESG functions in the following pages. In particular, we present a carbon spotlight (pages 48 to 51) to fully explain our Business Plan submission and confront suggestions of a 'setback' in our net zero commitments.



## KEY OUTCOMES OF OUR MATERIALITY ASSESSMENT

<p><b>WATER RESOURCES AND DRINKING WATER QUALITY</b> - considered joint highest priorities and are crucial for both the environment and people. This is our core business.</p>	<p><b>CUSTOMER-CENTRIC WATER SERVICES</b> - promote awareness of water usage and its environmental impact. Create a close relationship with customers to prepare for expected future challenges, such as water and energy shortages, and incidents.</p>	<p><b>WATER AFFORDABILITY AND ACCESS</b> - this must have a positive impact on customers, especially for those in vulnerable circumstances. We also need to consider that resources may be limited in the future due to climate-related impacts and economic challenges.</p>
<p><b>MANAGING RISKS ASSOCIATED WITH CLIMATE CHANGE</b> - this has significant and direct impact on our resources, operations and resilience. Targeted investment is required to mitigate our impact on, and the impact of, a changing climate.</p>	<p><b>LOCAL COMMUNITIES</b> - building partnerships is vital to achieve long-term positive impact and derive greater value from our combined investments.</p>	<p><b>ECONOMIC PERFORMANCE</b> - This has an effect on not just the Company itself but on our ability to contribute positively to the wider community, such as investments to sustain the adaptation required to cope with climate change.</p>

## OUR LONG-TERM GOALS

<p><b>PROVIDE OUR CUSTOMERS WITH HIGH-QUALITY WATER FROM SUSTAINABLE SOURCES.</b></p>	<p><b>HELP CUSTOMERS REDUCE THEIR WATER FOOTPRINT AND CHARGE A FAIR, AFFORDABLE PRICE FOR WHAT THEY ARE.</b></p>	<p><b>DELIVER A RESILIENT WATER SUPPLY FROM SOURCE TO TAP AND MINIMISE WASTAGE.</b></p>	<p><b>IMPROVE THE ENVIRONMENT AND HAVE A POSITIVE IMPACT ON OUR LOCAL AREA.</b></p>
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ENVIRONMENTAL	SOCIAL	GOVERNANCE
<p><b>Climate change</b> - reported through our Company risk reviews (pages 64 to 71), the risk of severe outages, restrictions in drought and unplanned outages, which are particularly representative of operating in a changing climate.</p> <p><b>Carbon transition</b> - reporting centred on our greenhouse gas emissions.</p> <p><b>Sustainable water management</b> - through the water quality compliance risk index, leakage and consumption measures and whether we abstract from certain environments at times of low groundwater levels (the Abstraction Incentive Mechanism, AIM).</p> <p><b>Natural capital</b> - reported through our deliverables for the Water Industry National Environment Programme (WINEP) and our bespoke commitment to improve biodiversity on our sites.</p> <p><b>Waste and pollution</b> - recorded through Environment Agency (EA) shadow reports relating to pollution incidents. We are proposing to develop these metrics in 2024/25.</p>	<p><b>Health and safety</b> - reported through lost-time recording, manager site inspections and fleet accidents.</p> <p><b>Customer relations</b> - reported utilising our regulator measures of customer experience, support to priority services and our customer's perception of value for money.</p> <p><b>Workforce relations and equality, diversity and inclusion</b> - this is predominantly monitored through our absence rates and people engagement surveys. We are proposing to develop our approach to equality, diversity and inclusion reporting in 2024/25.</p> <p><b>Access and affordability</b> - reported using vulnerable support awareness and financial hardship support metrics.</p> <p><b>Education and social mobility</b> - recorded through our professional development programmes and training initiatives.</p> <p><b>Charitable giving and community support</b> - monitored through our support to charitable partnerships and the number of voluntary 'Give A Day' activities our employees support.</p>	<p><b>Board structure and diversity</b> - managed through our Nomination Committee to ensure appropriate balance</p> <p><b>Policies and procedures</b> - managed through our ISO accreditations and related departmental quality and environmental management system.</p> <p><b>Pay and reward</b> - managed through our Joint Negotiating and Consultative Committee (JNCC) and Remuneration Committee, reviewing matters such as company performance, pay and benefits, working arrangements, company policies and business improvement.</p> <p><b>Shareholder returns</b> - managed and reported at a Board level in line with our dividends policy</p> <p><b>Bribery and corruption</b> - monitored through our Governance Committee, in line with associated Company policies including our whistleblowing policy</p> <p><b>Political lobbying and donations</b> - through our Governance Committee, adhering to our policy of no political donations.</p>

## BOARD OWNERSHIP

NOMINATION COMMITTEE	REMUNERATION COMMITTEE	AUDIT COMMITTEE
<p><b>Remit:</b> To ensure appropriate Board and executive recruitment and succession planning with a focus on effective Board structures, composition, experience and diversity.</p>	<p><b>Remit:</b> To consider all aspects of pay and rewards for the Board, executive and senior management, ensuring pay is appropriately aligned to performance.</p>	<p><b>Remit:</b> To ensure management maintains an appropriate system of controls in the business to provide governance around key Company policies and procedures, including external reporting, and mitigate risks of bribery, tax avoidance, corruption or political lobbying.</p>
GOVERNANCE COMMITTEE	ENERGY STRATEGY COMMITTEE	HEALTH, SAFETY AND WELLBEING COMMITTEE
<p><b>Remit:</b> To cover a broad range of governance requirements in the business, including adherence to Ofwat's Board Leadership, Governance and Transparency objectives incorporated into the Company's licence.</p>	<p><b>Remit:</b> To consider various aspects of the Company's energy and carbon policies, including energy procurement and key initiatives in our carbon transition.</p>	<p><b>Remit:</b> To ensure the Company adheres to strict health and safety standards across the business, and that there is appropriate focus on employees' wellbeing.</p>

## EXECUTIVE MANAGEMENT OWNERSHIP

EQUALITY, DIVERSITY AND INCLUSION COMMITTEE	ENVIRONMENTAL SCRUTINY PANEL	CUSTOMER SCRUTINY PANEL	ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE COMMITTEE
<p><b>Remit:</b> To ensure the Company promotes and supports an inclusive environment built on our values, where anyone can flourish, irrespective of their background and personal characteristics.</p>	<p><b>Remit:</b> Scrutinise and constructively challenge our environmental ambition and ensure the needs of the environment are integral to our strategy and operations.</p>	<p><b>Remit:</b> To ensure the interests and expectations of our customers are at the heart of our activities. The focus of the Panel's scrutiny is on customer engagement and the service we provide, social purpose, community engagement and vulnerability.</p>	<p><b>Remit:</b> To ensure all aspects of the Environmental, Social and Governance (ESG) framework are being appropriately actioned and reported to the Board and other stakeholders, and facilitate constructive discussion around key areas and challenges.</p>



# SUPPORTING THE ENVIRONMENT WE WORK IN

During 2023, the Environmental Improvement Plan and Department for Environment, Food & Rural Affairs' (Defra's) Integrated Plan for Water were both introduced, providing clear expectation and direction for each and every organisation and person to support improvements to environmental quality, the use of resources, climate mitigation and bio-security. Together, this will contribute to thriving plants and wildlife and enhance our landscapes' beauty and heritage and our engagement with the natural environment.

Beyond this, the Plan for Water brings together long-term regulatory and process improvements to transform the whole system – from catchment to user – and we have already witnessed several aspects of this being initiated. Some elements of the Plan for Water, such as the reduction in water consumption, will be challenging to deliver – but we support the ambition and whole-water system approach set out.

Our continued progress across the components of our Environmental Strategy aligns with the requirements of these plans and meets our customers' expectations.

### CLIMATE ADAPTATION AND RESILIENCE

We are in the final stages of preparing our Water Resources Management Plan following our Statement of Response to public consultation (submitted August 2023). This statutory plan sets out how we will manage water resources over the next 50 years against the backdrop of a growing population, climate change and our environmental destination; while providing the best value for our customers and the environment. The plan is based on providing an enhanced level of resilience to a severe (1 in 500 years) drought event from 2040.

Protecting and creating resilient environments is paramount to operating successfully in a changing climate. The challenges we face include deteriorating raw water quality, reduced water sources to protect sensitive environments and extreme weather events presenting impacts such as power outages or acute demand. Activities over the next 50, 25 and five years – captured in our Water Resources Management Plan, Long-Term Delivery Strategy and Business Plan – are integrated to ensure continuity in addressing these challenges. Our approach includes upstream interventions through our catchment scale work, and downstream improvements at operational sites, to ensure continued supply of wholesome water every day.

### WORKING WITH NATURE'S CUSTODIANS

Our customers have provided resounding support for continued investment in their local environments that we operate in, and we have maintained momentum in our Water Industry National Environment Programme (WINEP) which aims to investigate or address local challenges arising from or affecting our core operation. We have concluded an investigation concerning the Hogsmill River – a local chalk-fed river – and remain on track to deliver our commitments across catchment-wide engagement and bio-security measures.

In preparation for an ambitious programme – including activities from a range of drivers, not just statutory requirements – we have set out plans to investigate where we need to reduce our abstractions, carry out greater catchment-scale interventions and undertake species protection work. Throughout this year we have developed relationships with key

stakeholders that have shared needs for resilient catchments, and we look forward to continued collaboration and collective investment across these catchments and ecosystems. This includes partnership support for an establishing farm cluster in the Lower Eden, the predominant geographical area around our Bough Beech reservoir. Led by a farmer steering group, we are proudly part of the establishing cluster as the local water company and a landowner – sharing our concern for the principles of food production and agricultural support; water management; and landscape recovery and conservation.

