UK Corporate Governance Code Index table

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

1.

Board leadership and Company purpose

The role of the Board is to provide leadership and to review the overall purpose and strategic development of the Company. The purpose of the Company is to 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. We believe it's not just our duty to supply water, but to use it as a force for local good. That's why we are doing all we can to protect, improve and enrich our natural environments, for our customers and generations to come. As a Board we strive to ensure that the Company's purpose is embedded in every decision that we make, as well as the decisions and actions of employees.

Read more on pages 82, 83, 86 and 87

2.

Division of responsibilities

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

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

Read more on page 112

3.

Composition, succession and evaluation

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

Read more on pages 79 and 80

4.

Audit, risk and internal control

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

Read more on page 64

5.
Remuneration

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

Read more on pages 94 and 107

6.
Compliance statement

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

- Board composition: Provision 11 of the Code states that at least half the Board, excluding the Chair, should be independent non-executive directors. We have three independent non-executive directors and comply with the Ofwat objective in this area, as explained on page 74
- Chair's independence: Provision 9 of the Code states the Chair should be independent at the time of appointment. The circumstances around the appointment of the previous Chair are explained on page 77 along with the succession to the new chair
- Given that Dave Shemmans, under the FRC code, is no longer considered independent upon his appointment as Chair of the Board, there was a short period of time (from 23 March 2022 to the appointment of Rebecca Wiles on 26 May 2022) where the Audit Committee membership was not fully independent, the majority of the Nomination Committee's membership was not independent and where the independent non-executive directors did not form the single largest group of the Board. This was rectified by the appointment of Rebecca on 26 May 2022, and in the intervening period the directors did not consider the decision making of the Board and its committees to be adversely impacted.
- Provision 38 of the Code states the pension contribution rates for executive directors should be aligned with those available to the workforce. The policy for incumbent directors and any new appointments is set out on page 98 in the Remuneration Report

Read more on page 94

Our Board of Directors

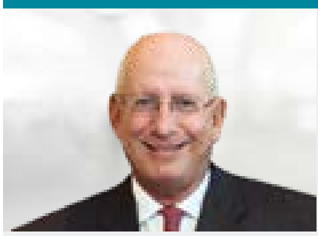
Chair

Dave Shemmans
Chair, non-executive

Committee membership
- Chair of Health, Safety and Wellbeing Committee
- Member of Audit Committee (resigned from Committee on 23 March 2022)
- Chair of Nomination Committee
- Member of Governance Committee

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

Chair up to March 2022



Jeremy Pelczer
Chair, non-executive

Skills and experience
Jeremy was elected Chair in April 2013 and stepped down from the position in March 2022 after three consecutive terms, over nine years.

Executive directors

Ian Cain
Chief Executive Officer

Committee membership
- Member of Nomination Committee
- Member of Governance Committee
- Member of Energy Strategy Committee
- Member of Health, Safety and Wellbeing Committee

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

Paul Kerr
Chief Financial Officer & Company Secretary

Committee membership
- Member of Governance Committee
- Member of Energy Strategy Committee

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

Independent non-executive directors

Murray Legg
Senior non-executive director

Committee membership
- Chair of Audit Committee
- Chair of Governance Committee
- Chair of Energy Strategy Committee
- Member of Remuneration Committee
- Member of Nomination Committee

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

Jon Woods
Non-executive director

Committee membership
- Chair of Remuneration Committee
- Member of Audit Committee
- Member of Nomination Committee
- Member of Governance Committee

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

Shareholder-nominated non-executive directors

Ken Kageyama
Non-executive director

Committee membership
- Member of Governance Committee

Skills and experience
Ken joined the Board on 1 June 2021. He joined Sumitomo Corporation in 1991 and has held positions in water and energy infrastructure.

Kenji Oida
Non-executive director

Committee membership
- Member of Governance Committee
- Member of Energy Strategy Committee

Skills and experience
Kenji joined Osaka Gas in 1988 and has held various positions, including investment risk management and overseas downstream businesses. He joined the Board on 1 May 2019.

Joining the Board

Rebecca Wiles
Non-executive director

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

The Board's Code on principles of good governance

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

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

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

The Board considers it complies fully with the principle of governing the Company in accordance with the standards applicable to an independent public company in the UK apart from the exceptions highlighted on page 71

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

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

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

The Company has made disclosures in this Annual Report which meet the requirements of the Code. The terms of reference of its main Board committees are published on the Company's website. The relationship of the Company with its associated companies is set out on page 5.

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

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

All new directors receive appropriate induction. The Board formally reviews its performance every year, utilising an external facilitator every second year to enable this review. The progress on the actions arising from this year's most recent external Board effectiveness review is provided on page 79.

