

# Delivering now and for the future



**SES Water**

Annual Report and Accounts 2022

## Who we are

**We are a local water supplier providing an essential public service while playing an active role in the communities we are privileged to serve.**

## What we do

**We supply around 160 million litres of clean water every day to more than 745,000 people in parts of Surrey, Kent, West Sussex and South London.**

 [Read more](#) page 2

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## Highlights

- For 2021 we determined our water quality risk index score to be zero and expect this to be industry leading when the Drinking Water Inspectorate publish their results in July 2022
- We have become the first water company in the UK to have a completely smart network of pipes and mains to help deliver our performance commitments, including achieving our leakage reduction target for 2022
- We continue to support our vulnerable customers through our financial support schemes and priority services
- Our customer transformation programme has continued with the launch of a new billing and customer relationship management system. We have also improved our data and digital capability across the business
- In response to COVID-19 we have continued to put the health and wellbeing of our employees and customers first, while striving to do the right thing and continue to supply high-quality water all day, every day
- We have welcomed more than 2,500 people to our state-of-the-art education centre at Bough Beech Treatment Works in the past year, allowing us to continue inspiring future generations
- We have achieved our second Biodiversity Benchmark award from The Wildlife Trusts for enhancing and protecting the biodiversity at our Fetcham Springs site and remain the only water company to currently hold the award
- For the first time we achieved a Gold Award from the Royal Society for the Prevention of Accidents (RoSPA), recognising our commitment to health, safety and wellbeing
- Our new Chair, Dave Shemmans, took over from Jeremy Pelczer in late March 2022 to lead the Company through PR24 and refresh our long-term strategic planning work
- Our charitable fund, in partnership with the Community Foundation for Surrey, has seen us donate more than £27,000 to support many good causes in the areas we serve

# Performance at a glance

2022: Target met/not met

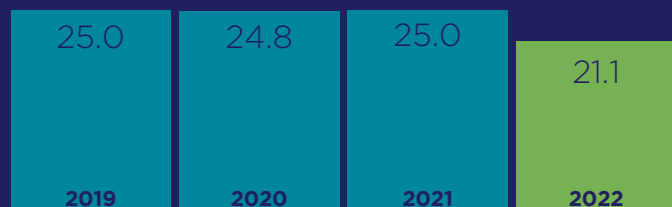
Target met:  Target not met: 

## Operational performance

### Leakage

Megalitres/day

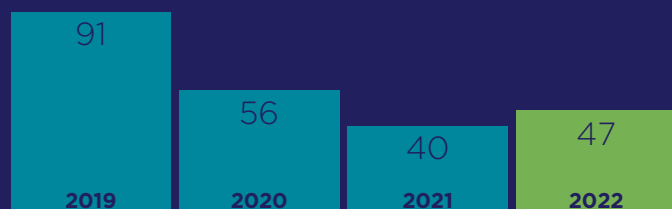
21.1



### Greenhouse gas emissions

kgCO<sub>2</sub>e/Megalitre

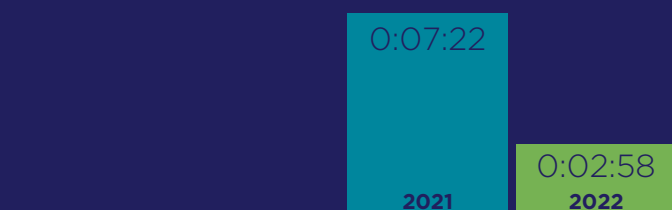
47



### Supply Interruptions

Hours/minutes/seconds/property/year

0:02:58



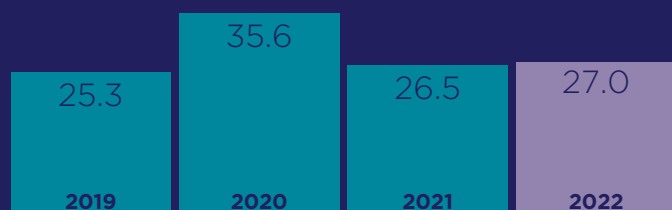
Since the measurement method has changed from 2021, there are no comparable figures for prior years.

## Financial performance

### Capital Investment

£m

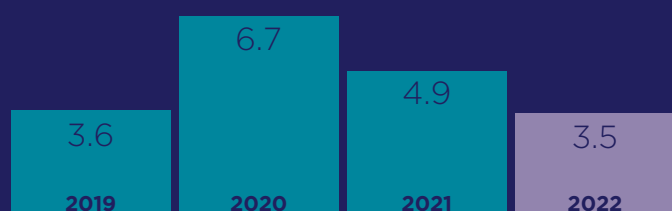
27.0



### Dividend paid

£m

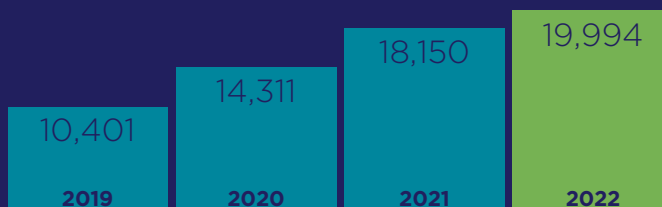
3.5



### Customers on our Water

Support Scheme

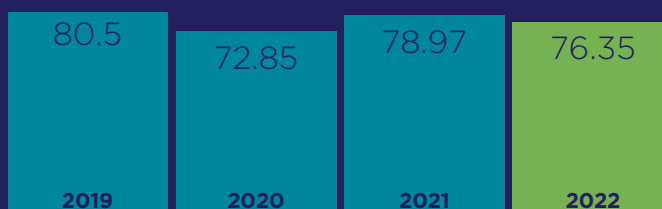
19,994



### C-MeX score

(industry measure of customer satisfaction)

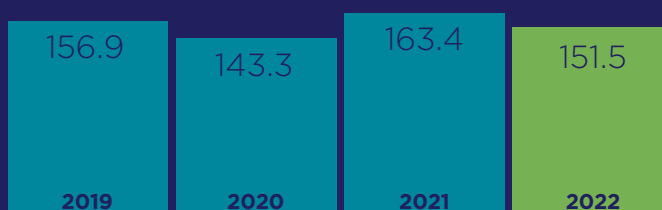
76.35



### Consumption

Litres per person per day

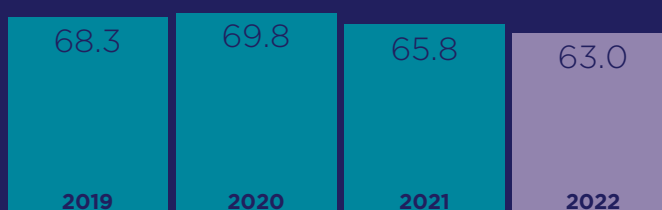
151.5



### Revenue

£m

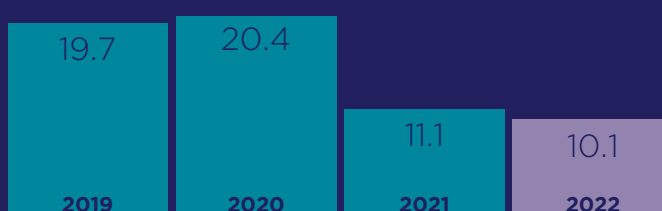
63.0



### Operating profit

£m

10.1



# Understanding SES Water

## Our vision

To be an outstanding water company that delivers service excellence.

## Our purpose

To supply our customers with the highest-quality water all day, every day, in a reliable and safe way, and to do so in a manner that reflects our long-term commitment to serve our local community and environment.

## Our business in numbers

Number of employees

**342**

Water coming from underground sources

**85%**

Water from our reservoir

**15%**

Percentage of our pipe network that is 'smart'

**100%**

Customers with a water meter

**66%**

Water treatment works

**8**

Litres of water supplied daily

**160m**

People our water is supplied to

**745,000**

Number of customers on our Water Support scheme

**19,994**

## 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.



### Integrity

We are accountable, ethical and trustworthy.



### Commitment

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



### Collaboration

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



### Innovation

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

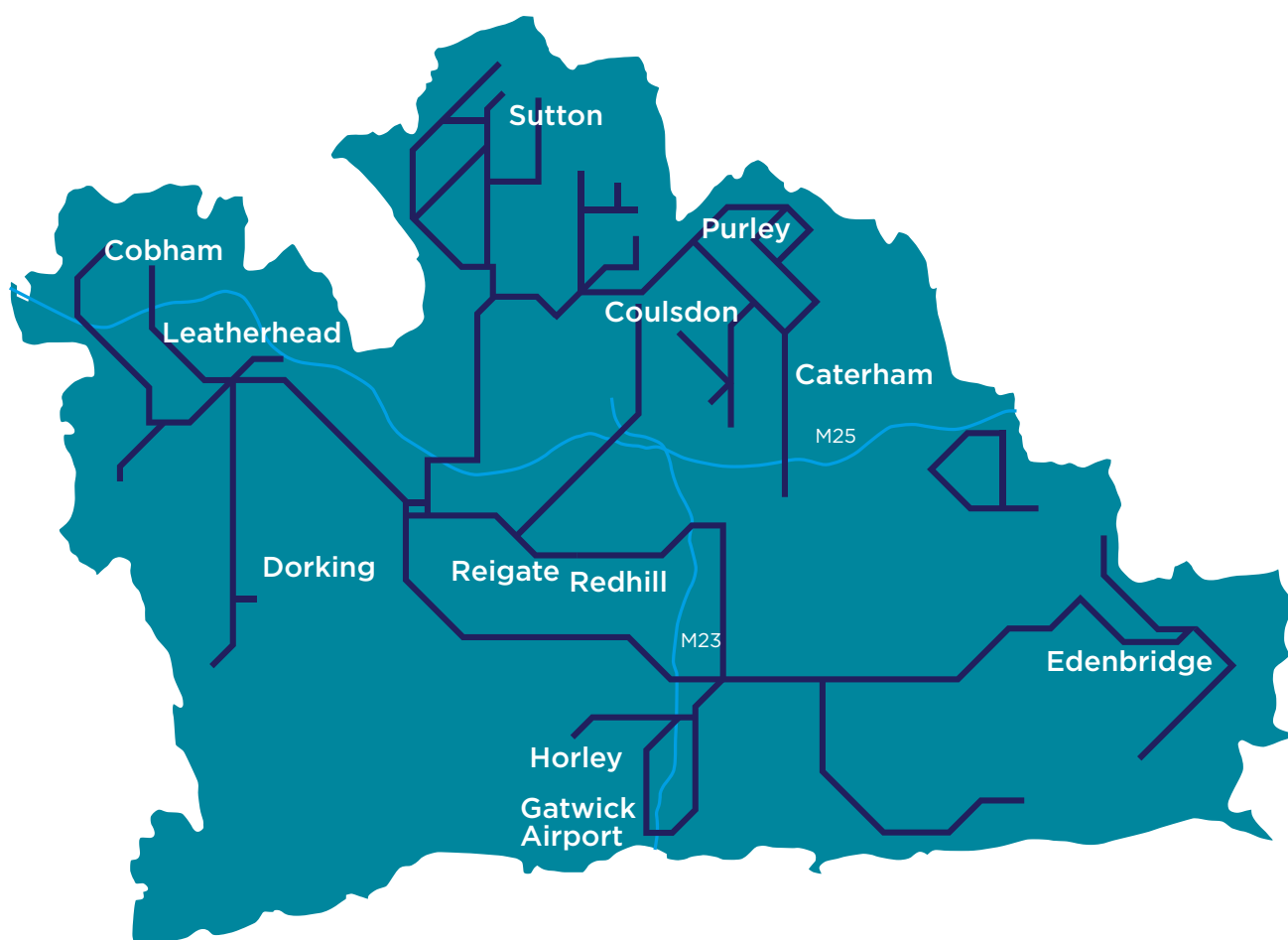


### Compassion

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

## Where we operate

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





# 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.**

We are jointly owned by the major Japanese businesses, Sumitomo Corporation and Osaka Gas. Each has a 50% stake in the UK-based holding company Sumisho Osaka Gas Water UK Ltd.

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



## Customer experience

**Kate Thornton**  
Chief Customer Officer

Responsible for overall customer experience, communications and community engagement

**Key functions**  
Billing, account management, complaints resolution, supporting vulnerable customers, communications and our education programme



## Quality and compliance

**Nicola Houlahan**  
Quality and Compliance Director

Responsible for water quality, the externally accredited quality and environment systems and providing independent internal assurance and compliance

**Key functions**  
Water quality, health and safety, quality assurance, environmental regulations, risk management and compliance



## Information technology

**John Gilbert**  
Chief Information Officer

Responsible for the management, implementation and usability of technology and data

**Key functions**  
Digital strategy, IT infrastructure and support, cyber security and data management



## Operations

**Tom Kelly**  
Wholesale Director

Responsible for the delivery of water from source to tap – including maintaining a sufficient water supply and reducing leakage

**Key functions**  
Water resources planning and management, water treatment and distribution, capital investment programme and the service provided to business retailers and developers



## Business support and control

**Paul Kerr**  
Chief Financial Officer

Responsible for finance, corporate services and governance and ensuring adherence with statutory and regulatory requirements

**Key functions**  
Finance, economic regulation, procurement, administration, property and facilities.



## HR, learning and development

**Sarah Brown**  
Head of People

Responsible for the overall provision of human resources services, policies and procedures, People strategy and Diversity & Inclusion

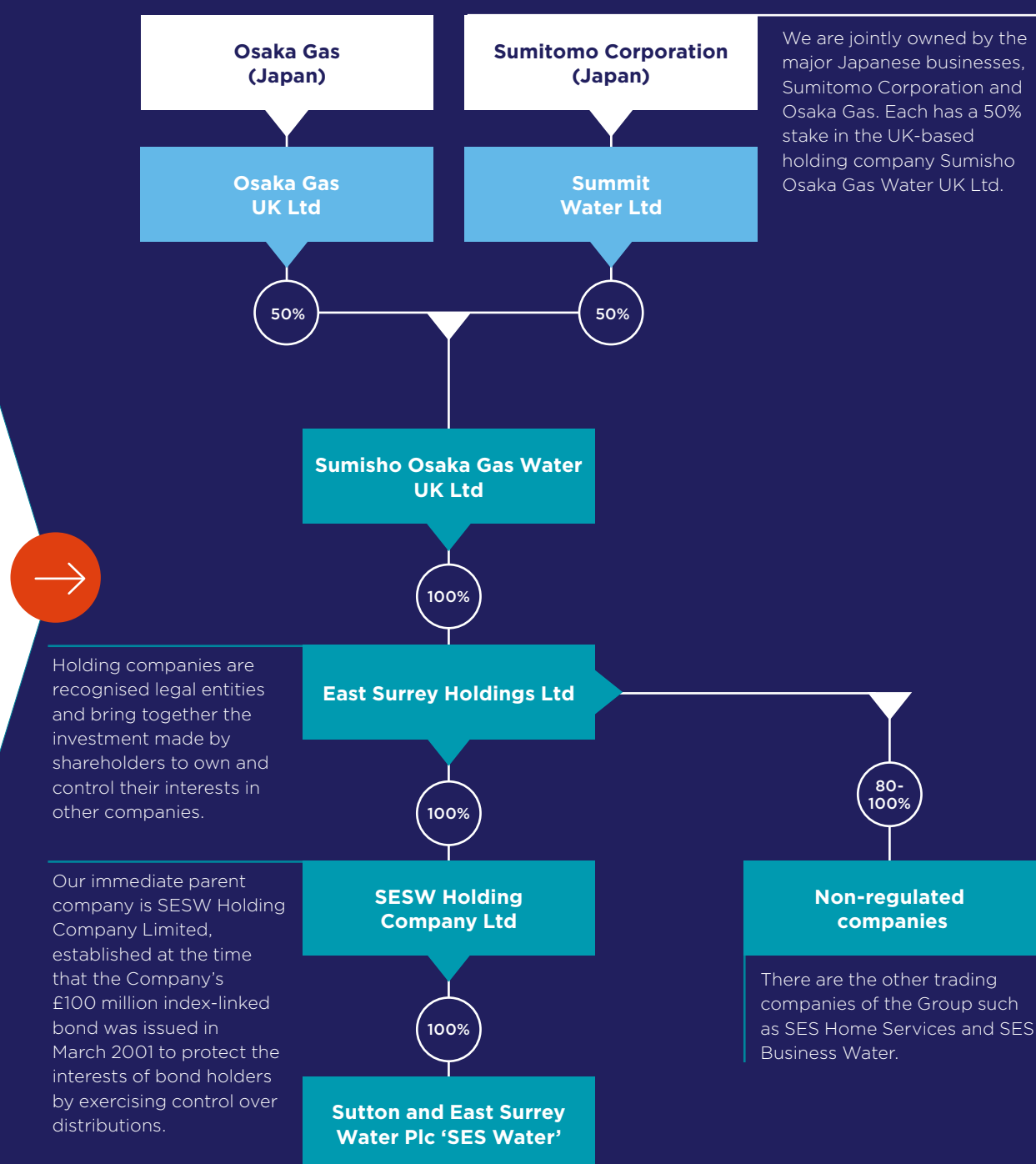
**Key functions**  
Payroll and benefits, learning and development, employee relations, recruitment and retention and employee wellbeing

Except where indicated with (Japan), 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 £150 billion has been invested across the industry.

We have responsible shareholders who put the interests of our customers first, allowing more money to be reinvested in improving our services or kept in reserve. Like any investors they 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, both the commitments we have made to our customers and financial. You can read more about our dividend policy and how payment decisions are made on page 109.



# Outgoing Chair's statement



**In this my final Chair's Statement for SES Water I look back on the past year, and indeed the past decade, and I am greatly encouraged at what the Company has achieved during some very challenging periods.**

“I am delighted Dave's significant knowledge and experience of the Company and sector will continue to benefit the Board, our colleagues and customers. He will be an outstanding Chair.”

**Jeremy Pelczer**  
Outgoing Chair

Getting to know the people in the Company over the years has been a real highlight for me. As a smaller company there has always been a local feel to it, especially given a lot of our colleagues also live in the area. That feeling really comes across when you see the care and passion everyone puts into their work.

The Company has always been both community focused and customer-centric. However, there is always more that we can, and must do, to continuously improve our service to our customers and I am confident this will remain a very high priority moving forward.

Launching our new billing system in September last year was a huge milestone for the Company and is just one example of how our programme of digital transformation is improving the experience for our customers, as well as our engagement with them.

There have also been some really important roles introduced into the business in recent years, as we have bolstered both the executive and senior leadership teams, as well as technical specialists, to ensure we meet the challenge of delivering a resilient and sustainable Business Plan.

I would also like to thank our Wholesale Services Director Tom Kelly for his sustained contribution to our resilient operational performance.



Just as important is our commitment to protecting our environment and doing all we can to minimise our impact on it. Launching our net zero carbon route map last summer is a great example of this work in action as we look to achieve net zero by 2030. It is also very pleasing to see the continued recognition we are getting for encouraging biodiversity across our sites, including being awarded our second Biodiversity Benchmark, and also the continued expansion in our fleet of electric vehicles.

As noted above, I know we have areas to improve upon, most notably with our C-MeX and D-MeX scores, but I know a lot of work is being put in behind the scenes to give a better customer experience and help us rise up the rankings.