Our ongoing and future catchment work is complemented by continued development of our estate management. This year we have achieved a third Wildlife Trusts' Biodiversity Benchmark with Bough Beech's accreditation now confirmed. Delivering the Biodiversity Benchmark – the first and only water company to do so as part of our bespoke performance commitment – demonstrates how operational activities and the protection of nature can be balanced, and has given us vital experience in managing land for biodiversity. We have nominated our main landholdings, accounting for 80% of our estate, into Ofwat's new common biodiversity performance commitment (from 2025) and defined a profile of biodiversity net-gain over 25 years that we will work to achieve on this land.



### LOCAL ACTIONS BRING REGIONAL CHANGE

As part of our purpose development, our Environmental Scrutiny Panel challenged the business in its work to enhance nature – beyond our bespoke performance commitment (our Biodiversity Benchmark Awards). We initiated transformation plans across our estates – to derive better value to the locality centred around nature conservation, managed access to blue and green spaces, provision of education services and the protection of local heritage – contributing to the evolution of thriving local economies.

Across our Bough Beech estate we have several partners (our joint users) that are key to the ongoing management of the land, including volunteers at an Oast House and nature reserve, a farming family on agricultural land, and sailing and angling clubs across the reservoir. We are underway with making changes, where needed, to agreements that enable our joint users to grow their businesses while helping them manage certain risks.

We have secured business and complementary funding (from Defra's Farming in Protected Landscapes) to support the renovation of our heritage facilities and establish nature-based learning from our Oast House and nature reserve. This is with the support of a neighbouring partner, the Commonwork Trust, and we will be embarking on our first community in nature events during 2024, working hand in hand with our volunteers engaged in ongoing nature conservation work.

As we progress this work with our partners and pursue the interventions of our 25 Year Environment Plan investigation proposed for the wider Eden catchment, we are confident that Eden will become more resilient over the coming years. We caution that this is not a short-term fix. We must provide continued support with our partners to our estate and the catchment, and remain a long-term actor within our community.





# CARBON TRANSITION EXPLAINING OUR CHALLENGES

Although we have been committed to reducing our carbon footprint for a long time and, since 2020, have had a bespoke performance commitment to report our operational greenhouse gas emissions, there are emerging issues we are navigating.

These include nuances in reporting boundary, limited customer support for us to accelerate our net zero work and specific limiting factors of our operations. This spotlight on our carbon transition aims to explain our challenges and set out how we nevertheless intend to continue making the right decisions and reduce our emissions, transparently.

Through a demand-led approach, we will continue to work towards the Government's net zero target of 2050 – but we know we will fall short of the 2019 Water UK Public Interest Commitment to reach operational net zero by 2030. In our Business Plan submission, we did not pursue additional investment as it was not supported by our customers, but we intend to explore and innovate opportunities to address our constraints.

## NATURAL CAPITAL

Our net zero goals are rooted in enhancing the environment. We're prioritising nature-based solutions, and minimising built infrastructure. At our Bough Beech estate, we are exploring wetland development to improve water quality and sequester CO<sub>2</sub>.

## SUPPORTING A THRIVING ENVIRONMENT

## WASTE & POLLUTION

We're broadening our definition of 'emissions', to cover greenhouse gases, air quality detractors, and business-generated solid waste. Enhancing efficiency, streamlining processes and prioritising waste management are all integral to reducing our environmental footprint.

## CARBON TRANSITION

Working to reduce our carbon footprint, and aligning with the Government's plans for Net Zero 2050.



### REPORTING BOUNDARIES

Nuances in reporting boundaries and the changing approach over time emphasise the complexity we face in the journey to net zero, and have resulted in the different reporting boundaries discussed below:

### CHANGES IN EXPECTATIONS

The Water UK Public Interest Commitment outlines the industry's ambition to be net zero in operational emissions by 2030.

This reporting uses market-based emissions and does not include our chemical use.

Ofwat's proposed methodology for common reporting across companies would instead require us to use location-based emissions factors and include our chemical use.

We have therefore proposed a hybrid reporting scenario that will allow us to use market-based reporting and present our chemical use emissions transparently.

### MARKET VS LOCATION - WHAT'S THE DIFFERENCE?

Market-based reporting reflects emissions from energy that companies have purposefully chosen (like our 100% Renewable Energy Guarantees of Origin-backed renewable energy). Location-based reporting considers the average emissions intensity of the grid where the energy is being consumed (i.e. the average from the UK grid).

WATER UK PUBLIC INTEREST COMMITMENT	SES WATER APPROACH	OFWAT PERFORMANCE COMMITMENT
Operational net zero by 2030.	Hybrid approach allows for market-based solution.	Introduced for PR24. Prioritises company actions.
Market-based	Market-based	Location-based
Variable emissions factors	Variable emissions factors	'Locked' 2022 emissions factors
Chemicals excluded	Chemicals included	Chemicals included

ENVIRONMENT CONTINUED

**WHY ARE CHEMICALS BEING CONSIDERED?**

We have a unique requirement to soften water for our customers, and we are the only water company in the UK that must do this. The process for softening requires significant energy and chemical usage. This process alone is expected to account for 60% of our operational emissions by 2030,

and 80% of our operational emissions by 2050. We are therefore monitoring this closely, regardless of our regulatory reporting requirements, so that our business is properly informed to seek the appropriate solutions as we become fully net zero. This will include a review of our softening requirement in the next Business Plan period (2025-30).

**CUSTOMER ENGAGEMENT**

Customer views and priorities have been central in setting our short- and long-term performance targets. Our customers are placing increasing importance on enhancing the local environment, but are polarised on the importance of net zero in this.

**SES WATER CUSTOMERS**

Customers have polarised views on the importance of net zero. 27% supported a more ambitious programme, aiming for operational net zero by 2030. 51% supported aiming to hit net zero by 2050, but at no additional cost to them.

**INDUSTRY RESEARCH**

Industry research found that fewer than 9% of consumers made the link between reducing water consumption and achieving net zero.

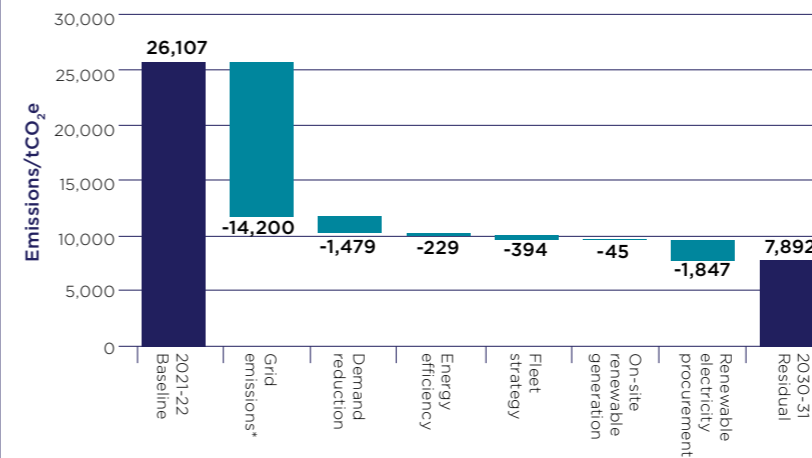
**OUR FOCUS**

**RESIDUAL EMISSIONS**

Even with our plans to reduce emissions, we will still have significant residual emissions in 2030. These will need to be addressed through good-quality offsetting and removals.

In order to meet our net zero targets, carbon reduction needs to be at the heart of all decision-making, at all levels of the business. From responsible procurement, to operational processes, to employee engagement.

**Emissions Reduction Pathway to 2030**



As a water-only company, our net zero trajectory out to 2030 relies heavily on the decarbonisation of the grid. We are committed to supplementing these reductions through driving forwards with our innovative and ambitious demand and leakage reduction strategies, alongside furthering our work on decarbonising our operational fleet, and ensuring efficiency in our processes. To support our plans, we will:

- Reduce per capita consumption by 11% from 2019 levels
- Reduce leakage by 27% from 2019 levels
- Reduce our operational fleet's mileage by 20%
- Increase the proportion of EVs in our operational fleet to 50%
- Use 100% good-quality renewable electricity supply
- Optimise and improve processes to drive efficiency

**ROUTE TO NET ZERO**

We are reducing our carbon emissions across the whole of our operations and assets. We have prioritised our reductions to align with Institute of Environmental Management and Assessment's 2020 GHG Management Hierarchy:

- ELIMINATE** emissions through changes to operations, products or business structure
- REDUCE** energy consumption through efficiency and optimisation
- SUBSTITUTE** for renewables and low-carbon technologies where emissions cannot be eliminated or reduced
- COMPENSATE** against unavoidable residual emissions through good-quality offsets, removals and nature-based solutions



2018	DECEMBER 2019	MARCH 2020	OCTOBER 2022	OCTOBER 2023	JUNE 2024	AUGUST 2024	APRIL 2025	2030	2050
SES Water moves to 100% renewable energy	Energy Savings Opportunity Scheme Phase 2 submission	Introduction of Electric Vehicles into operational fleet	SES Water creates a dedicated Sustainability team	Submission of draft PR24 – detailing net zero plans out to 2050	Receipt of Ofwat's draft determination for PR24	ESOS Phase 3 submission	Start of AMP 8	Water UK Public Interest Commitment aiming for Net Zero	Targeting Net Zero Carbon, aligning with UK Government



# THE ENVIRONMENTAL SCRUTINY PANEL



**Alison Thompson**

Chair of the Environmental Scrutiny Panel

The Environmental Scrutiny Panel (ESP) was established in 2020 as an expert group to challenge – and in the process, accelerate – environmental ambition. Borne of my passions for water stewardship, innovation, business transformation and behaviour change, I carefully assembled a progressive Panel that brings together high-level, diverse expertise from a national and local perspective motivated by optimal environmental outcomes. Together, the ESP has forged a trusted and collegiate culture to support and challenge the Company up to Board level on risk, strategy and investment.