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

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

The Board has three non-executive directors who are independent of management and shareholders, one of whom has been appointed as the senior independent non-executive director able to act inter alia as a channel for Board communication with regulators. The Board also comprises two executive directors, two shareholder representatives and a chair. Dave Shemmans replaced Jeremy Pelczer with effect from 24 March 2022 as the independent Chair. Jeremy Pelczer had a connection with a shareholder prior to his appointment and the Board continued to find him independent of character during his tenure as Chair. Independent non-executive directors continue to form the largest single group on the Board, although given that Dave Shemmans, under the related FRC code, is no longer considered independent upon his appointment as Chair of the Board, a short period existed where the independent non-executive directors did not form the largest single group on the Board (from 23 March 2022 to the appointment of Rebecca Wiles on 26 May 2022). The Board considered Dave independent of character to continue to perform his duties during this brief period until Rebecca's appointment, and therefore considered there were no adverse impacts to the Board's decision-making during this short period.

5. Board committees
The Board will maintain as a minimum Nomination, Audit and Remuneration committees on which independent non-executive directors will form a majority, and also has Energy; Pensions; Governance; Health, Safety and Wellbeing and Financing committees which have independent non-executive director attendance and chairs. The Board also created a formal Environmental, Social and Governance (ESG) Committee in 2021/22, building on the focus by management on ESG matters in recent years, and reconstituted its Price Review Committee in light of the pending PR24 Business Plan submission.

The Company's ultimate holding company in the UK also applies a code on governance, which is published on page 85.

The Board considers it has fully complied with the main principles of the Code and its application. Any reasons for not applying specific provisions of the Code are described on page 71.

Consideration of Ofwat's Board Leadership, Transparency and Governance objectives

The Board continues to be heavily involved in ensuring the Company adheres to the 2019 BLTG objectives from Ofwat. This includes building on the substantial work performed in previous years to enhance the internal and external transparency of Board matters and key decisions throughout the organisation, and takes into account the recent April 2022 report from Ofwat in this area. The Board's assessment of the performance against these Ofwat leadership objectives is provided in the Annual Performance Report 2022.

Role of the Board

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

The matters reserved for Board approval are as follows:

Strategy and management, including:

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

Structure and capital, including:

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

Financial reporting and controls, including:

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

Maintenance of a sound system of internal controls and risk management, including:

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

The Board's Code on principles of good governance continued

Approval of significant projects and contracts above agreed levels, including:

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

Board membership and other appointments, including:

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

Remuneration, including:

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

Delegation of authority, including Board committees and division of responsibilities between the Chairman and the Chief Executive Officer:

- The division of responsibilities between the Chairman and the Chief Executive Officer which should be in writing
- Approval of terms of reference of Board committees
- Receiving reports from Board committees on their activities

Corporate governance matters, including:

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

Approval of policies, including:

- Code of Conduct and Business Ethics
- Equality, Diversity and Inclusion policy
- Health and safety policy
- Environmental policy
- Corporate social responsibility policy
- Charitable donations policy

Other matters, including:

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

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

No matters are reserved solely for the shareholders, and none of the matters above are reserved to any intermediate holding company. Any matters which are properly of concern for shareholders are openly discussed with the Chair of the Board and the full Board. In 2021/22, this has included shareholders' views on customer, health and safety, operational and financial performance of the Company during the second year of the COVID-19 pandemic.

Roles and responsibilities

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

Chair – Dave Shemmans is responsible for:

- The effective operation, leadership and governance of the Board
- Ensuring the effectiveness of the Board
- Setting the agenda, style and tone of Board discussions, including ensuring a focus on strategic and business critical decisions
- Ensuring all directors make an effective contribution to the Board through debate and discussion, balancing the executive, independent non-executive and shareholder-nominated non-executive contributions
- Ensuring directors receive accurate, timely and clear information

Chief Executive Officer – Ian Cain is responsible for:

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

Chief Financial Officer & Company Secretary – Paul Kerr is responsible for:

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

Senior independent non-executive director – Murray Legg is responsible for:

- Acting as a 'sounding board' for the Chair and as an intermediary for other directors
- Acting as lead contact for the independent non-executive directors with Ofwat
- Leading the Board's annual assessment of the Chair's performance
- Leading engagement with and oversight of the external financial and non-financial auditors

Composition of the Board

The Board benefits from the varied skills and experience of its independent non-executive directors and Chair. Further details of the composition of the Board and recent changes to the Board are detailed in the Nomination Committee report on page 86.

The Company has a policy that a register of directors interest is maintained and updated on a continuous basis by the Company Secretary. This register is presented and reviewed at the start of each Board meeting to ensure any conflicts of interest are readily identified and addressed. The proactive consideration of this register and the emphasis placed by the Board Chair on the accuracy and consideration by all Board members of their external interests, means any potential conflicts can be addressed in advance if needed. In 2021/22, no such conflicts of interest were identified.