There are also a number of areas culturally we continue to strengthen, including health and safety and operational resilience. It was great to see us being recognised earlier this year with a Gold Award from the Royal Society for the Prevention of Accidents

(RoSPA), a testament to the systems, processes and teams that have been developed to put health and safety at the heart of the Company. It was good to see recognition for the level of support provided when it comes to mental health wellbeing. That said, complacency can be the greatest barrier to consistent Health, Safety and Wellbeing performance. Therefore, we are always extremely keen to ensure a relentless high level of awareness is evident in this critical aspect of the business operations.

We are also nearing the completion of our water supply resilience programme that means by 2025 every property in our supply area can be supplied by more than one treatment works if needed.

When it comes to the water industry overall there are of course some challenging times ahead, not least with regards to the investigations by Ofwat and the Environment Agency into non-compliant operations in relation to sewage treatment. Even for companies like ourselves, which don't treat wastewater, the impact of this will not go unnoticed.

We are also still emerging from the pandemic and navigating our road to recovery from that, just as the rest of the sector is. In the prior year we deferred the dividend payment twice due to the impact of COVID-19 and are grateful our shareholders have been so supportive of this view. Despite the wider impacts of COVID-19 on our revenues, I'm pleased to see we remain financially resilient, while still being able to deliver for our customers.

I do feel the biggest opportunity for the Company over the next five to ten years is the advancement of technology and innovation. With significant investment in the new customer billing platform and leakage detection technology across the network, the Company is well placed to provide an even better service to its customers in the future. This also of course depends on supporting employees with the right training and investment in their personal development.

I look back on the past nine years with very fond memories and pride at what the Company has achieved in that time. While there is always some sadness in moving on, and I will certainly miss the people in the business, it is the right time to move on after three consecutive terms of 3 years each.

The Company is very fortunate to have Dave Shemmans as its new Chair and I know he is ideally suited for the role. Given that he has already served as a non-executive director on the Board for a number of years now, I know the future at SES Water is a bright one with him taking the baton. It is extremely encouraging for me to know that, with Dave as Chair, Ian Cain as CEO and the tremendous team at SES Water, the business is in safe hands and I am excited to follow its future success.

**Jeremy Pelczer**  
Outgoing Chair

Dave Shemmans (left) and Jeremy Pelczer (right)



# Dave Shemmans' introduction



“Excellent quality water remains our priority and we need to make sure it is affordable for all. We also need to balance four core areas: customer, environment, water quality and our financial resilience.”

**Dave Shemmans**  
Chair

**I'm delighted and privileged to be the new Chair for such a great company, which has an important duty to not only improve the lives of our customers but also help protect the environment – and with that comes great responsibility.**

Over the seven years I've been with SES Water I can say with hand on heart it is a great Company to be part of. The culture is strengthened by brilliant people where everyone knows the part they each play in supplying high quality water to our customers and communities.

Whether it is during the day to day running of the business, or the rare occasion we have an operational incident, everyone always rallies together to help their colleagues and that is a great culture to be part of.

Looking ahead to the coming year, both myself and the rest of the Board are acutely aware of the cost of living challenges faced by our customers, colleagues and stakeholders. We will continue to focus on ensuring our customers are supported in these extremely difficult financial times through our social tariff and payment plans, and will also continue to support our employees through our work with the Joint Negotiating and Consultative Committee (JNCC) in terms of appropriately balanced pay and benefits in such challenging times. In addition, I fully expect the rising levels of inflation will place increased pressure on our supply chain and overall financial results, but we will continue to ensure our financial health remains resilient in such circumstances.

We are now embarking on our next Price Review (PR24), which is a key focus for the next 18 months and will set the agenda for the first five years of our

long term strategy. While it is somewhat more complicated than PR19, and brings its own set of unique challenges, I know the Company is more than capable of rising to those challenges.

Excellent quality water remains our priority and we need to make sure it is affordable for all. We also need to balance four core areas: customer, environment, water quality and our financial resilience.

For PR24 an important focus is our public and environmental value and how we can achieve it in a way to enhance the environment all round and provide better outcomes. A big part of this will be how we engage with our customers and the local community.

We will continue to meet our customers' exacting expectations both operationally with a resilient network and through providing great customer service. We have invested significantly in technology to improve our customers' experience, including in a new billing system. A new online portal to help customers manage their bills more easily is expected to go live in late 2022. Our digital transformation will play a particularly important role in this regard during the next price review period.

Another area of engagement that is particularly important is around the importance of water saving. Most people don't realise we live in a region of serious water stress and there is a finite amount of water to supply an ever-growing



SES Water team accepting a Gold RoSPA award for health and safety

population. It is our job to promote and provide more education opportunities around water saving to help our customers reduce their usage.

In the short term we have returned to the workplace as part of our 'Together Again' policy and implemented a hybrid working policy. The whole team has performed excellently throughout the challenges of the past two years and I have no doubt being able to collaborate in person again will only strengthen this performance further.

There are of course always areas for improvement, and we must continually challenge ourselves to be even better. Health and safety is one of these areas I'd like to see us doing even more in, as a healthy team is a healthy business. Our recent award from the Royal Society for the Prevention of Accidents (RoSPA) is well deserved recognition and shows we are more than capable of maintaining this level of excellence.

I would also like to see us shift the dial more on the public value we can provide as a Company – not just through supplying high quality water to our

customers but also how we can benefit the environment we operate in. We have so many beautiful areas of land within our sites and we are rightly looking at how we safely open them up for the public to enjoy, as well as using them for renewable energy regeneration.

Finally from me, I've had the pleasure of working with Jeremy for the past seven years and can't thank him enough for all his leadership, guidance and commitment to the Company during his time as Chair. We wish him all the best for the future.

Together with the Board and the leadership team, I now look forward to working with all the incredible people at SES Water to help keep us on track to achieving our business targets and be there for our customers when they need us the most.

**Dave Shemmans**  
Chair

8 July 2022

# Q&A with Ian Cain



**Ian reflects on the last 12 months and looks ahead to 2022/23.**

“ We have successfully met record demand for water from our customers and outperformed our targets on reducing leaks on our network of pipes, which once again is industry leading. ”

**Ian Cain**  
Chief Executive Officer

**Q Looking back over the past year, what have been the company's biggest challenges and achievements?**

I am very proud of what we, as a company, have delivered in the last 12 months, in the face of the unprecedented challenge of the COVID-19 pandemic. This year we have met 15 out of 25 of our performance commitments.

Throughout, we have focused on three core areas, namely:

- 1. Protecting and supporting our employees**
- 2. Meeting the needs and wishes of our customers**
- 3. Taking care of the communities we serve, including the environment.**

In this context, we have achieved a huge amount, most notably responding to and successfully meeting high demand for water from our customers, with a focus on making sure our operations remained resilient. We also outperformed our targets on reducing leaks on our network of pipes, which once again is industry leading. We have also minimised the number of supply interruptions and occasions when customers' water supplies have been interrupted. Plus, we launched a new digital billing system, being the first company in the UK to use it, and have provided extensive training to our staff.

In addition, under our 'Here for you' programme, we have continued, and



will continue, to provide our customers with a wide range of support around paying their bills – with many households dealing with financial problems stemming from the impact of the pandemic and the rising cost of living. As we move forward, we will work to further raise people's awareness of the support we offer, so that they can access it – for example, should their circumstances change.

As noted in the Key Performance Indicator (KPI) review section later on, I'm pleased to see substantial success across a number of our performance commitments in years one and two of our current Business Plan.

We fully recognise we need to make improvements to our customer service, both for households and developers, as measured under the UK water industry performance tables for 2021/22, and we are working hard to do so. This includes improved complaints handling, listening to and acting on customer feedback and reducing bill shock.

We have also learnt from the water quality issue we had in October 2021, where, as a precautionary measure, we asked customers in the Oxted area to boil their water due to potential contamination from E-coli bacteria. While the levels of contamination were very low, we submitted a full report on the incident to the Drinking Water Inspectorate (DWI) and have thoroughly reviewed our procedures and put additional measures in place to minimise the risk of a similar incident in the future.

In November Ofwat published its assessment of water companies' financial resilience and performance against Ofwat's commitments to customers for the financial year up to 31 March 2021. We were named as one of three water companies Ofwat highlighted as having "lower levels of financial resilience" compared to other companies. While we respect Ofwat's opinions, there are times when we strongly disagree and this was one of those occasions, as we have continued to maintain strong financial resilience over the last few years.



Ian Cain helping to build a water efficient sensory garden for local charity The Orpheus Centre in Godstone

The Board and I are absolutely confident the Company's financial standing remains strong and we have taken positive steps to further improve the strength of our finances, particularly in light of the COVID-19 pandemic. Furthermore, one of the key measures used to assess individual water companies' financial standing is their credit rating – an assessment of credit worthiness. Our credit rating has improved since March 2021. The rating agency Moody's upgraded us from a "Baa2 negative" rating to "Baa2 stable" in October 2021, which is a good rating. Ofwat did not appear to have reflected this in their conclusion.

The financial year ended 31 March 2022 continued to be another challenging year, with the impact of COVID-19 still being seen through lower demand and revenue from our non-household customers, the impact of high inflation increasing our financing costs on our index linked bond, as well as supply chain pressures increasing our operating costs. In addition a number of one offs including a change in tax rate significantly increased our deferred tax charge and one off financing costs.

Becoming a more agile organisation has played a major part in maintaining services to our customers over the last year. The initial large-scale shift to homeworking changed to a hybrid approach – with staff that have flexibility in their role to work from home, or in the office, or out on site. During this period,

it was vital to increase our focus on health and safety, particularly around maintaining mental wellbeing. This is something that has been recently recognised by us receiving a Gold Award from RoSPA, the Royal Society for the Prevention of Accidents.

The learning we have gained from the experience of shifting to remote working from home, and on to hybrid working, is helping to inform how we are planning to use digital technology to make a 'step change' in the way we work as a Company.

We have a firm foundation for moving forward on our digital transformation, as 2021/22 saw us become the first water company in the UK to have a completely smart network of pipes and mains. This means we now know about leaks and bursts before they affect our customers and we have a wealth of information about the performance of the network to make more informed investment decisions.

Furthermore, during one of the most challenging years for us as a business, we launched a new digital billing system on the Salesforce platform, opening up a wide range of future opportunities for us. This represents the largest change we have made to this area of our business in more than 20 years and the largest technology investment in our history. Alongside our smart supply network, the new billing system is a key part of our work to become a fully smart water utility, enabling us to provide

## Q&A with Ian Cain continued

customers with further improved levels of service. We have been working hard to build our data skills and capabilities across our organisation. We see data as the fuel that will drive our digital transformation.

We also launched our Universal Metering Programme, which, by 2025, will provide water meters to the majority of our customers that don't already have them. This is a key element in our work to secure resilient water supplies for the decades ahead, as households on a meter typically use around 15 per cent less. It's also a fairer way to pay for water, as you pay for the amount you use, just like with gas and electricity. As part of the metering programme, we are looking to roll out smart water meters in future, something that would further enhance our wider smart supply network's capabilities.

In terms of our ongoing commitment to protect and improve the environment, we launched our routemap for how we will become carbon net zero by 2030, in line with the overall goal set by the UK water industry. Our efforts are focused on becoming more energy efficient, reducing demand for water, generating more energy from renewable sources and decarbonising our fleet of vehicles.

We also contributed to the development of the new regional plan for South East England to secure resilient water supplies for the future – as part of Water Resources South East (WRSE), the alliance of the six water companies that serve the region. The plan's aims include reducing damaging abstractions from the environment, such as chalk streams, through further investment to tackle leakage and help customers use water more efficiently.

I'm also delighted to say we retained The Wildlife Trusts' Biodiversity Benchmark for our Elmer Treatment Works in Leatherhead for the second year running – the only water company to hold the award. We also achieved the award for our site at Fetcham Springs and are working towards gaining the same accreditation for Bough Beech Treatment Works in Kent within the next three years.

“ I'm delighted to say we retained The Wildlife Trusts' Biodiversity Benchmark for our Elmer Treatment Works in Leatherhead for the second year running – the only water company to hold the award. ”

**Ian Cain**  
Chief Executive Officer

Finally, we supported the Run Reigate event for the first time, providing 5,000 runners with high-quality water from our standpipes, which prevented 25,000 plastic bottles being provided to competitors and spectators at the event.

### **Q There is a lot of work going on in the background to refresh your company purpose and strategy. What benefits will this have moving forward?**

Day in, day out, our priority remains providing top quality water to our customers, at a price that everyone can afford, and in a way that protects and benefits the environment and wider society.

However, following a period of unprecedented challenge due to the COVID-19 pandemic and two years into delivering our Business Plan for 2020-25, it's important for us to take the opportunity to look forward and update our Company purpose accordingly. This will bring more clarity and detail to what it means and what we need to do to deliver even more for our customers, communities and nature.

In short, the world has changed and so the time feels right to re-examine who we are as a Company and why we are here. In turn, refreshing our purpose will inform our strategy for the coming two and half decades – how we will make our vision a reality and achieve our

objectives. The first five years of the strategy will be set out in our new business plan for 2025-30.

So, we've been discussing our Company purpose, in the context of a wide range of challenges, including:

- Meeting the needs and wishes of a growing and aging population
- Affordability and the cost of living
- Dealing with our contribution to, and the impact of, climate change
- Harnessing the power of new technology, in particular to provide our customers with service that's more personal and tailored to their needs.

In addition, the COVID-19 pandemic has provided a whole new dimension to our focus on being resilient as a business – making sure we continue to supply households and businesses with the water they need, when they need it, no matter what.

In the coming months, we will share our updated Company purpose, which has continued to be developed since last year, with our customers and stakeholders and reflect how they have already helped us shape it. However, our discussions to date have focused on a number of key themes, including:

- **Changing our relationship with our customers, so we have a much stronger connection with them and their trust and pride in us is further**



**increased.** This will create a platform for a different conversation with customers and communities, focused on the 'value of water' in their everyday lives – for example, for health and hygiene, enabling economic growth and supporting nature and wildlife

- **Becoming the first truly smart water utility, with our operations, our people, our customers and our communities all fully digitally connected.** This will make us more agile and efficient and enable us to provide customers with an excellent level of service that's tailored to meet their individual needs and preference

- **Putting customers and the environment at the heart of all our investment decisions and actions.**

Whether we're considering how we build and maintain our treatment works and network of pipes, or who supplies us with goods and services, how we enhance the environment and sustainability will be a central factor in what we decide to do.

The work on refreshing our purpose and strategy continues and we look forward to sharing more on this in the coming year.

## Q What are your key priorities for 2022/23?

Our focus remains on delivering the best possible service to our customers and communities, while safeguarding and improving the environment we rely upon. Alongside this, we will further develop our long term strategy and Company purpose, feeding into the development of our new business plan for 2025-30 through the new price review process.

We know we have more to do to improve our customer satisfaction and with the launch of our new billing system we are confident we will be able to achieve this.

With the growing pressures on household finances, we will continue to offer a variety of support to customers who are struggling to afford their water bills – under our 'Here for you' programme.

This will include working to further promote the help that's available, so that customers are aware and can get in touch straight away, or in the future – as we know that people's circumstances can change. In particular, we want to work to better target the support we can provide, so it's directed to where it's needed most – something that can be challenging due to the complex range of factors that can determine if someone is able to afford their household bills.

Affordability and water efficiency are closely linked, as saving water also saves energy and money on utility bills. Using water wisely is also key to making sure there's enough water for all in the future and to supporting nature and wildlife by helping reduce what we need to take from local rivers, for instance.

So, we want to build on our work to support customers to save water and improve the way we engage with people on this issue. Central to this effort is our Universal Metering Programme, which launched last year, with the number of meters being installed each week set to steadily increase as the project progresses. The programme provides a real opportunity for us to have a 'conversation' with our customers about how they use water in their daily lives and to support them to reduce what they use by making small changes – for example, by providing free water-saving products and tailored advice on being more water efficient from our team of experts. We are also further signposting the support we can provide on bills. Of course, when we are asking customers to save water, we need to do our bit too. So, we will be building on the launch of our smart water supply network to help us further bring down the amount of water lost through leaks – in line with our pledge to reduce leakage by 15 per cent by 2025, and halve it by 2045.

Currently, we are installing water meters under our metering programme, ahead of moving to smart water meters in the future. Smart meters would add significantly to our already smart water network, providing further benefits in terms of being able to reduce leakage on customers' properties and provide

customers with a much clearer picture of their water use. However, it's also important to carefully consider all factors. The ongoing effects of the pandemic have significantly increased cost and delivery times for many components used in smart metering, and we are working hard to secure the commencement of smart roll-out as soon as we can.

More broadly, innovation will continue to be a major theme for the business during 2022/23, with our ongoing push towards becoming net zero carbon by 2030 – such as via the roll out of more fully electric vehicles in our operational fleet. And, following the launch of our new digital billing system, we will be working to extend this to give our customers the ability to manage their account and bills online.

We will continue playing our part in further developing the regional water resources plan for the South East, based on new thinking and ways of working, such as adopting an adaptive planning approach to take account of the wide range of future scenarios we could face, depending on what happens with population growth, climate change and technology. The outputs of the new regional plan will feed into our own Water Resources Management Plan, which we will be publish for consultation in the coming year.

Finally I'm looking forward to forming stronger partnerships with groups, charities and organisations within our community to ensure we are providing as much support as we can, outside of our primary role as a water supplier. There is so much potential for us to make a real difference to people's lives and be the Company that all our customers can trust and rely upon.

**Ian Cain**  
Chief Executive Officer

8 July 2022

# Market review

## Market driver

### Protecting and improving the environment

“The Environment Act will deliver the most ambitious environmental programme of any country on earth.”

**George Eustace**

Secretary of State for the Environment, Food and Rural Affairs

## What's happened?

- The Environment Act was passed by Parliament, with the water sector set to play a pivotal role in meeting many of the ambitious targets it sets out. For example, reducing average water use per head of population by 20 per cent by 2037, and creating or restoring more than 500,000 hectares of wildlife-rich habitats by 2042
- There has been a renewed drive to reduce the amount of water taken, or abstracted, from the environment, with the Government unveiling its new Water abstraction plan in July 2021 – aimed at ending ‘damaging abstraction’ from rivers and groundwater sources. This goal has been at the heart of the new regional water resources plans that were launched in early 2022. For example, the emerging plan for the South East of England (including the SES Water area) details how water companies could further reduce their reliance on sensitive sources, such as chalk rivers and groundwater (See below for more)
- The water industry has come under scrutiny like never before, particularly around the issues of stormwater releases from sewers, wastewater treatment works complying with the required laws and standards and bringing down water abstraction. This has impacted the sector’s reputation as a whole and is a key factor in driving decisions about future investment.

### Continuing to support our customers (affordability)

“We have a golden opportunity to create a simpler and fairer system and end the indignity of people skipping meals or other essentials to pay their water bill.”

**Emma Clancy**

CEO, Consumer Council for Water (CCW)

- The COVID-19 pandemic continued to impact household incomes, with a large number of people remaining on furlough or reduced working hours, or facing redundancy. It also affected the amount of water customers used at home – for example, through increased working from home
- The pandemic has also contributed to the biggest rise in the cost of living for decades, with much increased prices for food, fuel and energy. This situation has been exacerbated by the war in the Ukraine, making it increasingly difficult for many households and businesses to pay their bills and cover their costs.