**A thriving environment isn't a luxury, it's our lifeline.** We all rely on a healthy environment to provide high-quality water, and research confirms customers and communities rightfully demand that the Company minimises their water footprint and actively enhances nature. The ESP offers an independent, forward-looking voice on plans and performance, generating best-practice insights and evidence to push the Company to strive ambitiously.

## CURRENT MEMBERS:

Steve Crabb, Chair, Customer Scrutiny Panel, Trevor Bishop, Independent, Karma Loveday, Independent, Bella Davies, South East Rivers Trust, Emma Langford, Environment Agency, Dr Ana Maria Millan, Consumer Council for Water (CCW), Stephanie Fox, Waterwise, Sarah Holloway, Independent, Catherine Moncrieff, Independent, Sarah Jane Chimbwandira, Surrey Wildlife Trust.

## SHAPING THE BUSINESS PLAN AND LONG-TERM DELIVERY STRATEGY

- This year, we contributed to shaping SES Water's Water Resources Management Plan, Business Plan and Long-Term Delivery Strategy – significant documents charting the Company's course for the next quarter-century and beyond. This comes at an important time, as environmental responsibility takes centre stage in public, media and regulatory consciousness.
- We collaborated with the Customer Scrutiny Panel to ensure customer and stakeholder views on affordability and acceptability were heard loud and clear throughout the planning process. This included attending focus groups, strategy deep dives, and bi-weekly meetings, where we provided expertise, critiques and suggestions for improvement.
- We hosted non-executive directors at ESP meetings, fostering alignment on critical environmental challenges facing SES Water, especially on long-term planning to mitigate water scarcity. This culminated in an Assurance Report presented to the Board and water industry regulator, Ofwat, that directly influenced the final documents.

## LEADING THE CHARGE ON ENVIRONMENTAL RESPONSIBILITY

- Since its inception, the ESP has championed the need for a strategic Environmental, Social and Governance (ESG) vision and strategy for the Company: an ESG strategy that, at its core, assesses climate-related risks and opportunities effectively to enhance strategic thinking and delivery. To help shape this process, the ESP was involved with a Materiality Assessment to support the Board in underpinning strategic building blocks and early thinking.
- The innovation vision within SES Water visibly inspires staff and sparks powerful partnerships. This culture of innovation fostered over time attracts high-calibre partners, multiplying the Company's contribution far beyond its reach.

- Witnessing the innovation journey of this small water-only company, not only leading the conversation but also delivering sector best practice on leakage, has been inspiring. As things stand, the ESP is encouraged that the Company is on track to meet or better its AMP 8 leakage target. This sets the Company up for continued success harnessing the power and potential of its new intelligent network. The ESP has secured additional crucial Company support, for a 63% leakage reduction target by 2050.
- The ESP championed an accelerated smart meter roll-out (to seven years), empowering customers with water usage insights to reduce water wastage.
- By advocating tangible ways for the Company to bring to life its renewed purpose to 'enhance nature', we influenced SES Water to prioritise the River Eden project for future water resources and invest in the River Mole catchment partnership to combat flash flooding.
- The ESP was key to helping SES Water develop and critically evaluate its first-ever marketing campaign to positively influence customer behaviour by driving down water usage. The campaign ran over 12 weeks, delivering 3.29 million impressions, across a range of media to reach different audiences.

## BEYOND BUSINESS AS USUAL

- **Government Imposes Ambitious Targets:** The national Integrated Water Plan sets aggressive water-reduction goals, putting the onus on companies like SES Water. While a legally binding target for reduced public water use is positive, the plan lacks a clear roadmap for achieving it through household behaviour change. The Water Resources for the South East Regional Plan expects a massive reduction in water demand by 2050, relying heavily on consumer behaviour shifts – a strategy with an uncertain track record.
- **Public outrage** over polluted rivers and storm overflows demands action from all water companies and wider stakeholders to play their part. While SES Water focuses solely on drinking water supply, clean and plentiful water resources are crucial. So, working with customers in a new way to ensure this into the future is becoming mission-critical.
- **The ESP Takes Action:** I was called upon by the former Chief Executive of the CCW to support the regulators' efforts on water resources. Through convening high-level meetings with industry leaders, I urged a shift in behaviour towards more accelerated action and investment in demand-side reduction across the whole sector.
- **SES Water Steps Up:** SES Water has reciprocated with a positive response to this intervention, engaging in the CCWs 'Leading the Way' initiative, and actively participating in behaviour change strategies. The Company's efforts, including sharing valuable data and insights, demonstrate an intent to tackle this challenge head-on.

## COLLABORATION FOR SUCCESS

- We are grateful for the spirit in which our challenge has been received by Dave Shemmans, Chair, Ian Cain, Chief Executive, Tom Kelly, Wholesale Director and wider colleagues we have interfaced with. The ESP's evidence-based approach and close collaboration with the CEO and Board yielded tangible results on critical topics like the Water Resource Management Plan and leakage reduction strategies.
- Recognising the uncertain and rapidly changing strategic context, the ESP urged a review of risks and opportunities beyond a business-as-usual approach, with a special focus on horizon scanning and opportunities mapping.
- We facilitated dialogue at our meetings with the Surrey Youth Cabinet, ensuring future generations are included in environmental decisions on topics like building support for smart metering.
- The Company has demonstrated real success and leadership on leakage through its industry leading Advanced Metering Infrastructure Proof of Concept. The ESP is hugely supportive of this. We are pleased to see this investment and bravery (innovation is not always an easy road) filtering through to performance metrics: not only in terms of leakage but with multiplier positive impacts on mains bursts and supply interruptions. Metering and Per Capita Consumption remain the next priority areas to improve for the Company.

## LOOKING AHEAD

- We remain dedicated to partnering with SES Water to manage risks, refine strategies and ensure its investments benefit the environment, communities and customers. We eagerly await Ofwat's Draft Determination this summer to continue shaping SES's environmental commitment.
- We especially look forward to continuing to work with SES Water as it transitions to its new ownership structure, and the significant opportunities and challenges this will inevitably create. It is imperative to ensure that the momentum that has been built, and performance delivered, in recent years, is maintained and where possible, accelerated so a wider customer base can benefit from innovations such as harnessing the intelligent network to reduce water waste and delivering greater customer behaviour change.
- Looking further ahead, net zero carbon and climate change adaptation in the context of building systems-based resilience will be another key area of focus. We are optimistic that the established ESG expertise that a larger group like Pennon can bring, could be hugely beneficial for SES Water in seeking to meet and where possible exceed expectations on climate goals. Keeping transparent about the inevitable trade-offs and learnings that emerge will be key. The transition is not necessarily a linear or rapid path, so the collaboration of all stakeholders to enhance climate and nature is vital.

# OUR PEOPLE

Our People will always be our greatest strength, and their commitment to deliver high quality drinking water and a consistently high level of service for our customers can always be counted on. During the past year there have been countless examples of our people going above and beyond to make sure our customers receive the service they expect and rely upon.



## THE THRIVING TOGETHER WORKING GROUP

In the past year Thriving Together Working Group (TTWG), has continued to align the key themes of diversity, inclusion, wellbeing, the environment, and health and safety. By consolidating this approach, we believe we will be able to provide more opportunities for colleagues to get involved with the activities they are most passionate about.

## COMMUNITY ENGAGEMENT

The TTWG, alongside our Health, Safety and Wellbeing and Environment Committees, have also collaborated to create a community events calendar for the year, aligned with our purpose and our People Plan. This has provided colleagues with opportunities to participate in events and support some great causes.

For example, we have opened more opportunities for colleagues to participate in Give A Day - 153 colleagues in total - supporting a wide range of local charities including Stripey Stork, Community Fridge, The Wildlife Aid Foundation, The Orpheus Centre, The Conservation Volunteers, Crossroads Care, and MHA.

## LEARNING, DEVELOPMENT AND RESOURCING

We continue to deliver in line with our People Plan, the three priority areas being:

- 1 Building capability for the future
- 2 Enabling our business to be future ready
- 3 Developing a culture that thrives

## WHAT WE'VE BEEN DOING

- Implementing our Early careers strategy by continuing to build relationships with local education providers, attending career fairs, offering a structured work experience week and apprenticeships
- Unlocking the potential of our people by investing in their development, leadership capability, technical skills development/qualifications, and professional development
- Making work life easier for our colleagues through our HR digital transformation programme introducing new systems and processes
- Providing driver distraction training to 89% of our driver population to support the health and safety of colleagues while driving a Company or private vehicle

- Delivering bitesize performance management sessions through HR Business Partners. These sessions included: Dignity at Work, Change Management, Feedback and Coaching, Prioritising, Making Meetings Matter and Motivating Your Team.
- Holding Health and Safety roadshows across our sites where we re-launched the 'Stop Card' initiative empowering every colleague to stop any work they deem unsafe. We also provided mini medicals for colleagues and discussed driver challenges, with support from our Garage function in the business

## TALENT MANAGEMENT

- Continuing to support those doing a Diploma in Production or other professional qualifications and apprenticeships
- Supporting development of 18 colleagues into management roles across the Group through attendance on our six-month Aspiring Managers development programme enabling them to be more effective in their role and prepare for different roles in the future.
- In the last year, there have been 22 promotions, 18 role changes (either within a department or a move to a new department) and 3 secondments (between 3,6,9 and 12 months)
- Plus, a job shadowing opportunity between our Fleet and Production teams resulted in a colleague changing career and moving to a new role in Production

## WHAT WE WILL DO

- A formal mentoring and job shadowing programme
- Implement manager dashboards in our HR system to provide management information (headcount, sickness, recruitment, learning) in an easier to use format
- Establish a working group for the HR Digital Transformation Programme so all views are considered when introducing new people systems and processes
- Upgrade our Performance Management system to enable managers and colleagues to capture outcomes from 1:1s and achievement of objectives throughout the year moving away from an annual review
- Create more outside in learning opportunities by leveraging personal networks, industry networks and supplier best in class
- Work towards introducing menopause awareness training for all managers and MHFAs, with optional training available for colleagues





SOCIAL  
OUR PEOPLE CONTINUED

**COLLEAGUE VOICE**

We have a Joint Negotiating and Consultative Committee (JNCC) which works to secure pay deals and other benefits for colleagues via constructive talks with management. We also run annual engagement surveys for all colleagues to feedback about their experience of working for the Company.

**REWARD AND RECOGNITION**

We've launched a new reward and recognition scheme this year called 'SES Stars', whereby each month six colleagues are selected from nominations by their peers as those who have gone above and beyond to achieve against our Company values. Each SES Star is awarded with a voucher and a unique lanyard to highlight their achievement.

**PRIORITISING HEALTH**

We have a trained team of Mental Health First Aiders (MHFAs) who encourage colleagues to talk more freely about mental health, reduce stigma and create a more positive culture. The Company also offers annual flu vaccinations and health checks to all colleagues.

**MAKING A POSITIVE SOCIAL IMPACT**

We continue to recruit top talent, ensuring that diversity and inclusion underpins everything we do. We also regularly attend local schools and career fairs to promote roles in the water industry and opportunities for future generations to undertake work experience at the Company.



CUSTOMER SCRUTINY PANEL

THE CUSTOMER SCRUTINY PANEL



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This has been another very busy year for SES Water's Customer Scrutiny Panel (CSP) – and one in which I believe we have sharpened our ability to constructively challenge the Company and added real value on behalf of customers.

**Steve Crabb**  
Independent Chair,  
Customer Scrutiny Panel

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The main focus of our work has of course been the PR24 price review and the development of the Company's Long-Term Delivery Strategy through to 2050, which came to a head in the autumn of 2023. We were delighted to see the Company conduct some first-class customer engagement exercises to better understand customers' aspirations for the future with regard to water supply and quality, and the financial and environmental costs they were willing to accept. SES Water's two 'Your Water, Your Say' events were industry leading and showed a sincere openness on the part of the Company's CEO, Ian Cain, and the executive team to genuinely listen to customers (no matter how uncomfortable that might be) and take on board their views. We were doubly delighted to hear that the Company will be continuing with these events even though they are no longer mandatory. We also saw the Company deepen its understanding of the communities it serves through first-class use of data and through attending events, including fun runs and the Surrey Pride festival. This has been a transformative year for the Company in terms of customer and stakeholder research and engagement, and we hope to see SES Water continue to build on these foundations.

Our contribution to this work as a panel got better as PR24 unfolded. To begin with, I think it is fair to say that we found it challenging to find the right balance between having enough detail on individual events (of which there were a great many, thanks to Ofwat's detailed guidance) while being able to see the 'wood' of strategy for all the trees. It did not help that, at least to begin with, it was unclear what formal role customer panels like ours would have in the process, if any at all. It is to SES Water's credit that they decided that CSP (and our sister panel, the Environmental Scrutiny Panel), or ESP would have an important role to play in providing assurance on the quality of their research and engagement, and so it was easy for us to take up the role that the regulator eventually assigned to us. I am delighted to report that CSP has been asked to continue providing scrutiny on behalf of customers until at least April 2025, which is further evidence of SES Water's openness to constructive challenge.



In order to improve our effectiveness, we added new members to the panel, including Beryl Wall, an expert in customer research and engagement, and Paula Sone, who has a deep understanding of future bill-payers. Paula was often accompanied by an actual future bill-payer, Rhushil Scouton, who has added great value to our discussions as an additional member of CSP. We were also delighted that Christine Cleveland agreed to join CSP as an independent member, having previously attended as a representative of the Consumer Council for Water (CCW), with CCW's Dr Ana Maria Millan stepping back in as a regular attendee. All four have added great value over the past year, as have long-standing members like Amy England, Chris Hoskins, Simon Bland and ESP chair Alison Thompson. Alison and I also participated in an industry-wide group that brought together challenger group chairs from all the water companies to share best practice and feed into discussions around the development and progress of the price review; we learned a great deal from engaging in this group as well as contributing in our own right.

Thanks to the additional expertise that our new members brought in, and some challenging but constructive discussions with the team at SES Water and their agency partners, our contribution to PR24 and the Long-Term Delivery Strategy definitely improved as the process unfolded. As well as providing ongoing scrutiny and challenge as the planning process went along, we produced a number of reports for the executive team, Board and other stakeholders along the way and a final Assurance Report after SES Water submitted its Business Plan to Ofwat.

By the end of the business planning process, we were more than satisfied that the final documents do an excellent job of balancing the preferences of customers with the longer-term needs of the environment and the communities SES Water serves. We also applaud the Company's commitment to rebuilding trust with its customers – trust which has been damaged partly by negative coverage of the water industry generally and waste water companies in particular, both of which are largely beyond SES Water's control.

This year has not just been the story of PR24 and the long-term strategy, important as they were. We have continued to scrutinise the Company's delivery of its existing performance commitments and 'business as usual' activities. Again, we have seen solid progress in most areas, and outstanding progress with regards to the management of leaks. The two areas where more work is clearly needed is in getting issues right the first time customers raise them with the Company, and in ensuring that customers in vulnerable circumstances know about the help that is available to them. We are confident that the executive team are all too aware of these, and we continue to have encouraging discussions with them about ways of improving these aspects of their performance.

Over the past few months, much of our focus has been on helping SES Water develop its new strategy for customers who need additional support. While we recognise that smaller water companies like SES do not have the resources to be industry leading in everything they do, we feel that this is an area where SES Water can excel, thanks to the relatively small number of communities it serves and its increasing understanding of customer demographics.

As ever, I would like to thank Ian Cain and the executive team at SES Water and Dave Shemmans and his colleagues on the Company's Board for their support for and encouragement of the work of the CSP over the last year.

# OUR FINANCIAL PERFORMANCE



“

**We have completed a series of successful equity and debt refinancing activities to improve financial resilience.**

**Paul Kerr**  
Chief Financial Officer

”

The year ended 31 March 2024 proved to be yet another challenging year for the Company, with continued levels of high inflation, upward cost pressures particularly on electricity and chemical costs and the ongoing cost of living crisis. These factors continue to impact both our business and wider industry.

In amidst some challenging external factors, our shareholders embarked on a strategic review which concluded in the sale of SES Water and the wider East Surrey Holdings Group to the Pennon Group plc at the beginning of January 2024. We look forward to the future with our new shareholders and the synergies that we bring across the industry.

During the year, we also submitted our Business Plan to Ofwat as part of the Price Review (PR24) cycle which determines the level of revenue we can charge our customers, the performance targets that we set and consequently the costs we incur to deliver this performance across AMP 8 (2025-2030). Our focus for the next financial year is to ensure that we are in a strong financial position as we enter into the new AMP period.

In the year we saw the impact of investor uncertainty as markets reacted to our strategic review and the wider scrutiny that the water and wastewater industry is currently under. Despite this, we were able to continue to increase our financial resilience. In November 2023 we secured a £40m private placement with Phoenix – a first for Phoenix as a standalone investor – this helped strengthen our debt portfolio and provide a stable liquidity foundation for the rest of AMP 7 and beyond. In June 2024 we also completed the renewal of a £65m RCF facility through to December 2025. As we move into 2024/25 and to completing our PR24 business plan work we look forward to engaging with our new shareholders to update our medium-term financing plans; this includes further equity as per our business plan.

Our continued delivery of our performance commitments that you can read on page 25 is due to our investment in our infrastructure. This year, we have continued our capital programme with significant investment in replacing and laying key strategic mains to increase operational resilience and investing in our metering and smart network programme.



## FINANCIAL REVIEW CONTINUED

## FINANCIAL PERFORMANCE

Our financial results are summarised in the table below. For more information, refer to the statutory financial statements from page 123.

Year ended	2024 £'000	2023 £'000	Change £'000	Change %
<b>Revenue</b>	<b>72,829</b>	67,446	5,383	8%
Operating expenses	<b>(67,271)</b>	(62,818)	(4,453)	(7%)
Other operating income	<b>117</b>	1,097	(980)	(89%)
Net impairment losses on financial and contract assets	<b>(1,325)</b>	(1,458)	133	9%
<b>Operating profit</b>	<b>4,350</b>	4,267	83	2%
Finance income	<b>826</b>	855	(29)	(3%)
Finance expense	<b>(30,491)</b>	(30,612)	121	0%
<b>Loss before tax</b>	<b>(25,315)</b>	(25,490)	175	1%
Tax credit	<b>6,072</b>	5,979	93	2%
<b>Loss after tax</b>	<b>(19,243)</b>	(19,511)	268	1%

## REVENUE

Our revenue is mainly generated by billing our household and non-household customers for the essential water service that we provide. The prices that we charge our customers are determined by working with our regulator, Ofwat, on a five-year price review process, based upon the costs we expect to incur to operate the business in that period. Our current regulatory period covers 1 April 2020 to 31 March 2025, known as 'AMP 7', with 2023/24 being the fourth year of the five-year period.