## Supporting customers, wider society and the environment

There have been three key themes during the last year.

Firstly, the ongoing impact of the COVID-19 pandemic, including the start of the return to 'normal life' following two years of unprecedented challenges for all parts of UK society.

Secondly, an increased focus on not only protecting but also improving the environment, with the long-awaited Environment Act coming into force. The Act incorporates a host of ambitious goals to benefit nature and wildlife.

Linked to this has been the 'Green recovery', with real focus on successfully emerging from the pandemic through increased economic investment in initiatives that will also deliver wider environmental improvements.

Finally, there's the focus on water companies to provide greater public value, at a time when they have been under significant scrutiny, both in terms of water supply and wastewater issues.

### What have we done?

- We have continued to work closely with, and listen to, our Environmental Scrutiny Panel, which was formed to advise, scrutinise and challenge the development of our environmental vision and how we implement it across the company.
- We are the only water company to hold The Wildlife Trusts' Biodiversity Benchmark and achieved the award at our second site, Fetcham Springs earlier this year. This is for enhancing and protecting biodiversity and follows gaining the award at our Elmer Treatment Works back in January 2021. Our work to achieve the same accreditation at our Bough Beech Treatment Works by 2025 is ongoing.
- In 2021 we published our routemap to achieving net zero operational carbon emissions by 2030, in line with the industry's Public Interest Commitment made by all English water companies. Our routemap focuses on managing demand for water so that we need and use less of it and, in turn, emit less carbon. Our aim is to reduce annual emissions by 2,400 tonnes by the end of the decade.
- We have been fully compliant with our environmental licences and consents and have had zero Category 1 and Category 2 pollution incidents this year
- As part of Water Resources South East (WRSE), the alliance of the six water companies that serve the South East of England, we have contributed to the development of the new regional plan to secure resilient water supplies for the future – in the face of population growth and climate change and while delivering long-term environmental improvement. This includes reducing damaging abstractions from sensitive chalk streams – for example, through £5 billion of investment to reduce leakage and help customers use water more efficiently and calling for further Government action to reduce water use across society – such as through improved building standards. To put the scale of the challenge into perspective, for us a company, the abstraction reductions we will need to make to protect and benefit nature and wildlife represent up to 10 per cent of water demand in our area.
- As the COVID-19 pandemic continued during 2021, we engaged with our 'customers of tomorrow' by providing virtual lessons to schools and producing and distributing (via local charities and community groups) a book for children about the water cycle and the importance of reducing water use. As restrictions eased, we re-opened our state-of-the-art education centre at Bough Beech Reservoir, welcoming visitors once again to learn about the vital role we play by supplying the water our customers need, at the same time as working to benefit nature, wildlife and wider society.
- We have continued to provide financial support to customers through our Here For You payment support schemes, including Breathing Space – a pause on payments and Water Support – a 50 per cent bill reduction. We visit approximately 140 vulnerable customers a week, to ensure that the members of our community who need it most benefit from our support.
- We have been developing partnerships with other key organisations in our supply area to expand our reach, such as charities, community hubs and food banks. We attend around 20 community events a month with our partners, enabling us to build relationships with many more customers who need our support.
- We have been working to make it easier for customers to understand what support is available and apply for it. We have introduced a new streamlined application form for all of our support schemes and brought in new technology to make our online content more accessible to all.
- At Christmas SES Water colleagues donated over £1200 so that we could pay a special Christmas visit with a hamper to financially vulnerable customers in our area.

## Market review continued

### Market driver

#### Preparing for the price review and delivering public value

“We want the price review to drive the change needed to meet the demands from climate change, customers’ rising expectations, and affordability concerns.”

**David Black**  
CEO, Ofwat

### What’s happened?

- Water industry regulator Ofwat set out its initial views of the framework for the next five-yearly Price Review, known as PR24, as well as future price reviews. This included an increased focus on the long term, delivering greater value to the environment and society, reflecting a clearer understanding of customers and communities and driving improvements through efficiency and innovation
- Building on this, Ofwat has also set out its approach to conducting customer research for PR24, working collaboratively with The Consumer Council for Water (CCW) and the sector – to inform common performance commitments and acceptability and affordability testing across all companies, integrating with company-led research and engagement
- Finally, there is an expectation from Ofwat that water companies will provide ever greater public value to environment and society through its services – for example, via greater collaboration and partnership working with other sectors.

#### Making a step-change through innovation

“It’s a pivotal moment for the water sector – meeting the challenges of climate change head on and making good on promises of improved water quality across the water system.”

**Myrtle Dawes**  
Water Breakthrough Challenge judge

- Ofwat allocated a further £5 million in grants from its innovation fund, under its Breakthrough Challenge, helping to progress new technology and collaboration to address challenges such as preventing leaks from water pipes, pollution from sewer pipe leaks and improving water quality
- The launch of Spring, the new innovation centre of excellence for the water sector, enabling much greater innovation and collaboration to address some of the biggest current and future challenges facing the industry – from digitalisation, to the need to reach net zero carbon
- Water companies in England published their landmark leakage roadmap, setting out how they plan to reduce water leaks by 50 per cent by 2050. This is the latest step in the water industry’s public interest commitment, building on its ongoing work to deliver a net zero carbon water supply for customers by the end of the decade.

## What have we done?

- We are pleased by the early engagement by Ofwat with the sector on PR24, and we have participated fully to date on the various consultations and workshops facilitated by Ofwat in this regard. While Ofwat's final methodology for PR24 will be issued this summer, we have already commenced several areas of PR24 activities, with a key focus to date on the development of our long-term delivery strategy in line with Ofwat's early guidance in this area. As discussed in this Annual Report, we re-invigorated our own purpose and strategy work in 2021, and therefore commenced – with various stakeholder engagement activity – a focus on our long-term vision and ambitions, which we will utilise to develop further our long-term delivery models for use within PR24.

- We continue to play an active role in helping drive innovation in our sector. For example, by proactively sharing our learning from being the first UK water company to have a fully smart supply network – using intelligent technology to give us 'real-time' information on what's going on across the 2,000+ miles of pipes we manage. That data is enabling us to better prevent and deal with burst water mains and other leaks, so we can provide our customers with the best possible service, as well as save water and energy.
- We played a leading role in developing the water industry's ground-breaking leakage roadmap, providing a clear plan for significantly bringing down the amount of water lost through leaks over the next twenty five years. This comes after we led the water industry's programme of research into leakage reduction, which saw the development of a leakage innovation 'heatmap', collating all the research and innovation being carried out by water companies, to help support greater collaboration across the sector.
- The leakage PALM (Prevent, Aware, Locate, Mend) methodology we developed and championed has been widely adopted in the UK leakage industry and forms a core part of the thinking behind the leakage roadmap.
- As a result of our acknowledged expertise in a number of key areas, particularly leakage and smart networks, we have been invited to partner and contribute to a number of successful OFWAT Innovation challenges.
- Our Innovation Manager, Jeremy Heath, has been appointed as one of the co-leads for a Spring community, looking specifically at delivering resilient infrastructure systems. This enables us to continue to coordinate and drive innovative solutions, both for SES Water and for the wider industry, into this increasingly important area. Our Chief Financial Officer, Paul Kerr, has been appointed to the UK Water Industry Research (UKWIR) Board, which is responsible for facilitating the shaping of the water industry's research agenda and developing the research programme.

# Our vision and business model

## Our vision

To be an outstanding water company that delivers service excellence.

## Development and delivery of long-term strategy

Based on our vision, we are currently updating our overall purpose, strategic objectives and associated delivery plans in line with Ofwat's recent guidance on long-term strategic delivery plans as part of PR24 business planning. This will involve input from various stakeholders and our employees, building on the purpose work we performed in the prior year. We will publish our initial views in this area in late 2022 for wider consideration ahead of issuing our final PR24 business plan in October 2023.

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 small 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.



Our IIP Silver award is a significant achievement which recognises the enduring effort that goes into making SES Water a better place to work.



We want the most satisfied customers in the country and our membership will help us get there.



We have achieved a RoSPA Gold Award for Health and Safety, always putting the wellbeing of our people first.

## Inputs

### Water resources

Managing our water resources through our forward-looking, 60-year Water Resources Management Plan (WRMP) and protecting and enhancing the environment.

### Employees

Developing and motivating our 342 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 a positive credit rating.

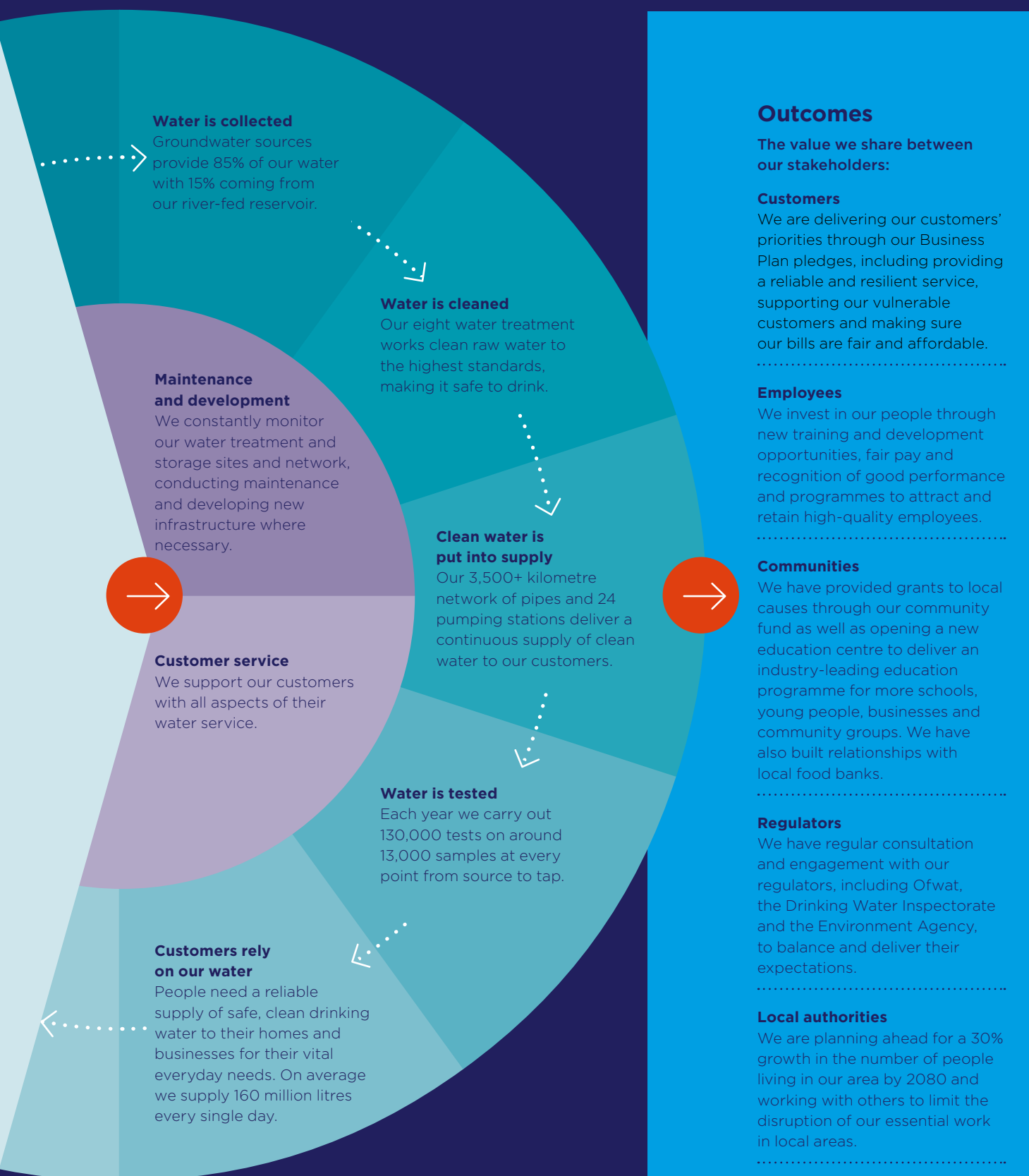


## Playing our part in achieving the Public Interest Commitments:

Triple the rate of sector-wide leakage reduction by 2030

Achieve net zero carbon emissions for operational activities for the sector by 2030







Make bills affordable 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

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

# KPIs

2022: Target met/not met

Target met:  Target not met: 

In our Business Plan for 2020 to 2025 we have made a number of promises to our customers focused around five pledges which they told us were most important to them. Each year we report on our progress and these tables summarise our performance against each target.



## We will provide you with high-quality water all day, every day

### Water quality – DWI Compliance Risk Index (CRI) score

#### Why do we measure this?

All water companies in the UK are measured against the Drinking Water Inspectorate's (DWI) Compliance Risk Index (CRI) to ensure our water is of the highest quality.

#### Performance

With only one sample exceedance in 2021 due to the condition of customer fittings we have determined our CRI score as zero. As such we believe the DWI will confirm our performance as industry leading in their annual report issued in July 2022.



### Supply interruptions

hours:minutes:seconds/property/year 

#### 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 pipe network.

#### Performance

Our performance this year has been within our target to keep interruptions to a minimum and so will receive a financial reward from Ofwat.



### Mains repairs

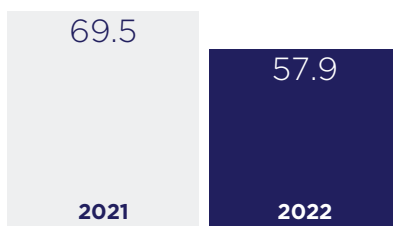
number/1,000 kilometres 

#### 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.

#### Performance

We have progressed a number of key mains replacement schemes across our supply area and met our target for the number of mains repairs across the year.



### Taste, odour and discolouration contacts number per 1000 customers

#### Why do we measure this?

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

#### Performance

This year we received 0.58 contacts which is above our target limit of 0.51 so we will receive a small financial penalty from Ofwat.



### Water softening number of periods exceeding hardness target

#### Why do we measure this?

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

#### Performance

Unfortunately we have had a few operational outages this year, all of which affect our softening capability. As a result we have exceeded our hardness target and will receive a financial penalty from Ofwat.





## We will provide your service at a fair price and offer help when you need it

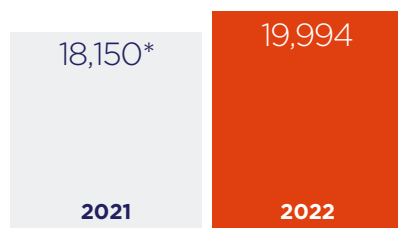
### Supporting customers in financial hardship number

#### Why do we measure this?

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

#### Performance

We have surpassed this year's target for 15,970 customers to be benefitting from our Water Support Scheme.



\* Restated from prior year disclosed number of 20,274 following a data correction

### Void properties

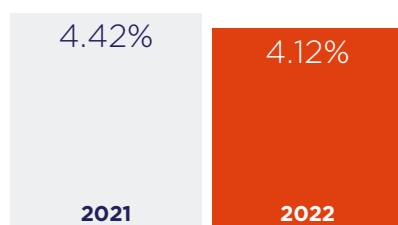
%

#### 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

Although we missed our target of 2.70%, and will receive a financial penalty from Ofwat, we have made progress in reducing the number of void properties.



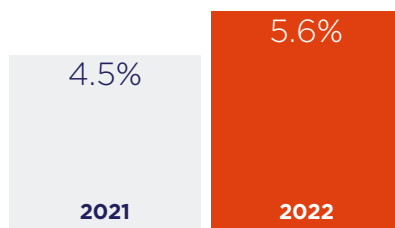
### Customers on our Priority Services Register %

#### 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

5.6 per cent of our customers are on the Register, higher than the target of 2.8 per cent.



### Vulnerable support

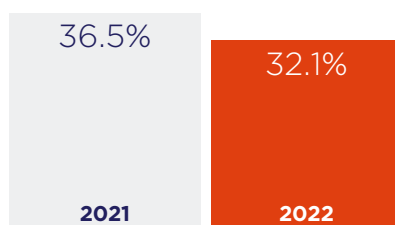
scheme awareness %

#### Why do we measure this?

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

#### Performance

We continue to raise awareness of the support on offer as we are currently not meeting the target of 59.5% for this commitment.



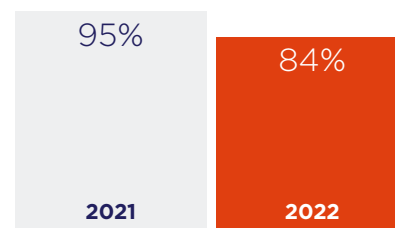
### Vulnerable support scheme helpfulness %

#### Why do we measure this?

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

#### Performance

We have surpassed this year's target of 80 per cent as 84 per cent of people surveyed said the extra services offered are helpful.



### Proportion of customers who believe their bill is not good value

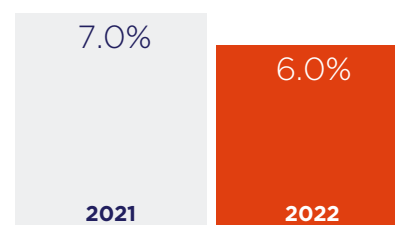
% dissatisfied

#### Why do we measure this?

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



#### Performance

With 6 per cent of customers questioned feeling their water bill is not good value for money, this is within the target limit of 7 per cent.



## KPIs continued

### 2022: Target met/not met

Target met:  Target not met: 



**We will provide you with a service that is fit now and for the future**

#### Leakage reduction

ML/day 

##### Why do we measure this?

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

##### Performance

We have now met our leakage target every year since they were first set over 20 years ago. This is industry leading and we will receive a financial reward from Ofwat.



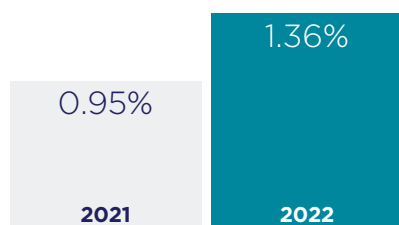
#### Unplanned outages at treatment works %

##### 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.

##### Performance

As a result of the resilient water network we have developed, we are able to plan ahead and have kept unplanned outages below our target limit.



#### Risk of severe restrictions in a drought % customers

##### Why do we measure this?

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

##### Performance

There have been no restrictions on the use of water this year.



#### Risk of supply failures

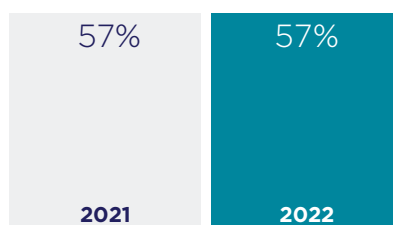
% of properties connected to more than one treatment works 

##### Why do we measure this?

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

##### Performance

Unfortunately we have been unable to progress with laying a strategic trunk main and will receive a small financial penalty from Ofwat. We are re-planning for this to take place in the remaining years of this AMP.





## We will provide excellent service, whenever and however you need it

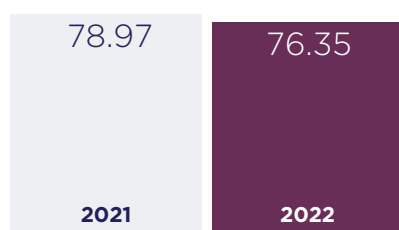
### C-MeX (industry measure of customer satisfaction) score

#### Why do we measure this?

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

#### Performance

Unfortunately we did not meet our target of our score being in the top quartile of the industry this year and will receive a financial penalty from Ofwat.