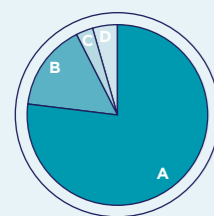
Total revenue has increased by 8% to £72.8m (2023: £67.4m): seeing a 13% increase on household measured revenue to £35.5m (2023: £31.5m): despite seeing lower volumes of water consumed compared to the prior year's long hot summer. Unmeasured revenue remained

consistent with last year, driven by tariff increases offset by customers switching from unmeasured to measured plans as part of our planned metering programme. Despite the overall increase in revenue from the prior year, our revenue remained lower than our allowed revenue from Ofwat. Under the regulatory regime we are able to recover this deficit in future years. This becomes part of our AMP 8 opening adjustment on tariffs. Non-household revenue increased from prior years' levels due to higher levels of demand to £11.2m (2023: £9.7m).

Developer revenue included in non-water revenue decreased from prior year due to lower volumes of new connections. This lower demand is partially driven by developers choosing to complete their own connections.

Year ended	2024 £'000	2023 £'000	Change £'000	Change %
Measured water revenue (household)	<b>35,527</b>	31,476	4,051	13%
Unmeasured water revenue (household)	<b>20,657</b>	20,850	(193)	(1%)
<b>Total water revenue (household)</b>	<b>56,184</b>	<b>52,326</b>	<b>3,858</b>	<b>7%</b>
Wholesale revenue from retailers (non-household)	<b>11,188</b>	9,662	1,526	16%
Other water revenue	<b>560</b>	778	(218)	(28%)
Non-water revenue	<b>2,646</b>	2,303	343	15%
Non-appointed revenue	<b>2,251</b>	2,377	(126)	(5%)
<b>Total revenue</b>	<b>72,829</b>	<b>67,446</b>	<b>5,383</b>	<b>8%</b>

The split of revenue by customer type is shown in the graph below:



	£'000	%
<b>A Household</b>	<b>56,184</b>	<b>77</b>
<b>B Non-household</b>	<b>11,188</b>	<b>15</b>
<b>C Non-appointed</b>	<b>2,251</b>	<b>3</b>
<b>D Other</b>	<b>3,206</b>	<b>5</b>

## OPERATING EXPENSES AND OTHER OPERATING INCOME

Operating expenses increased by 7% to £67.3m (2023: £62.8m) with the increases primarily being driven by:

- Our total employee costs remained consistent with prior year. Despite a 6% pay rise across our colleagues the mix of filled roles meant that overall employee costs remained consistent
- Power increased by £1.4m or 21% to £8.3m (2023: £6.8m) mainly due to unavoidable pass-through of electricity fixed charges in the year. These are contributory overhead costs built in to offset the operational, maintenance and energy losses of both the transmission and distribution networks. We continue to hedge our volume-driven power costs. Without this hedge in place our electricity costs would have been significantly higher in the year
- Raw materials and consumables increased by £0.8m (20%) to £4.8m (2023: £4.0m) due to the increased supply chain pressure and increase in chemical prices seen across the industry.

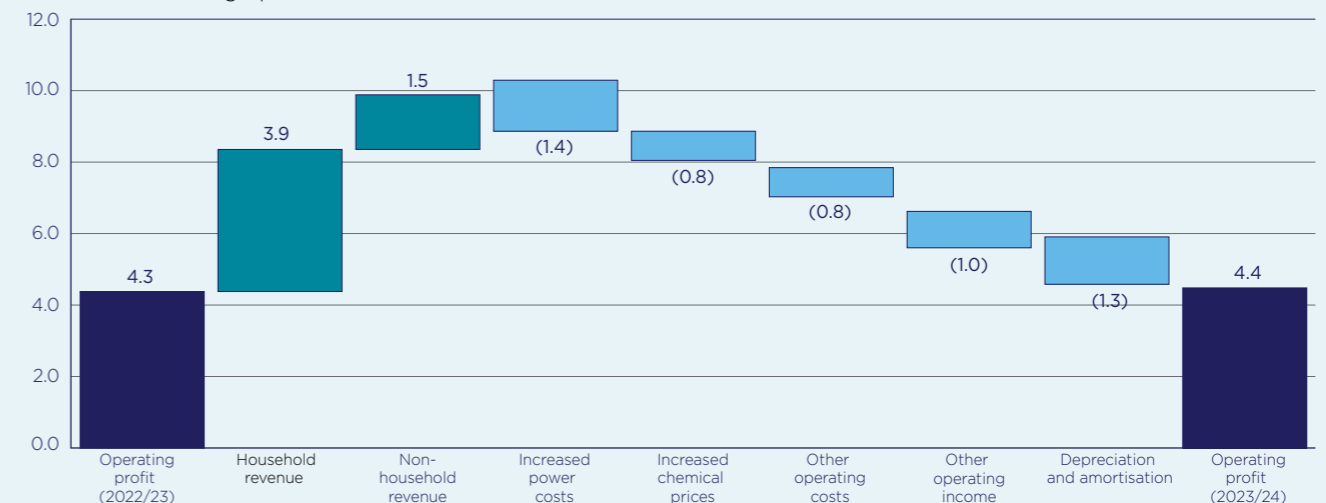
- Depreciation and amortisation increased by £1.3m (9%) to £14.9m (2023: £13.6m) due to the continued investment in our capital investment programme
- Legal and professional fees increased by £0.2m to £2.6m (2023: £2.4m) due to costs associated with the submission of our PR24 Business Plan to Ofwat. In addition, £1.6m of strategic review costs were incurred but reimbursed by the shareholder and therefore not recorded in our legal and professional fees
- Bad debt is predominantly driven by customers who are unwilling or unable to pay their water bills. The Company continues to have measures in place to support those customers who are unable to pay their water bills and enhance its cash collections. The COVID-19 pandemic and subsequent cost of living crisis adversely impacted our customers' ability to pay their water bills, the expected credit loss model (bad debt provision) resulted in a year end balance of £7.5m, which after consideration of the balances written off was a £1.3m increase as per Note 16. The debt written off in the year was 100% provided for.

	2024 £'000	2023 £'000	Change £'000	Change %
Staff costs	<b>15,748</b>	15,622	126	1%
Power	<b>8,264</b>	6,821	1,443	21%
Raw materials and consumables	<b>4,848</b>	4,030	818	20%
Insurance	<b>1,066</b>	1,064	2	0%
Rates	<b>3,275</b>	3,468	(193)	(6%)
Subcontractors	<b>6,976</b>	6,875	101	1%
Legal and professional fees (excluding auditor's fees)	<b>2,643</b>	2,363	280	12%
Fees payable to the Company auditor	<b>457</b>	539	(82)	(15%)
Amortisation and depreciation	<b>14,902</b>	13,648	1,254	9%
Other operating costs	<b>9,092</b>	8,388	704	8%
<b>Operating costs</b>	<b>67,271</b>	62,818	4,453	7%

**Other operating income** decreased by £1.0m (89%) to £0.1m (2023: £1.1m) mainly due to £0.2m of Research & Development (R&D) related tax credits received in 2023 (which were not repeated in 2024) and a one-off commercial settlement received in 2023 of £0.6m.

## OPERATING PROFIT

As a result, operating profit reduced by 4% to £4.4m (2023: £4.3m) due to the increased costs noted above and can be summarised in the graph below:



## FINANCIAL REVIEW CONTINUED

## FINANCING COSTS

Financing costs remained consistent with prior year at £30.5m (2023: £30.6m). In the year RPI inflation dropped compared to prior year, although still significantly above historic levels. The drop in inflation resulted in a lower indexation charge on our long-term index-linked bond compared to the prior year. Despite the lower inflation rate in the year the value of the index-linked bond increased by £18m, which will be repayable in cash instalments to the bond holders between 2027 to 2031.

Offsetting lower inflation were higher interest rates compared to last year resulting in increased interest charges on our revolving credit facilities.

In addition, in the year we paid a one-off £0.8m to commercially settle on the removal of our adjusted interest cover ratio with the guarantors of the bond. This is taken into the profit and loss in 2023/24 but payable over the next ten years.

## KEY FINANCIAL METRICS

Year ended	2024 £'000	2023 £'000	Change £'000	Change %
Dividends payable	-	8,100	(8,100)	100%
Capital expenditure including intangibles	22,446	25,300	(2,854)	(11%)
Net pension scheme asset <sup>1</sup>	5,103	8,409	(3,306)	(39%)
Cash and cash equivalents	48,256	38,957	9,299	24%
Net debt	271,770	255,896	15,874	6%
Interest cover ratio	2.7x	4.5x		
Regulatory gearing	77%	77%		
Bond gearing	79%	77%		
Moody's Credit rating	Baa2 (stable)	Baa2 (stable)		

<sup>1</sup> The net pension asset in 2024 is shown net of deferred tax.

## TAX

Due to the loss before tax, primarily driven by the impact of inflation on our index linked bond, a tax credit was reported in the year.

In 2023/24 we continued to pay contributions to HMRC of £5.3m in business rates, National Insurance contributions, PAYE and other taxes. Within the financial year we have not had to pay corporation tax to HMRC due to our interest costs and tax relief generated by our capital investment programme.

## DIVIDENDS

The Board carefully considered the payment of a dividend in line with our dividend policy, taking into account operational performance and delivery for customers, however due to the ongoing strategic review and continuing poor financial results concluded that no dividend would be declared or paid in the year. A full explanation of the dividend policy is provided in the Directors' report on pages 111 and 112.

## BALANCE SHEET

In the year to 31 March 2024 we continued to increase our liquidity and financial resilience. Our cash reserves were £48.3m at the end of the year, of which c.£11.4m sits within our restricted accounts in accordance with the requirements of our index-linked bond. We have utilised £65.0m of our £75.0m revolving credit facility. On 28 November 2023 we entered into a private placement with Phoenix: we drew the first £10m in November 2023 and a final drawdown of £30.0m in March 2024. The private placement continues to widen our debt portfolio and increases our financial resilience. In addition, our shareholders have invested £22.0m of equity into the business further increasing liquidity in the business. Subsequent to year-end 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).