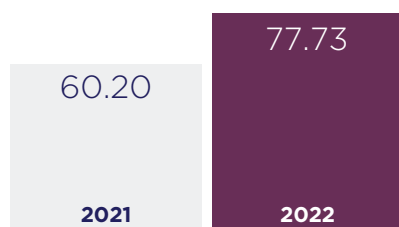
### D-MeX (Industry measure of developer satisfaction) score

#### Why do we measure this?

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

#### Performance

Although our performance has improved, unfortunately we have not met our target in this area and will receive a financial penalty from Ofwat. Our target is to move up to the top half of the D-MeX table.



### First contact resolution

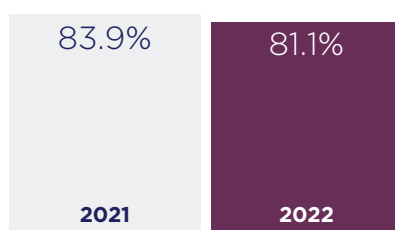
% 

#### Why do we measure this?

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



#### Performance

Unfortunately we missed our target with 81.1 per cent of contacts being resolved first time against a target of 82.5 per cent.



## KPIs continued

### 2022: Target met/not met

Target met:  Target not met: 



### We will support a thriving environment we can all rely upon

#### Consumption

% 

##### 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 per person we need to take from the environment.

##### Performance

Despite COVID-19 restrictions having eased, demand for water is still high as more people are spending time at home and we have unfortunately not met our consumption reduction target by 5.9 against 145.6 for 3 year average.



#### River-based improvement – delivery of Water Industry National Environment Programme (WINEP)

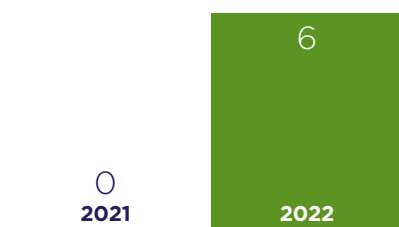
number of schemes 

##### 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 delivered six of the seven investigations that we had planned to complete by 31 March 2022 with the one remaining investigation deferred for delivery by a year with the full support of the EA.



#### Greenhouse gas emissions

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

##### Why do we measure this?

We are committed to achieving net zero operational carbon emissions by 2030.

##### Performance

We have met our target although emissions have increased because of the impact of Covid lockdown release and Storm Eunice. We have added to our fleet of electric vehicles and published our routemap to achieving net zero carbon emissions by 2030.



#### Pollution incidents

number of category one and two incidents 

##### Why do we measure this?

We are committed to measuring our performance against varying levels of pollution.

##### Performance

We are pleased to say there have been no category 1 or 2 incidents of pollution reported this year.





### 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 are compliant against this measurement.



### 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 have achieved our second Wildlife Trusts' Biodiversity Benchmark, this time at our Fetcham Springs site and are on track to achieve the Benchmark at our Bough Beech site by 2025.



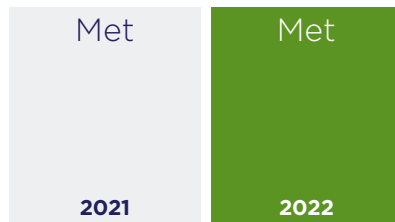
### Deliver WINEP requirements delivered ☺

#### Why do we measure this?

This commitment monitors the delivery of our full Water Industry National Environment Programme.

#### Performance

We met all WINEP requirements in 2021/22. Although we only completed six of the seven investigations in full, the seventh investigation was deferred for completion with the full support of the EA, to enable the collection of additional monitoring data, and we therefore met the EA expectation on project delivery.





# We'll provide you with high-quality water **all day, every day**

## Our pledge in action

Nothing is more important to us than striving to keep our customers supplied with safe, clean water.

### Highlights

- For 2021 we determined our water quality risk index score to be zero and expect this to be industry leading when the Drinking Water Inspectorate publishes its results in July 2022
- We continue to have upper quartile industry performance for minimising the number of customers contacting us about the taste, smell or appearance of their water
- We successfully prosecuted a company for illegally taking water from our pipe network, using an unauthorised standpipe and therefore risking water quality in the area



“ The quality of water is superb and it is always there when I turn the tap on and again I have no complaints. ”

A customer, posting on our online community

Compliance risk index score

0



SES Water Laboratory Analyst Leyla Guven



# 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 bill and provided financial support options when they have needed it the most.

### Highlights

- Our average household bill for 2021/22 equated to around 50 pence a day
- We have continued to provide financial support to customers through our 'Here For You' payment support schemes
- We also visit 140 vulnerable customers a week, to ensure the members of our community who need it most benefit from our support. This includes contact over telephone and attending food banks
- 19,994 customers are benefitting from our Water Support Scheme, which provides a 50% bill reduction to eligible people. This means we are already surpassing the target we set ourselves for year three of this five-year business plan period
- 5.6% of our customers are on our Priority Services Register, which provides extra support to those who have health, access or communication needs
- Over 90% of our customers think the extra services we offer are helpful





Number of customers  
benefitting from our  
Water Support scheme

# 19,994



SES Water Customer Care Performance Manager, Katie Lowes

“They’ve been flexible with payments during the pandemic and haven’t put pressure on us, like some other companies have. They’ve come across as pleasant and supportive.”

A customer, posting on our online community

#### Customers on our Priority Services Register

Number



\* Restated from prior year disclosed number of 20,274 following a data correction



# 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 invested in innovative technology to become the first water company with a totally 'smart' network to detect and fix leaks quicker
- We have been shortlisted for two awards at this year's Water Industry Awards in June – the Asset

Management Initiative of the year and the Smart Water Networks award

- We have laid 8.6 kilometres of new main pipe 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 years of this AMP
- Key mains replacement schemes completed this year include: West Park Road in Copthorne, Brockham Lane in Brockham, Church Lane in Headley and The Bridle Road in Purley





“ If there’s work being done to the network we always get plenty of warning and they stay in touch. Everyone I’ve dealt with at SES has been helpful and approachable. ”

A customer, posting on our online community

#### Leakage reduction

MI/day



Percentage of network with smart technology

100%





# We'll support a thriving environment we can all rely upon

## Our pledge in action

We are committed to reducing the impact of our operations by achieving net zero carbon emissions by 2030 and continuing to implement more sustainable ways of pumping, treating and distributing millions of litres of water every single day.

### Highlights

- We retained The Wildlife Trusts' Biodiversity Benchmark Award for the second year at our Elmer Treatment Works and also achieved the award at our second site - Fetcham Springs in Leatherhead. We are the only water company to currently hold the accreditation and expect one more site to follow by 2025
- In June 2021 we published our routemap to achieving net zero operational carbon emissions by 2030
- More than two thirds of our customers are already metered and we are looking to provide meters for 90% of our customers by March 2025
- In the past year we have added to our fleet of electric 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've been awarded the Waterwise 'Checkmark' for operating water efficiently at our head office in Redhill





Number of  
'Biodiversity Benchmark'  
awards currently held

2



SES Water proudly partnered with Run Reigate for the first time to support its goal of eliminating 24,000 plastic bottles

“They are a brilliant company. My wife and I have been to the reservoir in Kent and I’ve seen the wonderful work done there and think it’s a brilliant set-up.”

A customer, posting on our online community

#### Consumption reduction litres (per person per day)

	163.4 litres
2021	
	151.5 litres
2022	





# 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 and the systems they use.

### Highlights

- This year saw us launch a new billing system, being the first company in the UK to use it. This innovation is the biggest change we have made to this key area of our business in more than 20 years
- We are soon to launch an online self service portal, which will make it easier for customers to manage their account and bills online
- We continue to reduce the number of times customers have to contact us about the same issue, with 81% of contacts being resolved first time
- We are working on a number of programmes that we know will improve our customer service, including: improved complaints handling, listening to and acting on customer feedback and reducing bill shock



“ You ask a question and they do everything they can and go into detail with the information they provide. They are a decent company all round in my eyes. ”

A customer, posting on our online community

Number of customer contacts resolved first time

81%



SES Water Network Fitter Jason Lester

# Our performance

## Delivering our customer and environmental commitments in the second year of our ambitious Business Plan for 2020 to 2025.

Water plays a role in all our lives and our customers rightly expect their supply to be clean and plentiful. As we have continued to respond to the global pandemic our performance has been tested, especially against some of our challenging targets. However, we have remained focused on delivering what

matters most to our customers. That is the aim of our business plan as it was built around our customers' priorities. Delivering against our five pledges will not only improve the lives of our customers but will also enhance the environment and ensure we are playing our part in making it better.

## Our pledges



### High quality water all day, every day

We pride ourselves on producing some of the highest quality water in the country and for all water companies this is measured against the Drinking Water Inspectorate's (DWI) Compliance Risk Index. Our sampling programme includes going into random customer properties to test taps. For 2021 we determined our water quality risk index score to be zero with only one sample exceedance due to the condition of customer fittings. We expect this score to be industry leading when the DWI publishes its results in July 2022.

Unfortunately a positive result for E-coli was detected in one water sample at our Westwood Treatment Works in October. Our investigation concluded the most likely cause of contamination was bird faecal matter, which was inadvertently introduced into the treated water tank during planned maintenance. The levels of contamination detected (in the sample taken from the tank) were very low. While we cannot rule out the possibility some bacteria entered the supply network, subsequent tests on a much

larger number of samples found no traces of the bacteria. This indicates that any issue was very transient in nature and the risk to human health was low.

We submitted a full report on the incident to the DWI and have thoroughly reviewed our procedures and put additional measures in place to minimise the risk of a similar incident in the future.

We have a challenging target to minimise the number of customers that need to contact us about the taste, smell or appearance of their water. In 2021 we received 0.58 contacts per 1,000 population served which is above our target limit of 0.51 so we will receive a financial penalty from Ofwat. While any penalty from our regulator is disappointing, this continues to be industry leading performance of which we are proud as it demonstrates the teamwork involved to deliver a product that our customers are so satisfied with.

Illegal usage of hydrants can compromise water quality for paying customers and this year we have continued to pursue companies who do this – we believe it accounts for 20% of contacts from our customers. In September, we successfully prosecuted a company for taking water from a fire hydrant using an unauthorised standpipe.

SES Water Laboratory Analyst Leyla Guven





Purchase Ledger Clerk Jessica Jones



### Fair prices and help when you need it

Some planned interruptions to supply are unavoidable as we work to improve the long-term resilience of our pipe network, however our performance this year has been within our target to keep interruptions to a minimum. While we aim to not have any burst mains, they do occur, however the low number reflects the general good health of our network and the work that goes into maintaining it.

Around 85% of the water we supply comes from underground and we are unique in the industry in having a legal obligation to soften the groundwater we treat and a performance commitment on the hardness of the water we distribute. We will always reduce or stop softening if it poses a risk to the quality of the water to ensure we meet the strict requirements of the Water Industry Act. Unfortunately we have had a few operational outages this year, all of which affect our softening capability. This is reflected in our performance where we have exceeded our hardness target.

Most customers do not normally struggle to pay their bill but understandably this year, with continued impact from the pandemic and cost of living increases, we have seen a rise in the number of people with money worries due to their personal circumstances changing.

We have continued to provide financial support to customers through our Here For You payment support schemes, including Breathing Space – a pause on payments and Water Support – a 50 per cent bill reduction. We also visit approximately 140 vulnerable customers a week, to ensure the members of our community who need it most benefit from our support. Our flexible payment arrangements help our customers to keep on top of their bills and avoiding going into debt.

When going into debt is unavoidable we have re-started debt collection, but with a focus on understanding individual customer circumstances and putting affordable plans in place.

We have a target this year for 15,970 customers to be benefitting from our Water Support Scheme, which provides a 50% bill reduction to eligible people. Currently 19,994 people are on this tariff, which means we are already surpassing the target we set ourselves for year three of this five-year business plan period. We will continue to welcome more customers onto the scheme who need it and also continue to raise

awareness of the support on offer as we are currently not meeting the target for this commitment.

With 6% of customers questioned feeling their water bill is not good value for money, this is within the target limit of 7%. Our average household bill for 2021/22 equated to around 50 pence a day, with money from bills playing a crucial part in funding our ongoing investment programme.

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. 5.6% of our customers are on this register, higher than the target of 2.8% and 84% of people think the extra services offered are helpful, which is great news.

This year we have focused on building links with local foodbanks and community hubs to expand our reach among vulnerable customers.

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. Although the number of properties is reducing, we have more to do to meet our target and this year we have incurred a financial penalty as a result. We are also trialling new approaches to reduce our voids further.

## Our performance continued



### A service that is fit now and for the future

Since 2010 we have been progressing with a resilience programme to enable the transfer of water from Bough Beech Treatment Works in Kent to the north of our area, which was previously completely reliant on groundwater supplies. This means that by 2025 every property can be supplied by more than one treatment works if needed, such as during periods of low rainfall or operational outages.

Unfortunately we have been unable to progress with laying a strategic trunk main in Purley which is a key part of the programme. However, this work is now being re-planned and we are confident we will be able to join up our network over the next few years and be the first

water company to achieve this. In the meantime we have progressed a number of key mains replacement schemes across our supply area and are on track to meet our target for the number of mains repairs across the year.

There have been no restrictions on the use of water this year. Like other water companies, we depend on winter rainfall for the water we supply to our customers as underground aquifers – rocks which act like a giant sponge – only usually fill up between October and March when there is less plant growth and evaporation. During this recharge period we saw above average rainfall which meant our underground resources filled up and we were in a good position to meet the demands of the spring.

Managing leakage is one of our customers' top priorities and a key focus for us too and we remain one of the top performing companies in this area. We have now met our leakage target every year since they were first set over 20 years ago. We are committed to significantly and sustainably reduce leakage levels for the long-term, aiming to more than halve the water lost from our network and our customers' pipes by 2045. That's why we have invested in innovative technology with key partners such as Vodafone and announced in March we are the first UK water company to roll out intelligent leakage detection technology across our entire network. We have also been shortlisted for two awards at this year's Water Industry Awards in June – the Asset Management Initiative of the year and the Smart Water Networks award.





SES Water Metering and Billing  
Controller, Thomas Rowntree



### **Excellent service, whenever and however you need it**

Regardless of the reason for our customers needing to contact us and the method they use, we aim to provide an excellent, tailored resolution every single time. 81% of our customer contacts are resolved first time.

C-MeX is the industry metric for measuring customer satisfaction and experience across all companies and is based on two surveys – one based on customers' experiences when they have had to contact us and the other a customer experience survey which scores us based on their perception of the Company. While we did not meet our target of our score being in the top quartile of the industry this year our people are passionate about what they do and many are involved in programmes of work that we know will make a difference. This includes improved complaints handling, listening to and acting on customer feedback and reducing bill shock.

Investing in our digital contact capability is key to transforming our service to customers and this year saw us launch a new billing system, being the first company in the UK to use it. This innovation is the biggest change we have made to this key area of our business in over 20 years but it's a very important one in enabling us to manage contact with our customers in a much more efficient and effective way.

We have also been investing a significant amount of time and resource to develop a new self service portal for our customers. The portal will make it easier for customers to better manage their bills online, improving their overall customer experience.

The service we provide to developers is also measured through the D-MeX industry metric and we have not met our target in this area. We know we have more to do to respond more quickly to their applications, keep them updated on progress and better tailor our service to meet their individual needs and we are confident in the progress we are already making in doing this.

## Our performance continued



Bee hotel at SES Water's Elmer Treatment Works



### Support a thriving environment we can all rely upon

We're committed to reducing the impact of our essential service on the environment while making a positive contribution to its quality. This year we achieved our second Biodiversity Benchmark Award from The Wildlife Trusts, at Fetcham Springs, following our award the previous year for making our land at Elmer Water Treatment Works more attractive to a variety of plants and wildlife. At Fetcham, which covers more than 13 acres and supplies water to Elmer Treatment Works, five significant habitats are maintained as part of the award. All found to be supporting species including invertebrates, birds, mammals, reptiles and amphibians.

Pumping, treating and distributing millions of litres of water every single day is incredibly energy intensive so we are doing more to limit the emissions we create. In the past year we have added to our fleet of electric vehicles, with each electric car helping to save around 2-3 tonnes of CO<sub>2</sub>e per year as well as reducing the impact on local air quality. This has helped towards us meeting our greenhouse gas emissions target this year. In June 2021 we published our routemap to achieving net zero operational carbon emissions by 2030, in line with the industry's Public Interest Commitments made by all English

water companies. The routemap sets out our ambitions in five strategic areas of focus, which aim to reduce our annual emissions by 2,400 tonnes by 2030. These areas include: water efficiency, energy efficiency, renewables, vehicles and fossil fuels.

We operate in a region which is classified as being in serious 'water stress' due to the growing population and limited resources which is why we have a target to reduce the amount of water per person we need to take from the environment. Despite COVID-19 restrictions having eased, demand for water is still high as more people are spending time at home and we have unfortunately not met our consumption reduction target. Water meters are one of the most effective ways of bringing down consumption and we are progressing our programme to install meters for the majority of our customers who don't already have one. More than two thirds of our customers are already metered and we are looking to provide meters for 90% of our customers by March 2025, as part of our pledge to Ofwat.

There have been no incidents of pollution this year, another notable indicator of the importance we place on protecting and enhancing the environment.



## Our people

Pivotal to everything we do is our skilled workforce. Whatever their role, they are dedicated to providing our customers with great service and have shown determination, commitment and flexibility during another challenging year.

As COVID-19 restrictions have gradually eased over the past year, we have begun welcoming people back to work at our sites, as part of our 'Together Again' programme. For roles that support remote working, the Company has adopted a hybrid working arrangement, which gives a degree of flexibility to be able to work from both the office and home. While we recognise the many benefits of having the ability to work from home, being together regularly in person to connect, collaborate and innovate is also of great value.

We are also in the process of developing a Diversity and Inclusion strategy for the business and have worked closely with Inclusive Employers to run a series of webinars for our colleagues to learn more about D&I in the workplace.

Meanwhile our Learning and Development team has rolled out multiple training programmes in the past year, including management courses for aspiring leaders within the Company.

The physical health and safety, as well as the mental wellbeing of our employees, will always be our top priority and we received recognition of this by achieving a Gold Award for health and safety performance in 2021 from the Royal Society for the Prevention of Accidents (RoSPA).

Despite endeavouring for no safety-related incidents to occur, there has been one lost-time accident in the past year, which was reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR). As ever, all incidents are thoroughly investigated and remedial actions are taken so we learn all we can, in discussion with our Health and Safety Committee. Our senior leadership team also continues to carry out regular inspections across all our sites with generally minor issues and recommendations for improvement identified.

As a respected and responsible local company, through our Investors in People accreditation, we will continue to help our employees be the best they can be and, as we return to more normality, we'll ensure we create a working environment where people thrive and do a great job.



Senior HR Administrator Jacqui Bridges



Customer Service Advisor Chris Heath



Customer Insight Analyst Conner Jones



Purchase Ledger Clerk Raheela Idrees

# 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 areas we are privileged to serve, including playing a full role in tackling wide social and environmental challenges.