## CAPITAL EXPENDITURE

2023/24 is the fourth year of AMP 7; during this year we invested £22.4m (2023: £25.3m) in our capital investment programme.

Key projects include:

- £6.3m (2023: £6.0m) investment in the ongoing replacement of pipes in our network
- £1.1m (2023: £1.9m) to improve our resilience mains (to ensure water can be efficiently moved around our supply area now, and in the future)
- £0.4m (2023: £0.3m) was spent on extending our network into new housing developments
- £3.0m (2023: £7.9m) was invested in replacing and upgrading our treatment works, pumping stations, service reservoirs and other operational sites
- A further £4.7m (2023: £3.8m) was invested in our ongoing metering programme to ensure we can accurately bill and monitor water usage and predict future demand trends
- £1.6m (2023: £1.4m) was invested in IT to maintain our software, hardware and cyber security, and enhancement to improve our customer journey.
- Other expenditure on capex including facilities, laboratories and other capitalised charges totalled £5.3m (2023: £4.0m).

The capital expenditure noted above is based on an accruals basis for work done in the year. This reconciles what is presented in the cashflow forecast by adding £0.3m of expenditure where work has been completed but not yet paid. The reconciliation is shown in the table below:

Capital Investment (based on work done in year)	£22.4m
Adjustment for capex incurred but not yet paid	(£0.3m)
Property, plant and equipment (PPE) and intangibles spend shown in the cashflow statement	£22.1m

## PENSION SCHEME

The Company is a member of Water Companies Pension Scheme (WCPS) which is a defined benefit scheme. The SESW scheme is closed to future accrual of benefits with effect from 31 March 2019, with active members becoming entitled to deferred pensions within the scheme. Our employees also pay into a defined contribution scheme and the Company offers an attractive top-up contribution to encourage employees to contribute.

The accounting valuation has been updated to 31 March 2024 by our independent actuary, Lane Clark and Peacock. The scheme remains in surplus with a net funded pension scheme asset of £6.4m (net of pension related deferred tax) (2023: £9.2m (excluding deferred tax)).

The Company also has an Unfunded Pension Scheme which has a liability of £1.3m at 31 March 2024 (2023: £0.8m).

## CASH AND NET DEBT

The Company held cash and cash equivalents at the year end of £48.3m (2023: £24.0m) net of overdrafts. At the end of March 23 £15m of overdraft was drawn and subsequently repaid in May 23. Therefore at the end of March 23 £38m of cash was included in the bank, with £24m being net of overdraft amounts.

Cash from operating activities fell by £6.9m to £1.3m (2023: £8.2m) due to the impact of the cost of living crisis reducing the monies received from customers and higher interest rates resulting in higher financing costs paid on our loans.

The Company invested £22.1m, a decrease of (11%) or £1.2m on the capital programme compared to prior year (2023: £23.3m).

The Company had net cash receipts of £44.6m, an increase of £29.9m (204% increase) compared to the prior year from financing activities. This included £22m of equity received from our shareholders, £40m of proceeds from our new private placement debt with Phoenix and a partial repayment of £10.0m of our revolving credit facility in the year.

The Company's total borrowings at 31 March 2024 (net of set up fees) is £320.0m (2023: £294.9m) an increase of £25.2m (9%).

This was primarily driven by the increase in our index-linked bond due to high inflation from £201.1m to £219.5m, new debt of £40m through our private placement with Phoenix and a reduction of £10m in the use of our revolving credit facility which was £65.0m at the year end (2023: £75m).

## FINANCING RATIOS AND CREDIT RATING

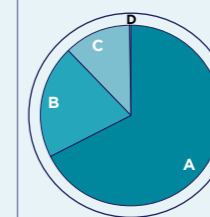
During the year we have continued to have constructive conversations with the credit rating agencies, with our focus on financial and operational resilience during another challenging year.

This is magnified by the impact of high inflation on our index-linked bond.

In accordance with our £100.0m index-linked bond we have restrictions on our level of gearing and interest cover ratios (ICR). Our gearing, as measured by the bond agreement, is the ratio of net indebtedness to regulatory capital value (RCV) which is determined by Ofwat. The RCV is indexed by movement in RPI and CPI. The ratio as defined by our bond was 77% (2023: 77%), within the 80% permitted by our covenants. According to the restrictions on our index-linked bond we are required to enter a new AMP period at 75% gearing, which based upon our business plan will require additional equity. The significant increase in RPI inflation has had a material impact on our gearing due to the indexation charge on our long-term bond.

Our interest cover for the year was 2.7x (2023: 4.5x), within the minimum level of 1.3x according to our bond. The reason for the decline is that in the prior we had a more stricter interest cover ratio in addition to the one presented. In the prior year the Company borrowed more in order to meet the stricter covenant.

## TYPES OF DEBT HELD WITHIN SESW



<b>A</b> ILB (RPI linked)	<b>£219.5m</b>
<b>B</b> Revolving credit facility (Floating)	<b>£65m</b>
<b>C</b> Private Placement (Fixed)	<b>£40m</b>
<b>D</b> Debentures (Fixed)	<b>£0.1m</b>



# RESILIENCE AND RISK MANAGEMENT

Maintaining resilience and managing risk are key activities embedded in our culture to ensure that we meet customers' expectations of an uninterrupted, safe and clean water supply.

SES Water faces similar challenges to other water companies in the UK in terms of challenges arising from climate change, growing population, the political and regulatory landscape, and the need to protect the environment. Risk is inherent in both our day-to-day operations and the strategic decisions we make in pursuit of our future goals set out in our Long-Term Delivery Strategy, our current Price Review, PR24, and as we are becoming a part of the Pennon Group. The Audit Committee sets our risk appetite which provides the guardrails for how much strategic, operational, financial and regulatory risk we are willing to take while driving our business forward.

Resilience and risk management are an integral part of our Company's management systems and procedures that underpin the delivery of our Company policies. We implement a structured approach to risk management, designed to identify emerging and changing risks, and have

an established risk management process that enables us to identify, assess, manage and mitigate risk in line with our business strategy. We continually monitor and ensure appropriate mitigation of the risks we face and communicate those that matter most through our governance structure. We monitor our wider resilience systems in the key areas of corporate, financial and operational resilience and have developed a framework, building on Ofwat's approach to 'Resilience in the Round' and aligned to the British Standard for Organisational Resilience, BS 65000:2014, that helps ensure that external shocks and stresses (such as those arising from the current political challenges) do not distract us from meeting the needs of the communities we serve.

Our Corporate Risk Register records and ranks risks according to the likelihood of occurrence and magnitude of impact, as well as keeping track of the actions taken to mitigate the risk.

Our principal risks are each owned and managed by a member of the Executive Leadership Team, and the Audit Committee formally reviews and challenges the register twice a year and reports back to the Board on the status of all identified risks and any additional measures that are being implemented.

Emerging new risks are assessed at an early stage so that appropriate controls are put in place. We monitor these new risks closely and they are adopted as principal risks or are incorporated into existing principal risks as appropriate. Some may be superseded by other risks or cease to be a risk as the internal or external situation changes.

A principal risk is a risk or combination of risks that can seriously affect the performance, future prospects or reputation of our Company.

Commentary below is provided on a selection of the principal risks to the Company prior to the adoption of mitigating measures.

Category	Ranking	Risk Description	Risk Score
Financial	A	External economic uncertainty	!
	E	Increasing customer bad debt	!
	F	Penalties for not delivering regulatory performance targets	!
Business systems	B	Cyber attack	!
	I	Non-compliance with legal obligations	-
	H	Failure of core applications	X
	K	Inability to adapt to impact of climate change	-
Reputation	D	Legitimacy	!
	L	Special administration measures for other companies	-
People	N	Reduced availability of employees	X
	C	Failure to recruit, retain and develop high-quality staff	!
Operational	J	Large-scale water supply failure	-
	O	Large-scale water quality failure	X
	G	Deliverability of investment plans	!
	M	PFAS (forever chemicals) - change in regulatory requirements	-

# PRINCIPAL RISKS

Our principal risks are provided in the table below, grouped into categories that consider financial, business systems, reputational, people and operational impacts. We continually monitor all of our risks, and a formal register ranks them and keeps track of the effectiveness of mitigation.

### RISK SCORE

Impact	High	X	-	!
	Medium	X	-	!
	Low	X	-	!
		Unlikely	Possible	Likely
		Likelihood		

### PLEDGES

- We'll provide you with high-quality water all day, every day
- We'll provide excellent service, whenever and however you need it
- We'll provide your service at a fair price and offer help when you need it
- We'll support a thriving environment we can all rely upon
- We'll provide you with a service that is fit now and for the future

Financial		
<b>Principal risk</b> <b>External economic uncertainty</b>	<b>What is the risk?</b> That there is a breach of our bond covenants due to interest rate and liquidity fluctuations and a failure to meet AMP 7 efficiency targets due to an elevated operational cost base and additional tax burdens. This in turn may lead to increased gearing and reduced cashflow, putting pressure on our financial resilience.	<b>Risk after mitigating action</b> 
<b>Reference</b> <b>A</b>	<b>What are we doing to manage the risk?</b> The recent debt and equity restructuring we have performed has addressed this risk to an extent, as will the increased financial resilience that arises from being part of the Pennon Group plc.	
<b>Pledge</b> 		
<b>Principal risk</b> <b>Increasing customer bad debt</b>	<b>What is the risk?</b> That there is a significant increase in customers not paying their water bills due to high levels of inflation and the escalating cost of living, resulting in decreased cashflow.	<b>Risk after mitigating action</b> 
<b>Reference</b> <b>E</b>	<b>What are we doing to manage the risk?</b> New improved billing processes to ensure that timely payment reminders are issued have been adopted, and there continues to be a multitude of options available to support customers in paying their bills, and active engagement with those seeking support through our Customer Engagement Support Officers. A dedicated Debt Board has been established to regularly review progress with the delivery of the debt recovery strategy, and expert partners are engaged to assist with the collection programme.	
<b>Pledge</b> 		
<b>Principal risk</b> <b>Penalties for not delivering regulatory performance targets</b>	<b>What is the risk?</b> That there are significant financial penalties for not meeting regulatory performance targets, resulting in reduced revenue and negative reputation.	<b>Risk after mitigating action</b> 
<b>Reference</b> <b>F</b>	<b>What are we doing to manage the risk?</b> There are clear lines of accountability and responsibility for each commitment, and the resources and funding needed to deliver the required performance is regularly reviewed at monthly performance meetings and/or dedicated forums.	
<b>Pledge</b> 		