### 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 are all working collaboratively to achieve the industry Public Interest Commitments, which includes five challenging goals to:

- Triple the rate of sector-wide leakage reduction by 2030
- 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
- Achieve net zero carbon emissions for operational activities for the sector by 2030
- Prevent the equivalent of 4 billion plastic bottles ending up as waste by 2030
- Be the first sector to achieve 100% commitment to the Social Mobility Pledge

### Doing more for our communities

In the past year we have awarded more than £27,000 to six local organisations through our charitable giving fund with the Community Foundation for Surrey, which is expected to have benefitted more than 950 people. The partnership forms part of our commitment to supporting worthy causes in the community and giving something back to those groups providing vital services for local people and disadvantaged individuals.

Separately we have funded £15,000 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.



- **Surrey Wildlife Trust:** "The funding from SES Water was used to help us complete an animation on 'Healthy Rivers' and take the message out to schools in Surrey. Due to COVID-19, we approached schools in a number of ways – either face to face or online to suit their policies at the time of working with external providers. We delivered assemblies in person to more than 1,700 children in schools across Surrey. The application process was informal and through a series of conversations we were able to find a level of support that worked for both us and SES Water."



- **Westvale Park Primary School:** "We are delighted with our new water wall. The children are so excited about all the different features and there are so many opportunities for developing vocabulary, stretching thinking and supporting play skills. Managing tight budgets is increasingly difficult for schools and it was a real treat for the teachers to buy resources needed for our fabulous water wall. Thank you for the grant, SES Water."



- **Whyteleafe School:** "We have purchased the water butts with the funding from SES Water and have installed them in two different locations. It has made such a huge difference getting this grant. We relocated our planting area to a new spot and whilst we had a shed we had no means of collecting rainwater to water the vegetables. Our thrive practitioner works with children on their emotional wellbeing and they will enjoy spending time in the area growing vegetables and working together outdoors."



- **Wimbledon Scout Group:** "The water butts allow us to conserve the rain water so the Scouts can use it to water various flower beds and vegetables they grow at various times of the year towards their badge work. This obviously saves us money if we don't need to use the mains water for this purpose and is therefore beneficial to the Group. We found the application process very straight forward and were delighted when we were given the grant. It timed perfectly with the new shed and replacement of another water butt which had cracked last summer."





### Giving back to people at Christmas

In December last year we donated more than £1,500 to buy Christmas presents for some of our most vulnerable customers.

The Company gives all its employees a gift voucher at Christmas and last year each of our colleagues were offered the choice of either keeping their vouchers or donating them towards buying a hamper for our customers. The hampers

included a selection of food including: chopped tomatoes, tinned fruit, mince pies and some treats to keep the cupboards stocked during the festive period.

Our CEO, Ian Cain, visited some of our customers to give them the hampers, alongside our customer support teams.

### Running on tap water

Over the past year we have, for the first time, partnered with local running events – Run Reigate and Run Gatwick. We collaborated with the organisers to provide free tap water for all the competitors and spectators which,

in turn, avoided the use of more than 24,000 plastic bottles at each event. Our water was provided from standpipes along the running routes, as well as from our 11,000 litre tanker – The Quenchinator – at the finish line.

“ We are so pleased to see this initiative which demonstrates a real commitment to reducing single use plastic within Surrey and aligns to our work on tackling climate change and increasing sustainability across the county. We have to work with businesses to achieve our environmental goals and so we are really pleased to see that SES is so committed to taking action itself and we really support its work to get rid of plastic bottles for Run Reigate but also the wider provision of water refill stations across the county which is good for all our residents.

”

**Marisa Heath**

Cabinet Member for Environment at Surrey County Council



## A spotlight on...

### Helping to build a water efficient garden for a local good cause

In May 2022 we partnered with The Orpheus Centre in Godstone to design and build a water efficient sensory garden, which will provide a visual opportunity for learning, as well as being a pleasant place to relax.

The Orpheus Centre is a specialist college and charity, working to support young disabled adults, who are passionate about the arts, to achieve their potential and aspire to lead independent and fulfilling lives.

Through our ‘Give A Day’ scheme – where the Company pays for each colleague to undertake a day of voluntary work in the community each year – we had more than 60 volunteers help start building the garden across a week. To commemorate the Queen’s Jubilee celebrations our team also planted a cherry tree on the site for students to enjoy while they relax in the garden.



# Our stakeholders

We actively manage a range of key stakeholder relationships, recognising that our success and sustainability depends on their input and involvement

## Understanding who they are

Our stakeholders broadly fall into two categories – those likely to be affected by what we do and those whose actions can affect us. Although the relationship with each stakeholder group will be different, all must be managed effectively to ensure they help inform our decision-making and how we deliver what we have promised. This page provides a summary of our key stakeholder relationships.

We are also in daily contact with our shareholders, who have non-executive representation on our Board and who also second individuals into our business to work beside senior management, lending support and insight to our work. Our shareholders, and the structure in which they operate, are described in more detail on page 4.



## Our customers

### What they expect

- Our water to be high quality and safe all the time
- Our service to be reliable and resilient
- To reduce leakage
- To help people cut how much water they use
- To keep our call centre local
- To support vulnerable customers
- To help improve the environment and contribute more to society
- Our bills are fair and affordable, and we provide value for money

### How we engage

- Our dedicated 'Voice of the customer' programme which includes a range of activity to better inform the decisions and improvements we make
- Online 'Talk on Water' community
- Our education programme
- Attendance at community events
- Our independent Customer Scrutiny Panel

### How we create value for them

- Business Plan targets reflect customer priorities including:
- 15% leakage reduction
- 25,000 people on our Water Support Scheme
- 100% of people will be served by more than one treatment works
- 90% of our customers on a meter
- Our call centre will continue to be based in our local area
- Bills will fall by 15.6% by 2025
- Significant investment in our digital capability to better serve customers



## Our employees

### What they expect

- Training and development opportunities
- Fair pay and recognition of good performance
- To attract and retain a high-quality workforce
- To be a responsible local business that plays an active role in the communities we serve
- A healthy, safe, inclusive and diverse working environment

### How we engage

- Annual employee engagement survey
- Open forums involving employees, the directors and CEO
- Dedicated Board member responsible for employee engagement
- Senior leader visibility and accessibility
- Staff suggestion scheme
- Structured development and appraisal programme
- Internal communications strategy and regular one-to-one meetings

### How we create value for them

- Investors in People silver accreditation
- Performance management system and skills strategy in place
- Employee volunteering scheme
- Employee Referral Scheme
- Constructive negotiation through the Joint Negotiation and Consultative Committee (JNCC) to secure a pay deal
- More flexible working practices



## Regulators

### What they expect

- To build trust and confidence in the sector
- To deliver on the promises we have made in our Business Plan
- Our bills are affordable for all customers
- To contribute to improving the environment
- To increase our resilience to a range of events
- To be efficient and innovative
- To have a positive impact on society

### How we engage

- Regular meetings with all our regulators including by our non-executive directors
- Regulator attendance at Board meetings
- Responding to consultations and information requests
- Participation in national campaigns
- Sharing our expertise and perspective through industry-wide forums

### How we create value for them

- Maintaining our gearing at a level that is acceptable to Ofwat
- Updated dividend and executive pay policies
- Pledged to make £9 million in efficiency savings between 2020 and 2025
- Leading the industry's research and innovation programme to reduce leakage
- Participation in Ofwat's innovation competitions



## Local community groups

### What they expect

- We play an active role in the communities we serve
- We support those who are most vulnerable in our communities
- We create and protect local jobs in the community
- We carry out work in roads and public spaces in a way that has minimal impact on communities and businesses

### How we engage

- Membership of local business forums
- Working with organisations that help vulnerable customers
- Supporting worthy local causes with volunteering time and financial donations
- Our education programme

### How we create value for them

- More than £27,000 of community grants provided through the Community Foundation for Surrey
- Extending our education programme to reach more schools, young people, business and community groups
- Moved people living in housing association properties onto direct billing so we can provide a discount through our Water Support scheme



## Local authorities

### What they expect

- We plan ahead to meet the needs of a growing population
- We soften our water in areas where it is naturally hard
- We work with them and other parties to limit disruption to local areas

### How we engage

- Meetings with Chief Executives
- Supporting local economic prosperity initiatives
- Project-specific department engagement such as highways
- Participation in local resilience forums

### How we create value for them

- Planned for a 50% increase in the number of people living in our area by 2080
- Delaying some of our trunk mains laying activity to minimise disruption to local businesses



## Environmental organisations

### What they expect

- We are guardians of the natural environment
- Our operations do not cause environmental damage
- Our decisions are based on long-term environmental sustainability

### How we engage

- Involvement in our local catchment partnerships
- One-to-one meetings
- Independent Environmental Scrutiny Panel
- Involvement in producing our Net Zero Carbon routemap
- We engage on a regular basis on key environmental matters and listen to priorities from outside of our organisation

### How we create value for them

- Specific targets in our Business Plan to:
- Not cause pollution
- Increase biodiversity at our sites
- Reduce abstraction from two sources during low flows
- Reduce our carbon emissions
- Achieving prestigious Biodiversity Benchmark Awards for several of our sites



## Our suppliers

### What they expect

- A transparent and compliant procurement process
- Mutual adherence to legal obligations such as being free from modern slavery
- Contractual arrangements including provision for data protection
- Prompt payment for goods and services
- Efficient and effective working practices as partners
- A focus on health and safety
- Line of sight of upcoming work or requirements

### How we engage

- Dedicated relationships depending on the scope and nature of the arrangement
- Our procurement team and supplier forums
- Annual performance reviews for business critical suppliers
- Regular planning and performance sessions

### How we create value for them

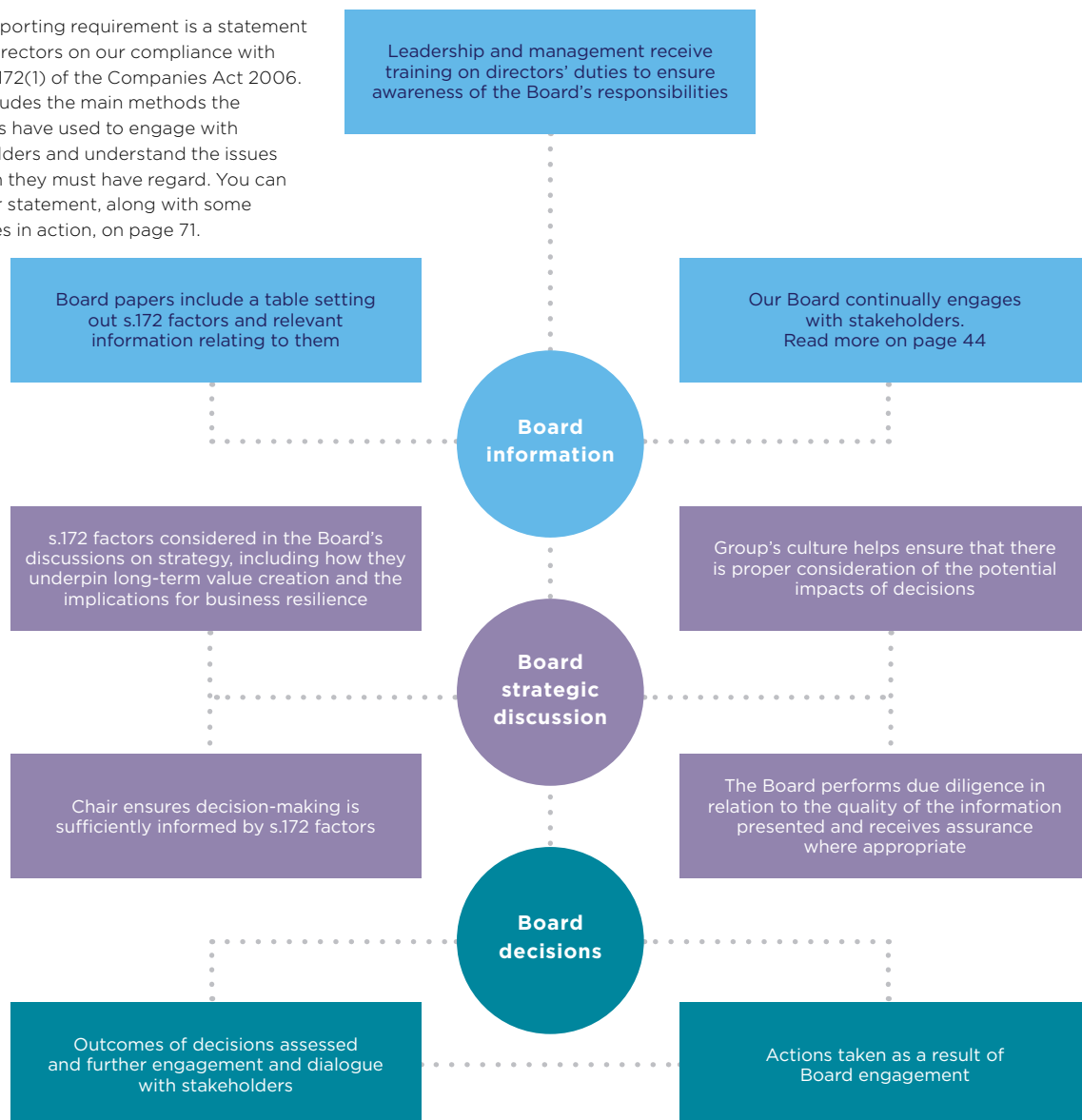
- Productive and stable working relationships
- Agile decision-making as a small company
- Participation in joint industry award entries
- Testimonials and PR

# 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, too. 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 page 71.



## A focus on employee engagement

Chair Dave Shemmans was the Board's lead on engaging with the workforce and has helped ensure the employee voice is heard in key discussions and decisions. Independent non-executive Jon Woods took over the role from Dave effective 24 March 2022 and attends the Joint Negotiating and Consultative Committee annually where he speaks directly with the representatives without management being present. This year, key topics of discussion have included the ongoing response to COVID-19 and the 2022/23 pay deal.



**"The JNCC is an invaluable committee, providing an important voice on behalf of the whole workforce for any key discussions that need to be raised with the Board and senior management. I have always appreciated the openness and honesty with which views are given during the meetings as management is, quite rightly, held to account on certain issues."**

**Dave Shemmans**  
Chair

## 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 and support into specific management plans.



### Progress on the creation of our smart pipe network

customers, suppliers, local authorities and environmental organisations



### Go live of our new billing system

customers, employees and suppliers



### Planning for PR24

customers, employees, local community groups and regulators including Ofwat



### Customer service improvement plans

customers, employees and regulators including Ofwat and CCW



### Business Market Development

customer and regulators





# Our approach to the environment and climate change

We have a long tradition of delivering for our customers, contributing to the communities we serve, and working to improve the environment. Our work and decision making are underpinned by strong governance and transparency which is essential for a company that provides a vital public service.

Over recent years however, we have recognised that the expectations of customers, stakeholders and investors are changing and that we need to put these elements – environment, social and governance – at the heart of how we do business to ensure we remain a sustainable and resilient company in every sense.

## Developing an Environmental, Social and Governance Strategy

In the past year, led by our Board, we have continued to formalise, develop and embed an Environmental, Social and Governance (ESG) Strategy across our business that will drive what we deliver and how, and enable us to report consistently and transparently on our performance. While elements of this ESG Strategy have always been part of our daily work as a water company

– such as sustainable management of our water resources engaging with and educating our communities about the benefits of using water wisely – collating the varied strands of such work into a discernible strategy that aligns to our purpose is vital to meet the needs and expectations of all our stakeholders.

We formed an ESG Committee in the last year, formed of senior management with support from an independent non-executive director, and with input from specialised external advisers. The remit of this Committee is to:

- Formalise the Company's ESG strategy and ensuring appropriate reporting/communication.
- Align ESG long-term goals with PR24 requirements.
- Ensure all aspects of the ESG framework are being actioned and reporting to the Board and other stakeholders.
- Develop and monitoring key ESG metrics across the Company
- Embed associated ESG reporting across the Company, such as climate change reporting.

In conjunction with our associated long-term strategy work for PR24, the Committee is currently conducting a materiality assessment – with support from an external specialist – to determine the key ESG strategic priorities with engagement from various stakeholders. The results of such work with help guide our strategy and allows the Board to build on the ESG framework provided below. The Board will develop and communicate the key initiatives that underpin each of the elements within the ESG pillars of environment, social and governance matters, and communicate with all parties the work being done – and support required – to meet such goals.

As can be noted in the framework below, several of these elements of the ESG framework already align to the goals of the water industry's Public Interest Commitments (PICs) which the sector has committed to achieve. We will continue to use our ESG framework to ensure monitoring and ongoing alignment of such wider sector goals.

Environmental	Social	Governance
<b>Climate change (reporting)</b> <b>Carbon transition</b> PIC – achieve net zero carbon emissions <b>Sustainable water management</b> PIC – triple leakage reduction Customer usage reduction <b>Waste and pollution</b> PIC – prevent four billion plastic bottles ending up as waste Biodiversity Benchmark Water Industry National Environment Programme (WINEP)	<b>Health and safety</b> <b>Customer relations</b> <b>Priority Services Register</b> <b>Education and social mobility</b> PIC – be the first sector to achieve 100% commitment to the Social Mobility Pledge <b>Access and affordability</b> PIC – strive to end water poverty <b>Workforce relations and equality, diversity and inclusion</b> <b>Charitable giving and community support</b>	<b>Board structure and diversity</b> <b>Policies and procedures</b> <b>Pay and reward</b> <b>Shareholder returns</b> <b>Bribery and corruption</b> <b>Political lobbying and donations</b>



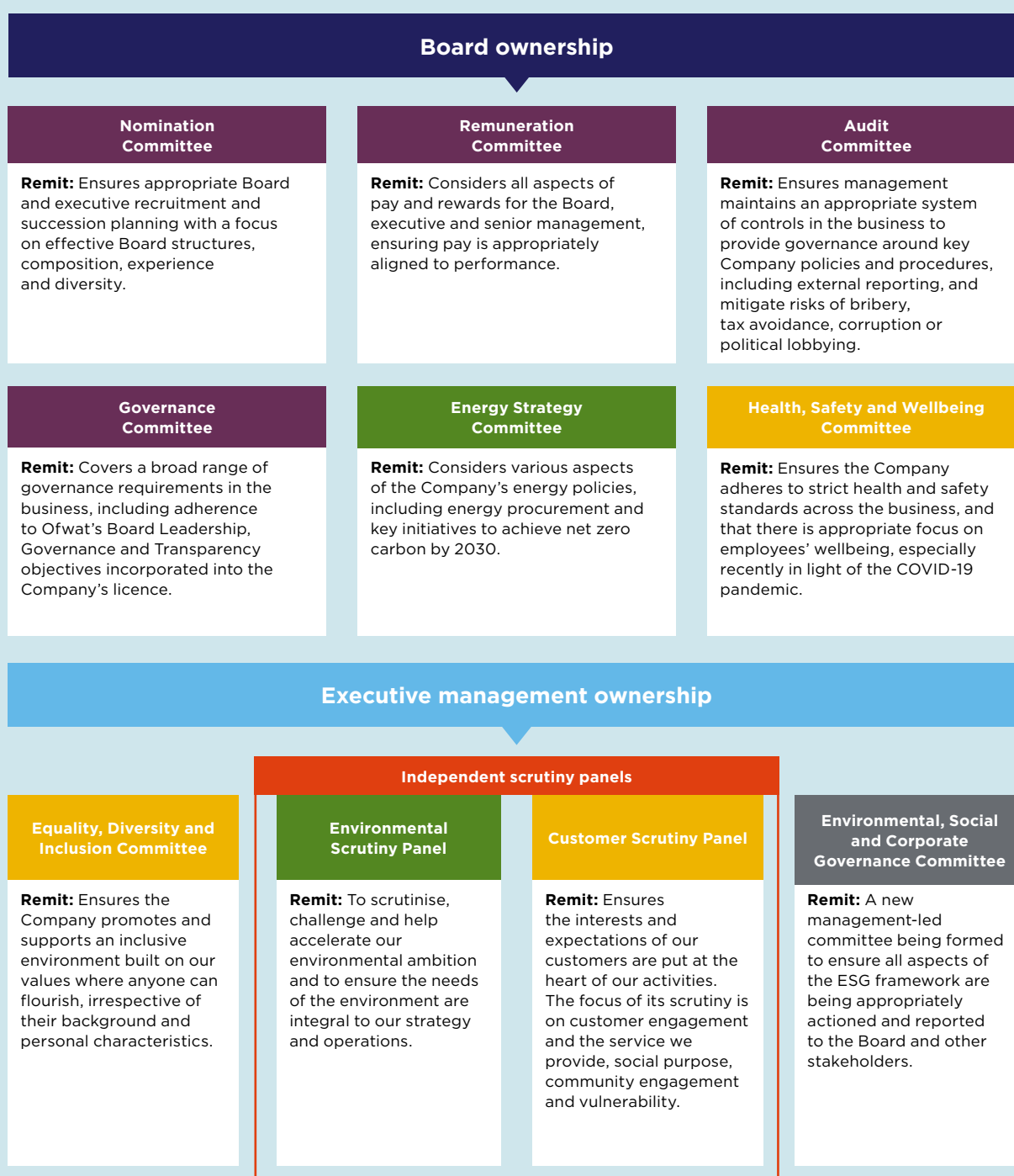
## Governance and reporting of our ESG strategy

The governance structure, and the roles of each Committee, with respect to ESG are presented below, including the ESG Committee that was implemented in the last year.

We already report on most of these elements in our Annual Performance Report but from next year we will formally report on our performance against the targets in our ESG strategy when fully developed by the ESG Committee.

The Board considers that – through the Committee and Panels below – it has the appropriate expertise to deal with various ESG matters, including climate change, especially with the support provided by the Environmental Scrutiny Panel. External expertise is utilised if and when required on such matters, such as the external support recently contracted to perform the ESG materiality assessment.

As expected, the various Board and Executive Committees noted below all cover multiple aspects of ESG. Therefore, in terms of reporting to the Board, the ESG Governance Committee noted below has direct responsibility for collation and reporting of ESG matters directly to the Board, taking into account all ESG matters raised in the other Committees, and ensuring the Board has one direct route for understanding ESG strategy, initiatives and associated metrics and reporting.



# Environment

## Climate Change Reporting and Carbon Transition

With the implementation of the ESG Committee in the past year, the Board has been able to drive forward the development of our ESG strategy and associated initiatives, reporting and communication.

We continue to progress on our climate change reporting and our journey to net zero carbon, as discussed further below.

### Climate Change Reporting

In June 2017, the Task Force on Climate related Financial Disclosures (TCFD) published recommendations to encourage businesses to increase disclosure of climate-related information. These recommendations focus on

governance, risk management and business strategies to manage climate related risks and low-carbon opportunities, with an emphasis on financial disclosures and the use of scenario analysis.

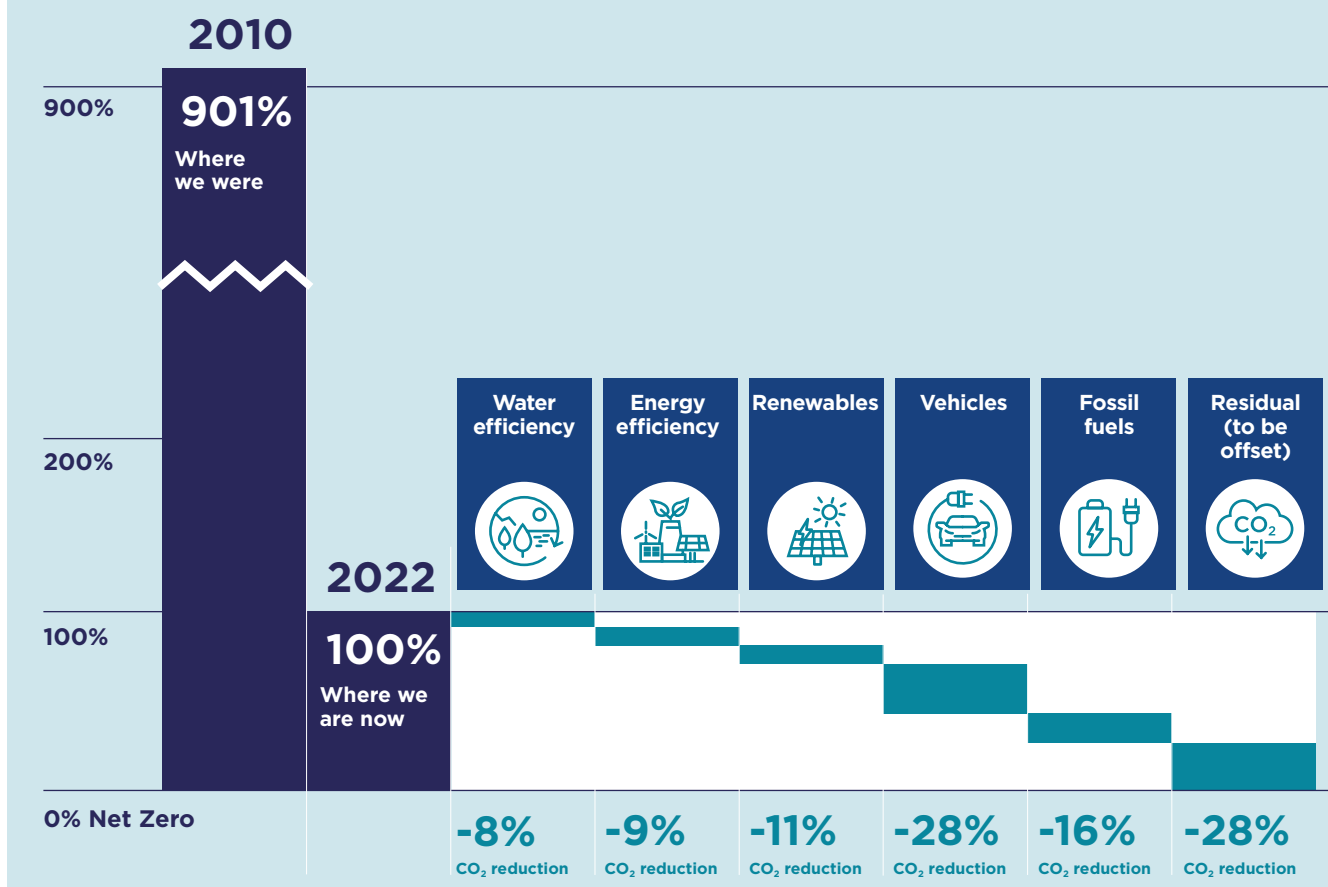


	Progress to date	Plans for 2022/23
<b>Governance</b>	<ul style="list-style-type: none"> <li>Clearly defined Board responsibility for the oversight and challenge of the Company's overall strategy, including the ESG strategy outlined above, which includes climate-related issues in our business plans and exposure to risk in this area</li> <li>Initiated an Energy Strategy Committee of the Board to review matters associated with climate change, including aspects of our route to net zero carbon reporting detailed below, such as fleet electrification and solar power initiatives</li> <li>Continued to utilise an independent Environmental Scrutiny Panel, which includes various third parties such as representatives from the Environmental Agency, to review and challenge climate related initiatives, metrics and goals</li> </ul>	<ul style="list-style-type: none"> <li>Utilise further external advisers to the ESG Committee to enhance governance using industry best practices</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>Early discussions internally and with Ofwat to consider ESG related performance commitments for the upcoming Business Plan for 2025 to 2030</li> <li>Water resource models including climate scenario analysis</li> <li>Climate change resilience explicitly set out in our Business Plan</li> <li>Strategic commitment and pledges include climate related matters</li> </ul>	<ul style="list-style-type: none"> <li>Refinement of ESG strategy in line with outputs from our materiality assessment and associated PR24 long-term delivery strategy and plans</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>Initiation of an externally facilitated materiality assessment to identify priority areas of focus for our stakeholders</li> <li>Further alignment of climate change risk and opportunities into the Company's risk register</li> <li>Continue to publish in this APR the risks identified as being particularly sensitive to climate change</li> <li>Further consideration of the financial risks associated with additional climate change investment as part of the long-term viability statement in this year's APR, inclusive of scenarios required to achieve net zero carbon by 2030</li> </ul>	<ul style="list-style-type: none"> <li>Complete materiality assessment for the Company with associated actions for our ESG strategy and underlying initiatives</li> </ul>
<b>Metrics &amp; targets</b>	<ul style="list-style-type: none"> <li>Development and review of draft ESG Key Performance Indicators by ESG Committee</li> </ul>	<ul style="list-style-type: none"> <li>Finalisation of ESG metrics following completion of materiality assessment</li> </ul>

## Carbon transition – our progress to net zero carbon by 2030

The Company has always reported certain aspects of climate related disclosure under our regulatory requirements (such as Greenhouse Gas Emissions), but – as in prior year – we have integrated these requirements into our strategic report.

### Our net zero carbon routemap



Each year, the combined gross carbon emissions produced by the English water companies in carrying out their day-to-day operational activities is three million tonnes. As a sector we are committed to achieving net zero operational carbon emissions by 2030, some 20 years ahead of the economy as whole, making it one of the most ambitious decarbonisation targets in the country.

At SES Water, we currently emit 2,800 tonnes of carbon per year in the delivery of the high-quality drinking water we produce. This is a ninth of what it was 12 years ago because of changes we have already made to how we source and use energy, and the ongoing decarbonisation of the UK electricity supply industry. This has included us purchasing 100% of the electricity we use from green sources, increasing the number of electric vehicles in our fleet, improving how we monitor and control our energy use and investing in renewable energy generation at our own sites including solar generation. However, there is much more to do. Our current business plan performance commitment is to maintain 55 kgCo<sub>2</sub>e/ML until 2025 but to achieve net zero by 2030 we must go further and faster.

Read more about our greenhouse gas emissions this year in the Director's report on page 110.

We've devised a route map to net zero operational carbon by 2030 so we can deliver a more sustainable service to customers, improve the environment and contribute to the sector-wide target. It includes five areas of strategic focus:

- Water efficiency – we will reduce how much water we abstract from the environment and help our customers to use less
- Energy efficiency – we will reduce how much energy we use to deliver each litre of water by improving the monitoring and control of our energy use
- Renewables – we will source more renewable energy and increase how much we generate on our land
- Fleet – we will increase the number of 'emission free miles' our staff travel to carry out their jobs by reducing unnecessary travel and switching to electric vehicles
- Fossil fuels – we will phase out our use of fossil fuels, replacing them with alternative sources and new technology.

By 2030 we are aiming to achieve more than a 70% reduction in operational carbon emissions. We will need to offset any remaining emissions through purchasing carbon offsets by third parties. The need for offsetting is a key challenge, our response to which will evolve between now and 2030, in dialogue with stakeholders including Ofwat. Longer term, our focus will be on measuring and reducing the carbon used during capital works such as upgrading or constructing new treatment works and pipelines – also known as embodied carbon. We'll also be looking at ways to sequester and remove more carbon from the atmosphere through improving how we manage our own sites, helping to deliver long-term environmental improvements.

# Risk management – Climate change risks and opportunities summary

## Background

As noted on page 68, climate change is one of our principal risks. We are already experiencing its impacts, and are assessing the scale of the challenge ahead. We have taken a precautionary approach in our climate change risk assessment to avoid underplaying the significance of the challenges that we – and we believe others in the sector – face. In assessing risks, we have considered the impacts of climate change across our business and the communities we serve and have screened for the risks which are of most significance to us – now and in the long-term. This work has taken place both internally, with the external specialists and with organisations such as WRSE, with who we are developing the water resource plans for the region.



## Consideration of climate change risks and opportunities

In the last year we considered climate risks and opportunities as part of the external Climate Change Adaptation report submitted to Defra, which provides an initial view of the impact of such climate change risks and opportunities and will be considered further as we progress overall ESG materiality work in 2022/23.

This Climate Change Adaptation report considered risks arising across following key categories:

- Drought and high/peak water demand
- Water quality and natural capital
- Flooding and erosion
- Subsidence
- Failure of interdependencies (e.g. disruptions to energy supply or telecoms)
- Household water supply interruptions







In addition, during the year management also considered opportunities associated with the climate adaptation challenge, including:

- Using innovative approaches to construction of future assets
- Being a more energy efficient company

Review of the above matters included when such risks and opportunities would be likely to manifest and – at a broad level – the likelihood and potential financial impact.

#### Initial conclusions

From this initial work, the following climate risks were considered to be the most significant faced by Company:

- High demand due to heatwaves
- Drought impacting water supply
- High precipitation increasing run-offs and pollutions
- Subsidence causing damage to assets
- Extreme weather causing failures in our production and distribution network

We consider the majority of climate risks faced by the Company will not result in a significant financial impact on the Company, although any risks that result in substantial damage to our assets – such as risks from subsidence – would result in higher capital costs to address. In addition, the characteristics of our service area – for example no coastal regions – also limit to a degree for SES Water some of the climate risks faced by other companies in the sector.

In addition, we are already underway with adaptive actions to address the above risks – for example, to address the risks from high demand and drought noted above, various actions are underway by the Company including ensuring sufficient water storage, pushing forward with our leakage reduction programme, our customer engagement and metering programme and updating and implemented our wider drought plan, which includes future scenario testing and detailed actions.

Further analysis of these climate change impacts will be considered as part of our long-term planning within the PR24 process.

Protecting the river catchments we source our water supplies from is one of our top priorities. We're focused on helping the rivers and wetlands in our area, that provide habitat for nature as well as amenity value to our customers, continue to improve and thrive.



# The Environmental Scrutiny Panel

## Independent scrutiny and challenge

Our Customer Scrutiny Panel (CSP) and Environmental Scrutiny Panel (ESP) work collaboratively. They provide robust scrutiny and challenge to SES Water to put the long-term needs of customers and the environment first when assessing current performance, strategy and business plans and reporting out to customers, stakeholders and Ofwat.

Both panels include independent members who have expertise in areas such as consumer matters, sustainability and community engagement; as well as representatives from organisations including CCW (the water industry's consumer watchdog), the Environment Agency, local authorities, and environmental and consumer support groups.

## The Environmental Scrutiny Panel

The ESP has been operating since April 2020 to scrutinise, challenge and help accelerate environmental ambition, to ensure the needs of the environment are integral to our strategy and operations. The ESP shines a light on long-term environmental performance, while also focusing on scrutinising current operational delivery against the Business Plan. The ESP is Independently Chaired by Alison Thompson and its members have a range of interests and expertise in environmental matters.



**Alison Thompson**

Chair, Environmental Scrutiny Panel

## Chair's Review

### Scrutinising performance

In 2021/22, SES Water became the first UK water company to roll out intelligent technology network-wide. This is a real leap forward and should help SES Water deliver its target to cut leakage by 15% over the next three years. The self-learning network can pinpoint problems in near real-time, enabling swift action to ameliorate issues, cutting water waste and safeguarding supply for customers. The ESP will be interested to monitor how this technological intervention converts into results over the coming year.

Another highlight this year has been the Company's work on updating its overall purpose, strategic objectives and associated delivery plans as part of its PR24 business planning, including an increased focus on environmental ambitions. Recently the ESP enjoyed visits to two sites awarded the Wildlife Trusts' Biodiversity Benchmark certificate. SES Water is the only water company to hold such accreditation. The ESP has challenged the Company to think beyond its sites in future to landscape scale approaches that promote nature recovery. With this in mind, the ESP is keeping a wider watching brief on the master-planning process at Bough Beech estate where, in partnership with its neighbour The Commonwork Trust, SES Water

“ A highlight this year has been the Company’s work on updating its overall purpose, strategic objectives and associated delivery plans as part of its PR24 planning, including an increased focus on environmental ambitions. ”

**Alison Thompson**  
Chair, Environmental  
Scrutiny Panel

wishes to better connect people with nature and deliver multiple benefits.

SES Water has fallen short in a number of areas this year. This includes missing its target on the number of properties connected to more than one treatment works by a small margin, and reporting a slight upturn in some of the periods in which it exceeded the hardness target in place for water softening.

More materially, increased levels of customer water use have been sustained since the COVID-19 pandemic. Long-term resilience of water supply is fundamental. Water Resources South East’s Draft Regional Resilience Plan, published in January, shows a significant water deficit gap for the region into the future.

SES Water hopes in part to address this through its Universal Metering Programme. It is disappointing that rising supply chain costs, paired with a capped AMP7 cost allowance, mean the company is unlikely now to be able to go beyond its commitment for a minimum of 10% of new meters to be smart, despite previously indicating a desire to do so. The ESP hopes funding can be secured in AMP8 for the meter stock to be upgraded.

In the context of growing affordability challenges, development pressures, impacts of climate change and population growth, the ESP would also welcome more innovative action on water wastage. This could include employing variable water tariffs or new ways to incentivise customers, particularly high-water users, on water efficiency. This would give the ESP more comfort that the Company’s pledge – We will provide you with high quality water all day every day can be sustained.

#### Looking to the future

Next year, SES Water will lock in the approach it takes to the next Price Review in 2024, and therefore the scope of its ambition for 2025-30. Given the urgency of our climate and nature recovery challenges, and the critical role of SES Water in protecting and improving the environment, the ESP will be closely scrutinising company plans, with a view to assessing their social and environmental value to customers and communities – in accordance with Government policy and regulatory strategy. Given the growing cost of environmental improvements, the need to deliver net zero and the cost of living crisis, efficient investment will be critical.

In line with the ESP’s advice, SES Water is embedding Environmental Social Governance (ESG) at Board level by establishing a new ESG committee – a move the ESP welcomes. We will also encourage more longer-term planning. The ESP looks forward to robustly challenging the Company’s long-term delivery strategy in the context of environmental resilience, alongside reviewing the next Business Plan – both of which will be developed over the coming year.

**Alison Thompson**  
Chair, Environmental  
Scrutiny Panel

8 July 2022

# The Customer Scrutiny Panel

## The Customer Scrutiny Panel

The CSP ensures that the interests and expectations of our customers are put at the heart of our activities. The focus of its scrutiny is on delivering the business plan performance commitments; on the way we engage with customers and the service we provide; and on agreed areas of forward focus such as social purpose, community engagement and vulnerability. Independently chaired by Steve Crabb, the majority of the CSP are also SES Water customers.