PRINCIPAL RISKS CONTINUED

RISK SCORE				
Impact	High			
	Medium			
	Low			
		Unlikely	Possible	Likely
Likelihood				





PLEDGES			
	We'll provide you with high-quality water all day, every day		We'll provide excellent service, whenever and however you need it
	We'll provide your service at a fair price and offer help when you need it		We'll support a thriving environment we can all rely upon
	We'll provide you with a service that is fit now and for the future		

Business systems			
<b>Principal risk</b> <b>Cyber-attack</b> <b>Reference</b> <b>B</b> <b>Pledge</b> 	<b>What is the risk?</b> Third party gaining access to and control over Company Supervisory control and data acquisition and/or other operational control systems with the potential to impact water quality or sufficiency of supply, or accessing personal data held on billing, HR or other corporate systems, network and storage drives/cloud.  <b>What are we doing to manage the risk?</b> We have multiple layer security in place to protect against a cyber-attack. This includes controlled access to Company systems, regular testing of security measures, as well as staff awareness training and participation in expert forums. We also undertake a review, submission and auditing of our annual Cyber Assessment Framework (CAF) return and action plan to the DWI. Security software is permanently scanning for attempts at unauthorised external access. We have an IT Management KPI on security breaches in place that is reported in monthly Board reporting, alongside regular monitoring of situations and actions by the Audit Committee. We also arrange regular third party expert penetration testing as well as continued security updates and staff awareness briefings. Awareness of impact of unauthorised malicious access is communicated to all relevant staff through role-specific training (for operational, customer and employee-related information), and is reflected in departmental operating manuals. Key staff (including the corporate IT team, and SCADA specialists) have specialist skills and more intensive training. The Board take regular and more detailed periodic reports (e.g. on data protection). Contingency plans include the backup of data, the availability of a Disaster Recovery Centre (also tested), documented and tested Crisis Management procedures, and Cyber Managed Detection and Response Service.	<b>Risk after mitigating action</b> 	
<b>Principal risk</b> <b>Non-compliance with legal obligations</b> <b>Reference</b> <b>I</b> <b>Pledge</b> 	<b>What is the risk?</b> Failure to comply with legal obligations lead to enforcement action, fines and reputational damage.  <b>What are we doing to manage the risk?</b> Employees have tailored training programmes to ensure they are aware of all relevant legislation and the Company policies, processes and procedures that are in place to ensure we comply with our obligations, and an internal audit process reviews compliance with those requirements.	<b>Risk after mitigating action</b> 	
<b>Principal risk</b> <b>Failure of core applications</b> <b>Reference</b> <b>H</b> <b>Pledge</b> 	<b>What is the risk?</b> With the dependence on systems to manage our customer information, including billing, and our day-to-day activities, such as operational response and financial management, it is imperative that they are accessible at all times.  <b>What are we doing to manage the risk?</b> We have multiple technologies and security provisions to manage the risk of core system failures, including new, modern cloud based technologies and environments, which are continuously monitored and backed up, with sophisticated global, and multi-site fail over coverage. In addition, robust operating controls are regularly and externally tested and audited, including network and connectivity resilience, systemised financial and anti-fraud controls, as well as data security and validation monitoring. In the past year we have further invested and implemented technologies and resources to improve our security posture, including a new Security Operations Centre with advanced threat detection and response management.	<b>Risk after mitigating action</b> 	

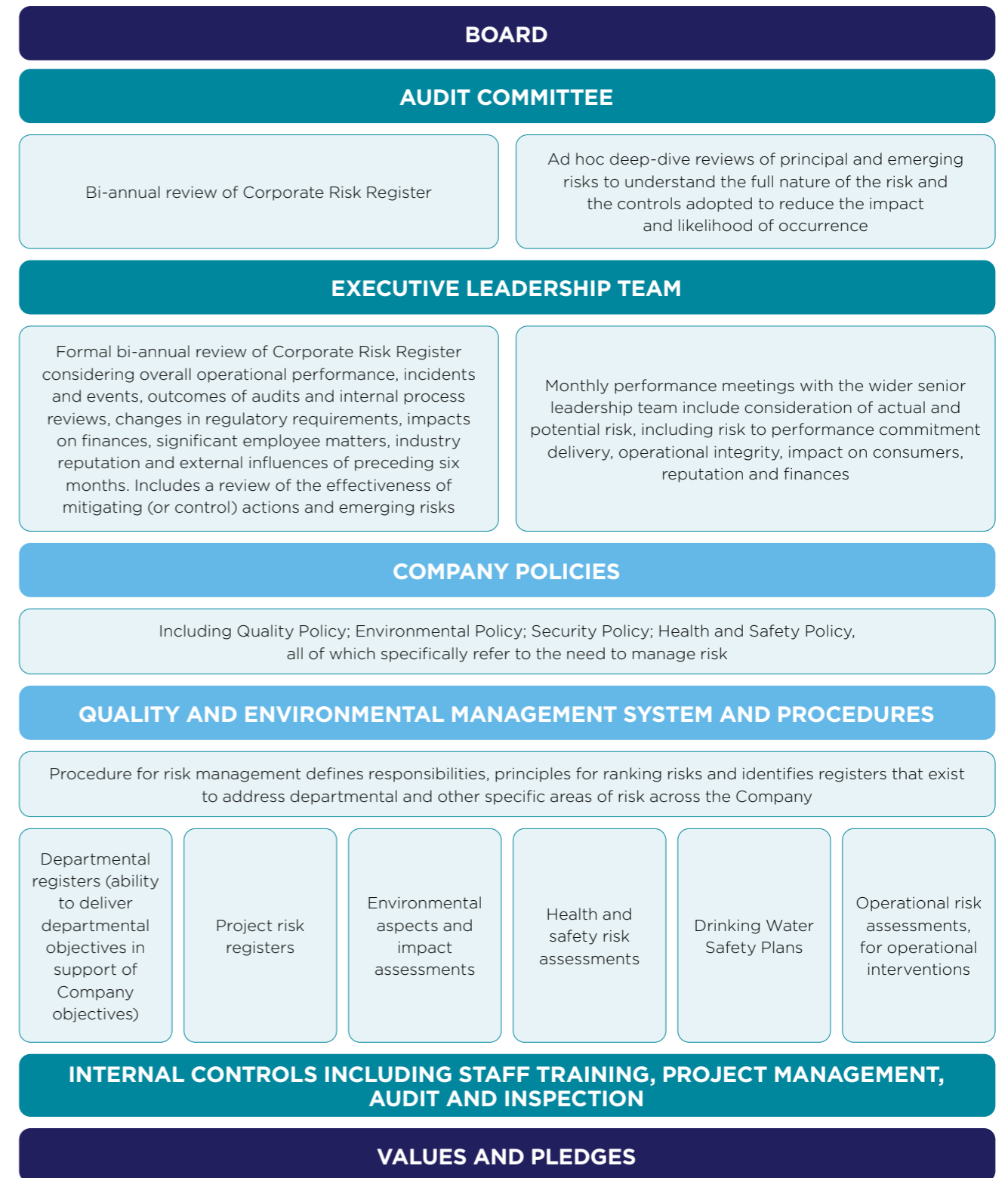
<b>Principal risk</b> <b>Inability to adapt to impact of climate change</b> <b>Reference</b> <b>K</b> <b>Pledge</b> 	<b>What is the risk?</b> Failure to meet the expectation of the regulators in ensuring that we are proactively monitoring and responding to the changing risks of drought, flooding, raw water quality, biodiversity etc. brought about by climate change.  <b>What are we doing to manage the risk?</b> We have multiple separate work streams designed to address the potential physical risks to resource availability and quality, including catchment management, Water Resources Management Plan and Long-Term Delivery Strategy and have restructured our teams to better align with the changing regulatory requirements.	<b>Risk after mitigating action</b> 	
<b>Reputation</b> <b>Principal risk</b> <b>Legitimacy</b> <b>Reference</b> <b>D</b> <b>Pledge</b> 	<b>What is the risk?</b> The reputation of SES Water, and the wider industry, is tarnished by politics, media and regulatory pressure resulting in damage to investor appetite.  <b>What are we doing to manage the risk?</b> We work hard to directly promote our positive Company performance with our customers and wider stakeholders, and Water UK co-ordinate industry-wide communications.	<b>Risk after mitigating action</b> 	
<b>Principal risk</b> <b>Special administration measures for other companies</b> <b>Reference</b> <b>L</b> <b>Pledge</b> 	<b>What is the risk?</b> If other water companies are put into special administration, there is a risk that it will be more difficult to attract equity and debt investment, borrowing costs may escalate, and there could be negative impacts on our supply chains.  <b>What are we doing to manage the risk?</b> We cannot levy any direct controls on this risk, but separate controls are in place to ensure wider financial resilience. This has included risk mitigation via recent debt and equity re-financing, together with the additional financial resilience and supply chain strength that will arise following our recent acquisition by the Pennon Group plc.	<b>Risk after mitigating action</b> 	
<b>People</b> <b>Principal risk</b> <b>Reduced availability of employees</b> <b>Reference</b> <b>N</b> <b>Pledge</b> 	<b>What is the risk?</b> That we may experience a shortage of human resources, leading to an inability to operate effectively and continuously deliver high-quality water for our customers, meeting all of our regulatory obligations, due to an event that is outside of Company control, such as the COVID-19 pandemic.  <b>What are we doing to manage the risk?</b> We have measures in place to ensure that the Company is monitoring any emerging concerns and adopting appropriate event management that may include enhanced communications with employees, access to mental health first aiders, ensuring employees are equipped for home working and provision of personal protective equipment.	<b>Risk after mitigating action</b> 	
<b>Principal risk</b> <b>Failure to recruit, retain and develop high-quality staff</b> <b>Reference</b> <b>C</b> <b>Pledge</b> 	<b>What is the risk?</b> That we experience a shortage of human resources, leading to an inability to operate effectively and continuously deliver high-quality water for our customers, meeting all of our regulatory obligations, due to general market conditions and skill shortages or poor employee engagement.  <b>What are we doing to manage the risk?</b> To promote the recruitment and retention of employees we ensure our employee benefits and conditions of employment remain competitive, and we support regular employee engagement, training and continuous professional development. We have a preferred suppliers list of agencies so we can fill short-term skills gaps with agency staff/consultants. We have also reviewed our recruitment processes to ensure we are running them effectively and efficiently, as well as ensuring we reach a wide range of talent in the labour market.	<b>Risk after mitigating action</b> 	



PRINCIPAL RISKS CONTINUED

<b>Operational</b>		
<b>Principal risk</b> <b>Large-scale water supply failure</b>	<b>What is the risk?</b> That we experience an operational incident such as a water treatment works failure or major mains burst that results in serious disruption to water supplies and the need to provide alternative water supplies.	<b>Risk after mitigating action</b> —
<b>Reference</b> <b>J</b>	<b>What are we doing to manage the risk?</b> We have established maintenance regimes to ensure optimal asset availability and are in the process of improving resilience across the Company area through the provision of additional strategic mains. Work is ongoing to roll out our intelligent water network. This uses Vodafone's next generation Narrowband Internet of Things (NB-IoT) 5G network which has deeper coverage underground and within buildings; and advanced loggers that leverage the benefits of the NB-IoT network by recording and providing more accurate, consistent and detailed data so we better understand how our network is performing. We then apply Aquasuite software, which has Artificial Intelligence (AI) and machine learning capability. It takes signals from the network sensors, performing in near realtime, predictive analysis to compare expected with actual performance. Together this combination of new technologies will revolutionise how we monitor, react and carry out maintenance on our network so we reduce the risk of bursts and supply failures, minimising disruption to customers.	
<b>Pledge</b> 		
<b>Principal risk</b> <b>Large-scale water quality failure</b>	<b>What is the risk?</b> That we experience an operational incident, or a failure of internal processes, resulting in the distribution of contaminated water to consumers that then causes illness in the community or is rejected by consumers.	<b>Risk after mitigating action</b> X
<b>Reference</b> <b>O</b>	<b>What are we doing to manage the risk?</b> We have established maintenance regimes to ensure optimal asset availability and are in the process of improving resilience across the Company area through the provision of additional strategic mains. Continuous monitoring ensures deficiencies are promptly identified and addressed. We have multiple stage continuous on-line water-quality monitoring and automatic shutdown systems at our treatment works and established instrument checking and calibration programmes delivered by competent technicians with regular system testing and laboratory monitoring. Sites are audited and Drinking Water Safety Plans regularly reviewed to ensure water-quality risks are fully in control.	
<b>Pledge</b> 		
<b>Principal risk</b> <b>Deliverability of investment plans</b>	<b>What is the risk?</b> There is a concern that demand for both equipment and suitably trained/competent resources may outstrip the supply, causing extended lead-times and increased costs, impacting project and performance commitment delivery.	<b>Risk after mitigating action</b> !
<b>Reference</b> <b>G</b>	<b>What are we doing to manage the risk?</b> Framework contracts are already in place for the vast majority of commonly used and critical materials and goods. Work is also progressing to identify ways in which our demand for these goods can either be reduced or delayed through operational adjustments of planning of work to later dates (when supply/demand back in balance). SES Procurement captures intelligence from across the sector on supply chain impacts on a fortnightly basis on behalf of Water UK event team. The same team also collates intelligence and evidence of potential and live price rises, holding this centrally. Issues are raised and discussed regularly in monthly performance meetings. Specific subject matter meetings take place alongside this, including for example chemical optimisation, and network planning.	
<b>Pledge</b> 		
<b>Principal risk</b> <b>PFAS (forever chemicals) - change in regulatory requirements</b>	<b>What is the risk?</b> That the water-quality regulator adopts new drinking water standards for PFAS that are far lower than those currently set in DWI guidance, thereby requiring a review and potential future investment in water source management or treatment processes that is as yet unfunded, with interim reputational concern from customers and stakeholders.	<b>Risk after mitigating action</b> —
<b>Reference</b> <b>M</b>	<b>What are we doing to manage the risk?</b> We have completed catchment risk assessments for PFAS and are verifying these with water-quality monitoring and catchment walkovers, where relevant to do so, in line with the current regulatory guidance. We will proactively consider options to minimise PFAS concentrations and future mitigation that may be required in the event of tightening standards.	
<b>Pledge</b> 		

# GOVERNANCE OF RISK MANAGEMENT



TCFD RISKS AND OPPORTUNITIES

# RISK MANAGEMENT – CLIMATE CHANGE RISKS AND OPPORTUNITIES SUMMARY

As noted on pages 70 and 71, climate change is one of our principal risks. Stakeholder interest across the water sector continues to focus on various aspects of climate change on water companies' operations, such as flooding risk and the use of energy to operate our treatment works and transport water around our network. This focus is reflected in our regulator

and customers views, as noted in the recent PR24 Business Plan submission.

We have considered climate risk and opportunities as detailed in the table below. This work, which is part of the external Climate Change adaptation review submitted to Defra, provides an initial view of the impact of such climate risks and opportunities and will be considered further as we progress

our overall Environmental, Social and Governance (ESG) materiality work in 2024/25. The Board has used this assessment to inform our long-term strategic thinking, as recently evidenced in our Long-Term Delivery Strategy submitted to Ofwat, and therefore ensuring linkage between the various strategic planning strands of our short and long-term plans.

**KEY**


**Time horizon**  
 Short term  
 Medium term  
 Long term  
Short term 0-5 years, Medium term 5-10 years, Long term >10 years

**Annual impact**  
 Low  
 Medium  
 High

**Scale 1-5**  
 1 2 3 4 5

Risk/opportunity	Cause of financial risk/opportunity	TCFD type	Type of financial impact	Time horizon	Likelihood (scale 1-5)	Magnitude of impact (scale 1-5)	Potential impact (annually)
<b>Risks from drought and high/peak water demand</b>	High/peak demand due to heatwaves	Physical	Increased operating costs				
	Drought impacting water supply	Market	Increased operating costs				
	Climate-induced land-use change leading to high/peak demand	Market	Increased operating costs				
	High temperature and low precipitation leading to reduced abstraction allowance	Market	Increased operating costs				
	Wildfires and urban fires increasing water demand	Market	Increased operating costs				
<b>Risks to water quality and natural capital</b>	High precipitation increasing run off and pollution	Physical	Increased capital and operating costs and potential fines				
	Declining natural capital due to high temperatures and low precipitation	Physical	Increased operating costs				
	Algal blooms due to high temperatures	Physical	Increased operating and capital costs				
	Increased invasive and non-native species driven by high temperatures	Physical	Increased operating costs				
	Changing climate driving land-use change increasing pollution	Physical	Increased operating and capital costs and potential fines				
	Changing climate increasing wildfires driving increased diffuse pollution	Physical	Increased operating and capital costs and potential fines				

Risk/opportunity	Cause of financial risk/opportunity	TCFD type	Type of financial impact	Time horizon	Likelihood (scale 1-5)	Magnitude of impact (scale 1-5)	Potential impact (annually)
<b>Risks from flooding and erosion</b>	High precipitation causing river, surface water and/or groundwater flooding of assets	Physical	Increased operating and capital costs				
	High precipitation causing river bank erosion impacting assets	Physical	Increased operating and capital costs				
<b>Risks from subsidence</b>	Subsidence causing damage to assets	Physical	Increased capital costs				
	High temperature and low precipitation leading to failure of earth impounding reservoir	Physical	Increased operating and capital costs and potential fines				
<b>Risks from failure of interdependencies</b>	Climate-induced disruptions to energy and telecoms	Market	Increased operating costs				
	Disruption to supply of critical materials and equipment	Market	Increased operating costs				
<b>Risk of household water supply interruptions</b>	Extreme weather causing failures in production network	Physical	Increased operating and capital costs				
	Extreme weather causing failures in distribution network	Physical	Increased operating and capital costs and potential fines				
	High temperatures causing assets to fail in production and distribution networks	Physical	Increased operating and capital costs and potential fines				
	Wildfires causing damage to assets	Physical	Increased operating and capital costs				
<b>Opportunity of using innovative approaches to construction of future assets</b>	Replacement of current assets with lower emissions or environmentally sustainable options	Physical	Lower operating costs and elimination of high capital costs				
<b>Opportunity to be more energy efficient</b>	Sourcing of more energy-efficient solutions for managing treatment works	Physical	Lower operating costs and elimination of high capital costs				

 The Strategic Report was approved by the Board of Directors on 10 July 2024 and signed on its behalf by Paul Kerr, Chief Financial Officer