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

## Scrutinising performance

This has been a year of considerable change for both SES Water and for the Customer Scrutiny Panel. In June 2021 Graham Hanson, my predecessor as chair of the CSP, stood down. He made a significant contribution to customer scrutiny at SES Water, bringing expert knowledge of local citizens and a customer perspective from his previous roles in the local community including previous NED for the local NHS Trust, to encourage the panel to bring balanced challenge and debate. Long-standing panel members Martin Hurst (an independent member) and Karen Gibbs (of CCW) also stood down. I'd like to acknowledge all of their contributions and thank them for their service.

In the second half of last year, it became clear that water companies would no longer be mandated to establish customer challenge groups as part of Ofwat's formal price review process as part of 'PR24'. SES Water – like most water companies – decided that its CSP and ESP added value to its operations and the experience of customers and stakeholders that goes beyond meeting basic regulatory commitments, and it would therefore continue to support both panels. At the same time, the CSP and ESP have increasingly been recognised as having a formal role in the strategic, long-term water resource planning process for the South East of England.

“The Company’s investment in a new customer software platform, Aptumo, has been extremely encouraging. The roll-out was very carefully planned and well executed, with minimal disruption to customers.”

**Steve Crabb**  
Chair, Customer Scrutiny Panel

In short, tectonic plates that have been quiet for some time – in both the make-up of the Customer Scrutiny Panel and its regulatory basis – have been busily moving around over the past year, and as a result – and to ensure effective succession planning – we’ve decided to review both the Customer Scrutiny Panel’s Terms of Reference and our membership. This is still a work in progress, and akin to shooting at a moving target as it is still far from clear what role customer challenge groups will play in PR24 and therefore what skills will be required, but the over-arching principles are clear: the panel needs greater involvement from people involved in stakeholder organisations such as local authorities, housing associations and charities, and we need to strengthen our ability to constructively challenge the company’s customer research and engagement.

SES Water has also experienced a year of considerable challenge and change as it emerged out of the COVID pandemic. Ian Cain and his executive team have a clear vision of what needs to change in order to improve the experience of SES Water’s customers and build the kind of real engagement that will be needed going forward, and this is shared by the company’s board. I have been extremely encouraged by the board’s deep commitment to improving customer-centricity, exemplified by SES Water’s new chair, Dave Shemmans.

The company’s investment in a new customer software platform, Aptumo, has been extremely encouraging. This should give the executive team high quality data on key aspects of customer experience, from billing accuracy to response times. The roll-out was very carefully planned and well executed, with minimal disruption to customers.

SES Water have also been on the front foot with regard to most of the challenges we have thrown at them this year, from supporting customers in vulnerable circumstances in the current cost-of-living crisis to managing rising levels of customer debt: their responses have indicated that they are working hard to keep on top of the latest thinking in the industry and beyond, tracking leading-edge best practice and looking at ways to apply it locally.

However, there are limits to what a company with 348 employees can achieve, and at times over the past year the company has clearly had to prioritise meaningful change, such as the Aptumo roll-out, over visionary transformation such as faster progress towards the new company purpose and the behavioural change in employees, contractors and customers that will be needed to deliver it.

### Looking to the future

Although Ofwat’s ‘CMEx’ customer experience measure is a far from perfect proxy for genuine customer engagement and delivery, it is a useful indicator of SES Water’s relative performance compared to other water companies. SES Water aspires not just to move out of the lower end of the table but actually become contenders for ‘Champions League’ status within the next few years. This is a bold, ambitious goal which we welcome whole-heartedly. It should be possible for a small, locally based, water-only company to translate its understanding of local communities and local challenges into exceptional service and engagement. The challenge is making that happen, and we look forward to continuing to question, scrutinise and generally be the grit in the oyster to help SES Water make that journey.

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

8 July 2022

# Our financial performance



“ We have continued to be financially resilient in another unprecedented year ”

**Paul Kerr**  
Chief Financial Officer

**The financial year ended 31 March 2022 has been another challenging year across the industry with the impact of the COVID-19 pandemic still prevalent, coupled with the challenges posed by increasing household costs and the cost of living crisis. The Company's continued focus on operational and financial resilience remains strong, as does delivering for our customers during these tough times. From a finance perspective ensuring our customers remain supported at their time of need, including more than 19,000 customers benefitting from our Water Support Scheme, remains a priority.**

Our financial results reflect the continued impact of the pandemic alongside the increasing pressures that we are facing through rising inflation, supply chain costs and the impact the cost of living crisis is having on our customers. A summary of our financial performance is set out on the following pages.

Our financial performance is impacted in the year by a number of key factors and significant one offs;

- During the year we have seen our household revenue decrease with lower volumes used compared to pandemic levels and combined with lower tariffs. Non-household volumes have increased from the prior year but still remain below pre-pandemic levels.
- The pandemic continues to impact our cash collections and in addition we are now starting to see the impact of the cost of living crisis. Despite this, we are seeing a positive impact on our renewed focus to target our older customer debt.
- With rising inflation and supply chain pressures we are facing new challenges across our business particularly in our operational areas with increased chemical and material costs.
- Higher inflation has also increased the cost of our long-term index-linked debt, with an additional £4m being charged in the year. Although indexation is non-cash in nature it increases the value of the loan that is repayable from 2027. Actual cash interest on the loan remains consistent with prior year.
- We re-negotiated the terms of our long-term index linked debt which was originally executed in 2001 to reduce the cashflow pressures on the Company over the next few years. The cost of this re-negotiation of £3.5m is included as a one-off charge in financing expenses.
- An increase in corporation tax from financial year 2023/24 was announced by the Chancellor in the 2021 budget, the tax change was substantively enacted in May 2021 increasing the rate from 19% to 25%, resulting in a one-off deferred tax charge in the year of £13.5m. There was no cash impact in the year of the change in tax rates, which becomes effective for payments from 2023.

Although we continue to hold a strong balance sheet with adequate cash reserves we have increased our access to funding by £25 million to £75 million through our revolving credit facility covering the remainder of our five-year regulatory period to 2025. This is the first step in our refinancing strategy that will continue to ensure that we have appropriately resilient plans in place to ensure the ongoing liquidity of the Company.

We know that delivery of our performance commitments that you can read on page 20 is due to continued investment in our infrastructure. This year we have seen one of our larger capital programmes with key investments in upgrading our household customer billing system, replacing and laying key strategic mains to increase operational resilience and investing in our metering and smart network programme.

During the year we have had some significant achievements including launching Aptumo our new billing system which not only continues our digital transformation of our customer journey but also provides us key insights into how we are performing as a business.

We continue to be transparent about our finances and have for the second year split the regulatory Annual Performance Report from our Annual Report. This separation helps to ensure the information our audience requires is as easy to find and understand as possible. We have this year also published our assurance statements in our Assurance Framework. In addition we continue to publish our 'Keeping It Clear' document that explains our finances in a simple to understand way.



## Financial performance

Our financial results are summarised in the table below. For more information refer to the statutory financial statements from page 119.

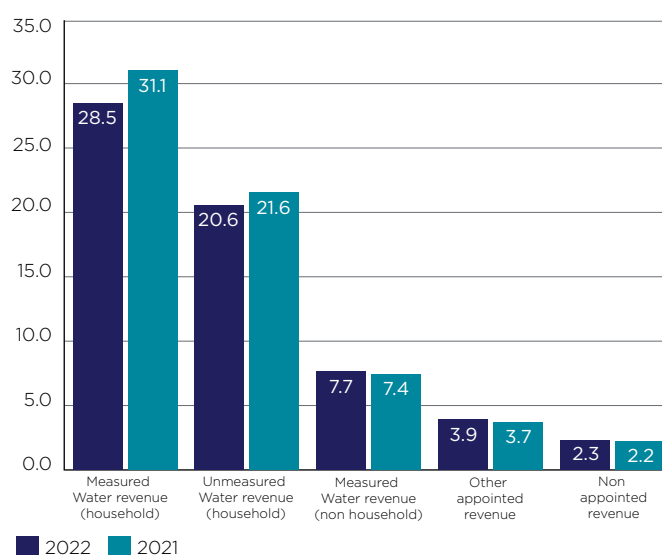
Year ended	2022 £'000	2021 £'000	Change £'000	Change %
<b>Revenue</b>	<b>62,953</b>	65,819	(2,866)	(4%)
Operating expenses	<b>(56,607)</b>	(54,320)	(2,287)	4%
Other operating income	<b>3,358</b>	2,202	1,156	53%
Net impairment writebacks/(losses) on financial and contract assets	<b>449</b>	(2,589)	3,038	(117%)
<b>Operating profit</b>	<b>10,153</b>	11,112	(959)	(9%)
Finance income	<b>368</b>	706	(338)	(48%)
Finance expense	<b>(15,923)</b>	(7,950)	(7,973)	100%
<b>(Loss)/profit before tax</b>	<b>(5,402)</b>	3,868	(9,270)	(240%)
Tax charge	<b>(11,935)</b>	(236)	(11,699)	4,967%
<b>(Loss)/profit after tax</b>	<b>(17,337)</b>	3,632	(20,969)	(577%)

## 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 2021/22 being the second year of the five year period.

Total revenue has decreased by 4% to £63.0m (2021: £65.8m). This overall reduction is primarily due a 7% reduction on household measured revenue to £28.5m (2021: £31.1m) due to lower volumes of water consumed compared to the levels seen in 2020 lockdowns and a c4% reduction in tariffs charged compared to prior year. Non-household revenue remained consistent with 2021 levels at £7.7m (2021: £7.4m). The recovery post COVID-19 lockdowns did not fully materialise with many commercial properties remaining empty or at lower occupancy compared to pre-lockdown levels. Under the regulatory model we will be able to recover the shortfalls noted in non-household revenue.

## Revenue analysis by type



Year ended	2022 £'000	2021 £'000	Change £'000	Change %
Measured water revenue (household)	<b>28,461</b>	31,058	(2,597)	(8%)
Unmeasured water revenue (household)	<b>20,562</b>	21,551	(989)	(5%)
<b>Total Water Revenue (household)</b>	<b>49,023</b>	52,609	(3,586)	(7%)
Wholesale revenue from retailers (non-household)	<b>7,726</b>	7,360	366	5%
Other water revenue	<b>817</b>	742	75	10%
Non-water revenue	<b>3,090</b>	2,952	138	5%
Non-appointed revenue	<b>2,297</b>	2,156	141	7%
<b>Total Revenue</b>	<b>62,953</b>	65,819	(2,866)	(4%)

## Our financial performance continued

### Operating expenses and other operating income

Operating expenses increased by 4% to £56.6m (2021: £54.3m) with the increases primarily being driven by:

- Staff costs increased by £0.9m an increase of 7% to £15.4m (2021: £14.4m) as wages increase in line with inflation and increased resource levels to drive continued and improved performance across both operational and customer metrics.
- Raw materials and consumables increased by £0.4m (14%) to £3.3m (2021: £2.9m) due to the increased supply chain pressure and increase on chemical prices seen across the industry.
- Depreciation increased by £1m (9%) to £11.9m (2021: £10.9m) due to the continued investment in our capital investment programme.

Other operating income increased by £1.1m (50%) to £3.3m (2021: £2.2m) due to £1.9m of insurance receipts (2021: £1.7m) related to damage caused by a chemical spill in 2017 at Elmer Treatment Works, and profit on disposal of assets of £1.3m primarily due to the sale of Woodcote reservoir site in 2022 (2021: £0.6m).

A £0.8m commercial settlement was included in relation to additional opex spend incurred as a result of delays to the Aptumo billing system.

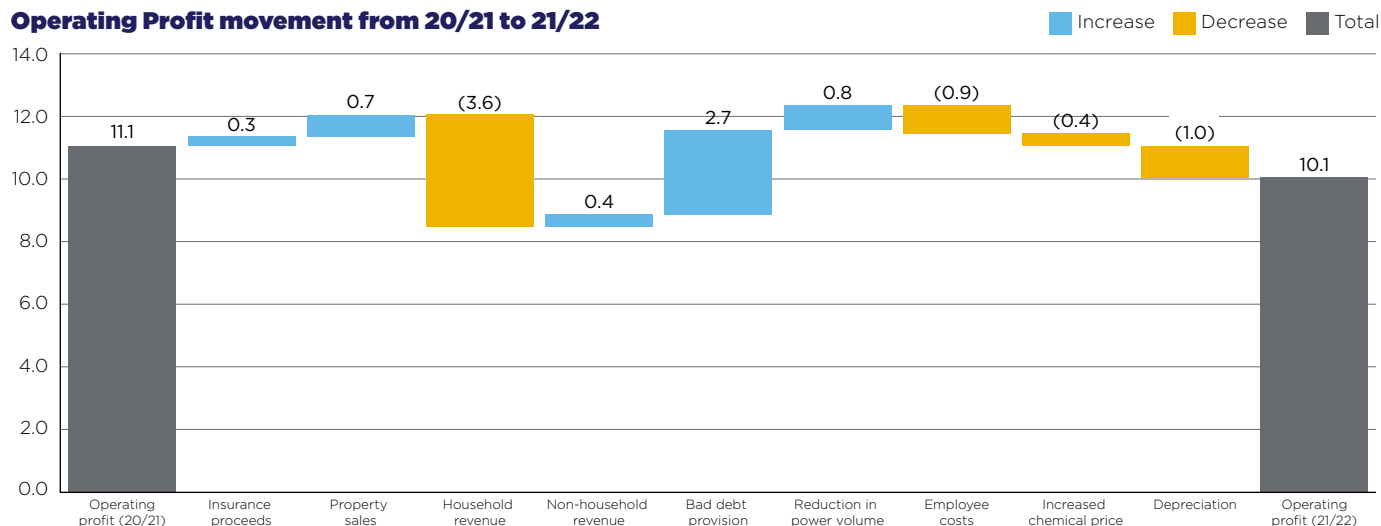
### Bad Debt

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. As noted in the prior year annual report COVID-19 adversely impacted our customers' ability to pay their water bills and as a result the expected credit loss model (bad debt provision) was significantly increased to £7.9m. In 2021/22 we have proactively worked to reduce the older debt through the engagement of debt collection agencies where customer have been able but unwilling to pay their bills. Despite the pressures seen externally with the cost of living crisis we have not needed to increase our provision due to the success we have initially seen in our debt collection strategy.

### Operating Profit

As a result, operating profit reduced by 9% to £10.1 million (2021: £11.1m) due to the reduced revenues combined with increased costs noted above and can be summarised in the graph below:

### Operating Profit movement from 20/21 to 21/22



### Financing Costs

Financing costs increased to £15.9m (2021: £8.0m) a 100% increase due to the impact of high inflation on our index linked bond increasing the charge in the year by £4m. Although inflation is not a cash item in the year, it increases the value of the debt owed to bondholders which is payable in cash instalments to 2031. In addition we renegotiated the terms of the index linked debt with our bondholders to be beneficial for cashflows over the remaining term of the loan; this incurred a commercial fee of £3.5m that is included in the March 2022 financing costs and is payable over the period to 2031.

## Key Financial Metrics

Year ended	2022 £'000	2021 £'000	Change £'000	Change
Dividends paid	<b>3,516</b>	4,910	(1,394)	(28%)
Capital Expenditure including intangibles	<b>27,000</b>	26,492	508	2%
Net pension scheme asset	<b>25,293</b>	19,470	5,822	30%
Cash and cash equivalents	<b>24,102</b>	25,601	(1,499)	(6%)
Net Debt	<b>210,202</b>	186,631	23,571	13%
Interest Cover Ratio	<b>2.3x</b>	1.6x		
Regulatory gearing	<b>72%</b>	71%		
Bond Gearing	<b>72%</b>	77%		
	<b>Baa2</b>	Baa2		
Moody's Credit rating	<b>(stable)</b>	(negative)		

### Tax

In 2021/22 we paid contributions to HMRC of £4.6m 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.

An increase in the corporation tax rate from 19% to 25% from financial year 2023 was announced as part of the Spring budget update by the Chancellor. This resulted in a one-off deferred tax charge of £13m from re-calculating our opening deferred tax balances at the new rate, which is included in our reported tax charge of £12m. Deferred tax is an accounting adjustment that reflects differences in timing between when profits are recorded in financial statements and when they are subject to tax. Because of the nature of our business, including our significant capital programme and the long lives of our assets, these timing differences will not reverse for the foreseeable future. This is non-cash in nature in the year and will have minimal cash impact in the foreseeable future.

### Dividends

Ordinary dividends paid reduced by £1.4m (2021: £4.9m) to £3.5m and were payable from profits arising from the Company's regulated and non-regulated activities. The Board carefully considered the payment of these dividends in line with our dividend policy, taking into account service delivery for our customers. A full explanation of these dividends payments is provided in the Directors' report on page 108.

The capital expenditure noted above is based on an accruals basis for work done in the year, this reconciles to what is presented in the cashflow forecast by removing £0.8m 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)	£27.0m
Adjustment for Capex incurred but not yet paid	(£0.8m)
PPE and intangibles spend shown in the cashflow statement	£26.2m

### Capital Expenditure

During the second year of AMP 7 we invested £27.0m (2021: £26.5m) in our capital investment programme. Key projects include:

- Investment in the ongoing replacement of pipes in our distribution network £6.7m (2021: £5.6m) enabling targeting replacement based on age, condition and performance of our network.
- A further £1.8m (2021: £2.3m) to improve our resilience mains (to ensure water can be efficiently moved around our supply area now, and in the future)
- £0.8m (2021: £0.8m) was spent on extending our network into new housing developments.
- £8.9m (2021: £11.4m) was invested on replacing and upgrading our treatment works, pumping stations, service reservoirs and other operational sites. Bough Beech phase 3 £4.3m.
- A further £3.2m (2021: £2.1m) was invested into our ongoing metering programme to ensure we can accurately bill and monitor water usage and predict future demand trends.
- £3.1m (2021: £0.6m) was invested in IT, including replacing our billing system that went live in October 21.
- Other expenditure on capex including facilities and our laboratories totalled £2.5m (2021: £1.9m)

## Our financial performance continued

### Pension scheme

The Company is a member of Water Companies Pension Scheme (WCPS) which is a defined benefit scheme. The SESW scheme 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.

In 20/21 we completed the triennial valuation dated 31 March 2020 for the defined benefit scheme. The accounting valuation has been updated to 31 March 2022 by our independent actuary Lane Clark and Peacock. The scheme remains in surplus with a pension scheme asset of £26.3m, (2021: £20.5m) an increase of £5.8m included in the balance sheet regarding the defined benefit scheme. The increase was due to an increase in the yields available on corporate bonds, higher returns on the section's assets and changes to the mortality assumptions included in the valuation, however these increases were partially offset by increases in inflation expectations.

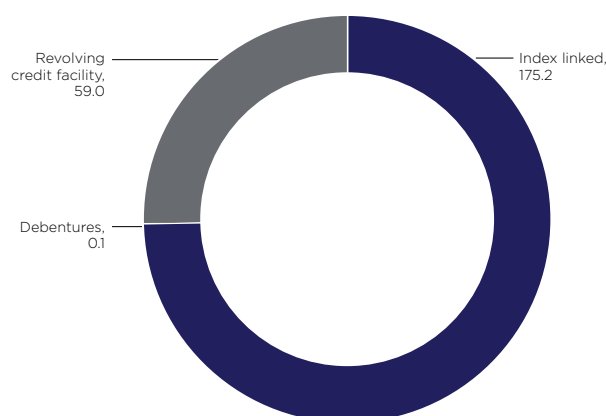
### Cash and net debt

The Company held cash and cash equivalents at the year end of £24.1m (2021: £25.6m). Cash from operating activities fell by £5.2m to £9.7m (2021: £14.9m) due to the impact of lower revenues noted as customers returned to lower consumption levels post pandemic lockdowns and non-household consumption remaining lower post COVID-19 recovery.

The Company invested £27m, an increase of 1% on the capital programme of £0.5m (2021: £26.5m) The Company had cash receipts of £11.5m, an increase of £3.4m (42%) compared to the prior year from financing activities.

The Company's net debt at 31 March 2022 is £210.2m, an increase of £23.3m (13%) (2021: £186.6m). This was primarily driven by the increase in the use of our revolving credit facilities which were £59.0m at the year end, an increase of £15.0m (34%) (2021: £44.0 million), to fund our capital programme. The carrying value of our £100.0 million index linked bond increased by £7.1m to £175.2m (2021: £168.2m). This increase was driven by an increase in RPI with an average RPI of 5.8% (2021: 1.2%) and interest charges of £5m (2021: £4.7m).

### Types of debt held within SESW



In the year the Company increased its access to funding by increasing the Revolving Credit Facility by £25m to £75m, as a result the Company is expected to have at least 12 months of liquidity. The graph shows our current mix of debt.

### 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. In October 2021 Moody's increased their rating of Baa2 to stable outlook (2021: Baa2 Negative outlook.) By maintaining our above investment grade credit rating it allows us to have access to efficiently priced debt as we continue to invest and fund our capital programme, whilst balancing the need to have affordable bills for our customers.

In accordance with our £100.0 million 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. The ratio as defined by our bond was 71.7% (2021: 78.2%), within the 80% permitted by our covenants. The increase in borrowing is driven by our continued investment in the capital programme in accordance with our Business Plan.

Our interest cover for the year was 2.3x (2021: 1.6x), and our adjusted interest cover ratio (AICR) as defined in the bond agreement (including the indexation charge on the bond) was 1.0x (2021: 1.0x), again within the minimum levels required of 1.00. The reduction in cover is driven primarily by the fall in profits over the year.



# Managing Risk

## Managing risk is a key activity embedded in our culture

### Principal and emerging risks

Risk management is an integral part of our Company management systems and procedures that underpin the delivery of our Company policies. We continually monitor and ensure appropriate mitigation of the risks we face. In this section we put the spotlight on some of our principal and emerging risks and how we manage them.



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 Audit Committee formally reviews 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 key risks to the Company prior to the adoption of mitigating measures. Emerging risks are new risks, familiar risks in a new or unfamiliar context (re-emerging), trends, innovations and potential game changers.

Principal risk	
Cyber attack	
What is the risk?	What does it mean for us?
That we may experience loss of data (including personal data), ransomware issues or interruptions to our key operational control systems as a result of a cyber-attack.	If we experience an attack that results in the loss of data, the security of our customers and employees' personal information could be compromised and we risk a significant fine under the General Data Protection Regulations (GDPR). If the attack is on our operational control system, it may result in us being unable to provide high quality drinking water to our customers. In this case action would be taken against us by the Drinking Water Inspectorate which would also include a financial penalty.
Pledge	Risk after mitigating action
	
What are we doing to manage the risk?	
<p>We have completed the roll out of the next generation of anti-virus protection across all our users. This includes three layers of security and detects and blocks even the most sophisticated threats in near real time. It is a cloud-based system and runs continually in the background without any impact on the user.</p> <p>We introduced multi-factor authentication, which requires another layer of identification when accessing our network, for all office-based staff. This is particularly important with the increase in employees working at home due to Covid-19 and is being rolled out across all users.</p> <p>We have seen a rise in phishing scams with emails being sent to employees becoming more sophisticated and appearing more authentic. To address this, we have enhanced our testing regime. We send staff different emails at different times making it harder for them to identify a potential scam and by sending emails that mimic those sent by the scammers.</p>	<p>We are also tracking how employees respond more closely and can intervene with additional support and training where needed. All new employees receive cyber security training and are immediately included in our testing programme.</p> <p>We carry out network penetration testing every six months where third party security professionals carry out controlled hacking attempts on our network. This identifies and tests any weaknesses that could be exploited by cyber criminals. No high-risk vulnerabilities were found in our most recent test, but a small number of medium risk vulnerabilities were identified which we are addressing.</p> <p>The issue of cyber security is regularly reported to the executive management team and is discussed at the Board and Audit Committee. The Board receive cyber safety and awareness training and a full suite of online cyber awareness training is accessible for all employees.</p>

## Managing Risk continued

### Impact

High	⬇️	—	⬆️
Medium	⬇️	—	⬆️
Low	⬆️	—	⬆️
Likelihood	Unlikely	Possible	Likely

#### Principal risk

##### Reduced availability of employees

###### What is the risk?

That we may experience a shortage of resource, leading to an inability to operate effectively, due to an event that is outside of Company control, such as the Covid pandemic, or due to factors that result in high levels of employee turnover.

###### Pledge

###### Risk after mitigating action



###### What does it mean for us?

We are reliant on the availability of trained operational employees and technical professionals to ensure we continuously deliver high quality water for our customers and meet all of our regulatory obligations, and our employees rely on access to all support services for their personal wellbeing.

###### What are we doing to manage the risk?

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.

To promote the recruitment and retention of employees we ensure our employee benefits and conditions of

employment remain competitive, 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 group of talent in the labour market.

#### Principal risk

##### Water supply or water quality failure

###### What is the risk?

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, or a failure of internal processes resulting in the distribution of contaminated water.

###### Pledge

###### Risk after mitigating action



###### What does it mean for us?

If the main water supply to some areas that we serve is cut off for an extended period of time we would need to provide alternative supplies. In the event of an interruption to supplies we would need to ensure that priority customers such as hospitals, schools and customers with vulnerabilities are provided with adequate water supplies. If the water we distribute is not suitable for consumption, we risk causing illness or concern to customers. Such events could result in us failing to meet our performance commitment targets and receiving a financial penalty, as well as significant negative reputational impact.

###### What are we doing to manage the risk?

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.

Work is on-going 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 real-time, 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.

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.

## Pledges



We will provide you with high-quality water all day, every day



We will provide excellent service, whenever and however you need it



We will provide your service at a fair price and offer help when you need it



We will support a thriving environment we can all rely upon



We will provide you with a service that is fit now and for the future

### Principal risk

#### Current UK economic uncertainty

##### What is the risk?

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; with our operational cost base elevated.

##### What does it mean for us?

The cumulative impacts of rising bad debt and increased costs to deliver impact cash flow and restrict the funds available to support the fulfilment of our regulatory duties and impact reputation

##### Pledge

##### Risk after mitigating action



##### What are we doing to manage the risk?

There continue to be a multitude of options available to support customers in paying their bills and there is a clear debt recovery strategy and expert partners engaged to assist with that programme, including a review of all void properties

Recovery plans are in place for all areas where performance needs to improve and efficiency needs to be delivered, with progress presented at monthly senior leadership review meetings.

### Principal risk

#### Climate Change

##### What is the risk?

That we do not plan for and respond appropriately to the potential risks to water resource availability (due to drought or deterioration in source quality) and ability to supply (due to flooding), or we are responsible for negative impacts on the environment through reduction in biodiversity and high energy and carbon use, resulting in a failure to meet regulatory expectations.

##### What does it mean for us?

If we do not prepare for and adapt to the potential impacts of climate change we may fail in our pledge to deliver high quality water all day every day for our customers and therefore fail in our regulatory obligations and commitments impacting our reputation and with the potential for financial penalty.

##### Pledge

##### Risk after mitigating action



##### What are we doing to manage the risk?

We have established multiple workstreams to ensure we are assessing the potential areas of challenge and risk and preparing for the additional workload and investment needed, including the requirement to appoint

appropriately qualified resources. Key measures of the workstream deliverables are being reported and monitored, with specific support and engagement through the Environmental Scrutiny Panel and Board.

## Managing Risk continued

### Significant External Factors impacting multiple risks

#### COVID-19

##### What is the risk and what does it mean for us?

The COVID-19 pandemic continued to have an impact on our operations through 2021 and into 2022 and key areas of influence are noted below.

##### Staff absence and staff retention

Whilst the risk of staff absence due to COVID-19 remained high throughout much of the year we saw a lower level of absenteeism than projected and routine operational delivery was not negatively impacted. We continued to manage the impact as an event and were particularly mindful of the impact on the mental health and wellbeing of our employees when both working at home and during re-mobilisation to the office.

Contrary to the position in the early stages of Covid-19 when employees were nervous about seeking new opportunities, we are now faced with quite high levels of turnover as employees reconsider their options and work-life balance.

##### Bad debt increase

This risk remained very high due to the financial impact the pandemic continued to have on some household customers and their ability to pay their water bills.

##### Penalties from non-delivery of business plan performance commitments

COVID-19 continued to impact our ability to make as much progress against some of our performance commitments in the second year of the business plan period as expected. Lockdowns and social distancing requirements stopped us carrying out some non-essential activities. In particular, our work to reduce household consumption was impacted, as well as the next phase of our network resilience programme.

### Significant External Factors impacting multiple risks

#### Conflict in Ukraine

Alongside the consideration of the impact of the conflict on the operational risk to our Company, we have conducted a review of our suppliers to ensure we comply with relevant sanctions legislation. A summary of that review has been presented to the Audit Committee and confirms that while we have a small number of suppliers based outside of the UK, none are directly linked to Russia. We are continuing to monitor the intelligence available as to the source of raw materials used in the manufacture of one of the chemicals critical to water conditioning that is utilised across the water industry.

### Emerging risks

#### Supply Chain Fragility

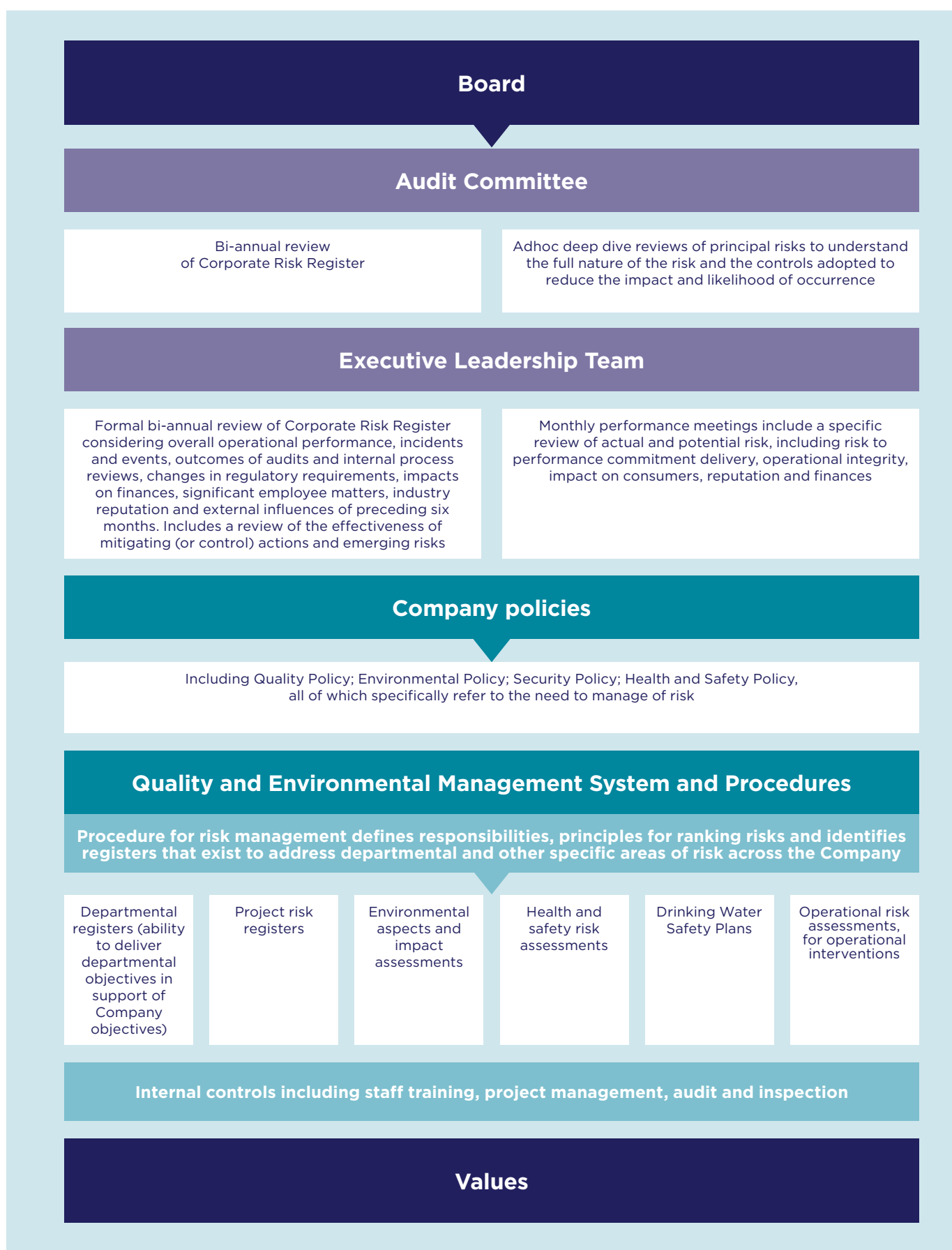
The compounding impact of Brexit, COVID-19 and the conflict in Ukraine results in increased disruption to supplies putting the ability to supply wholesome water at increased risk or significantly increasing costs to deliver.

#### Rising Inflation and cost of living

Whilst considered as an overriding contributory factor in the most recent review of the relevant risks in the register, further significant rises in inflation and the cost of living may warrant specific consideration and mitigation strategies.

















# Board oversight of risk



# Principal and emerging risks

## Managing risk is a key activity embedded in our culture

Our principal risks are provided in the table below, grouped into categories that consider financial and reputational impacts. Key emerging risks are also shown, which have the potential to increase in significance, and we have also indicated where COVID-19 has a specific impact on our risks. We continually monitor all of our risks and a formal register ranks them and keeps tracks of mitigations.

Risk	Pledge	Effect	Mitigations	Risk after mitigating action
<b>Business systems</b>				
<b>Cyber attack</b>		Interference with operational controls Loss of personal data	<ul style="list-style-type: none"> <li>- Multiple layer security</li> <li>- Controlled access to Company systems</li> <li>- Participation in expert forums</li> <li>- Regular testing and enhancement of security measures</li> <li>- Increased employee awareness training</li> </ul>	
<b>Non-compliance with legal obligations</b>		Failures lead to enforcement action and reputational damage	<ul style="list-style-type: none"> <li>- Employee training and awareness</li> <li>- Formal processes for compliance with market codes</li> <li>- Increased dedicated resources</li> <li>- Independent audit assurance</li> </ul>	
<b>Failure of billing system</b>		Temporary loss of revenue Poor customer experience	<ul style="list-style-type: none"> <li>- Billing system replaced</li> <li>- Formal support from system provider</li> <li>- Resilient IT infrastructure</li> <li>- Adequate liquidity for temporary loss of billing capability</li> </ul>	
<b>Inability to adapt to impact of climate change</b>		Failure to meet regulatory expectations Environmental impact affecting water resources Financial impact of inadequate investment	<ul style="list-style-type: none"> <li>- Specific environmental performance commitments in our business plan</li> <li>- Creation of a new Environmental Scrutiny Panel</li> <li>- Dedicated Energy Strategy Committee</li> <li>- Board leadership through a new environmental, social and governance strategy (ESG)</li> </ul>	
<b>Physical assets</b>				
<b>Water supply shortage due to drought</b>		Customer demand not met	<ul style="list-style-type: none"> <li>- Detailed water resource management planning including at a regional level</li> <li>- Maintaining ability to treat peak demand at treatment works</li> <li>- Resilience and flexibility of network</li> <li>- Roll-out of universal metering programme</li> <li>- Water efficiency programme</li> </ul>	
<b>Large scale water supply or quality failure, including by deliberate acts</b>		Disruption to supplies Failure of statutory duty	<ul style="list-style-type: none"> <li>- Increase in prosecutions for illegal connections</li> <li>- 24/7 manned Control Room and standby arrangements</li> <li>- Detailed control procedures and automated treatment processes</li> <li>- Security measures at all sites</li> <li>- Asset flood protection</li> <li>- Extensive sampling regime &amp; in-house laboratory</li> <li>- Targeted asset maintenance and investment</li> <li>- Increase in number of customers who can be supplied by more than one treatment works</li> </ul>	
<b>Supply chain fragility</b>		Increased costs and potential impact to ability to supply wholesome water	<ul style="list-style-type: none"> <li>- Framework contracts, Industry intel, Event management and forward planning</li> </ul>	

## Impact

High			
Medium			
Low			
Likelihood	Unlikely	Possible	Likely

## Pledges

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

Risk	Pledge	Effect	Mitigations	Risk after mitigating action
<b>People</b>				
<b>Absence of large numbers of staff</b>		Failure of normal business operations	<ul style="list-style-type: none"> <li>Health benefits including flu injections offered to employees</li> <li>Staff engagement and consultation to avoid industrial action</li> <li>Focus on health, safety and wellbeing of staff</li> <li>Cross-training and succession planning</li> <li>Annual disaster recovery exercises</li> <li>Industry mutual aid agreements</li> </ul>	
<b>Failure to recruit, retain and develop high quality staff</b>		Degradation of service to customers and business success	<ul style="list-style-type: none"> <li>Competitive employment conditions and employee benefits</li> <li>Investors in People silver recognition</li> <li>Performance-related pay for senior employees</li> <li>Use of expert recruitment partners</li> <li>Staff recognition schemes</li> <li>Training and development</li> <li>Annual employee engagement survey</li> <li>Hybrid working</li> </ul>	
<b>Financial</b>				
<b>Penalties for not delivering regulatory performance targets</b>		Lower revenue recovered from customers Reputational damage including the impacts of not achieving our C-MeX and D-MeX targets	<ul style="list-style-type: none"> <li>Improvement and recovery plans in place. This includes improving services to all our customers, including developers, through targeted action plans and supplemented by system improvements through the implementation of a new billing system</li> <li>Dialogue with regulators including representations on specific impacts of the pandemic</li> </ul>	
<b>Resilient financing</b>		Insufficient funding to fulfil duties Failure to meet efficiency targets Increase in borrowing costs breaches financial covenants	<ul style="list-style-type: none"> <li>Updated totex plan in place</li> <li>Reviewing optimal financial arrangements to ensure gearing remains at an acceptable regulatory level</li> <li>Credit agency liaison</li> <li>Detailed treasury controls at key measurement points</li> <li>Adequate reserves in place</li> </ul>	
<b>Customer participation</b>				
<b>Increase in bad debt</b>		Loss of revenue, reducing liquidity with increased reliance on debt	<ul style="list-style-type: none"> <li>Variety of bill payment support options offered</li> <li>Regular reviews of cash collection and debtor rates</li> <li>Recovery plan in place</li> <li>Payment of deferred wholesale charges from retailers</li> </ul>	

The Strategic Report was approved by the Board of Directors on 8 July 2022 and signed on its behalf by Paul Kerr, Chief Financial Officer