Independent non-executive directors

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

Significant commitments of the directors held outside of the Company are disclosed prior to appointment and any changes are disclosed over the duration of the appointment. Current appointments are disclosed on page 72. All directors are required to allocate sufficient time to the Company to discharge their responsibilities effectively and the position in practice is reviewed as part of the annual review of Board effectiveness.

Jeremy Pelczer, the previous Chair, was not listed as independent as he was nominated by Sumitomo Corporation on its acquisition of the Company, but the Board has continued to find him independent of character. This independence of character, action and decision-making, exemplified in the manner in which Jeremy conducted himself as part of the Board, and was complemented by the powers reserved to the Board as noted above, together with the inherent strong independence based on the composition of the Board.

The Board's Code on principles of good governance continued

During 2021/22, examples of where Jeremy exhibited this independence of action and decision-making included the manner in which he handled the internal review of Board effectiveness and his utilisation of the senior independent non-executive director to conduct an objective process for determining the next Chair of the Board.

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

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

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

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

Statement of directors in performance of their statutory duties in accordance with statutory duties of s 172(1) of the Companies Act 2006

The directors have acted in a way that they consider, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

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

How does the Board engage with stakeholders?

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

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

As a result of these activities, the Board has an overview of engagement with stakeholders and other relevant factors, which enables the directors to comply with their legal duty under s172 of the Companies Act 2006.

Engagement in action – our ongoing responses to the COVID-19 pandemic

There have been various examples of this level of engagement with our stakeholders throughout the year by the Board, including participation in site visits with employees, engagement with industry and regulator representatives (such as Ofwat) at Board meetings, and the participation by our non-executives at industry forums. In addition, Board deep dives and training sessions continue to be used for discussion with experts in areas such as Competition law.

However, as in the prior year, the best example of such engagement (in a manner that was wholly consistent with the Companies Act requirements) was the continued work performed by the Board during the second year of the COVID-19 pandemic. This work included ensuring that:

- Management plans to deal with the COVID-19 pandemic continued to take into account the long-term impact to the Company of the pandemic for our customers, employees and other stakeholders ensuring that any decisions taken to handle the crisis – such as ensuring financial resilience by extending credit facilities or deferred capital projects due to accessibility issues – struck the right balance between short-term solutions for our customers and long-term concerns, such as overall business resilience
- Our employees continued to be fully engaged on the plans for handling the pandemic, especially during the end of the second year of the pandemic when a lifting of restrictions commenced. The Board ensured that senior management continued to meet weekly on COVID-19 matters (led by the wholesale directors as the incident controller), followed by individual team debriefs by each senior manager. A measured and considerate lifting of COVID-19 restrictions was therefore carefully relayed to employees, supplemented by virtual sessions from directors (such as the monthly open forum led by the Group CFO) and an up-to-date FAQ document available to all employees

- The plans to lift restrictions at the end of 2021/22 took into consideration the concerns and viewpoints of our customers and other stakeholders, ensuring that priorities and focus points for our most vulnerable customers were considered as part of our actions during the pandemic. The independent Customer Scrutiny Panel (CSP) was kept apprised of the plans to exit from our COVID-19 restrictions and any potential customer impacts
- Our actions in response to the ongoing COVID-19 pandemic always took into account the impact of the Company's operations on the community and environmental. For example, the reopening of our education centre at Bough Beech in early 2022 was taken after due consideration of wellbeing concerns for all involved. The Environmental Scrutiny Panel, similar to the CSP above, was also kept informed during the year of such actions, ensuring that the appropriate considerations were made when lifting our pandemic restrictions for the protection of the environment and our local community

As the Board of Directors, our intention is to behave responsibly and ensure that management operates the business in a responsible manner, operating within the highest standards of business conduct and good governance expected for a business such as ours and in doing so contributes to the success of our plans as we exit the COVID-19 pandemic.

As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally so that they, too, can be aligned to our responses during the second year of the pandemic.

Engagement in action – our workforce

Our executive directors have significant daily interaction with our workforce from the nature of their roles in the Company, which, due to the pandemic, was managed for much of the year via virtual meetings to ensure continuity of communications. However, the non-executive directors regularly engage directly with our employees, via visits to our treatment sites following the recent lifting of COVID-19 restrictions or from regular presentations at our Board meetings from members of the workforce.

One of our independent non-executive directors, Dave Shemmans, was designated by the Board to be the workforce representative from the Board. In this role, Dave attends at least one meeting per year with our employee representative forum (the 'Joint Negotiating and Consultative Committee' or 'JNCC'), in addition to his other regular interactions with the workforce (such as from his site visits at the Woodmansterne Treatment Works as part of his oversight role of capital projects).

From the JNCC discussions, Dave continued to provide the Board with a view – separate from executive management – of the culture of the business and workforce, the areas of concern that management are working to address, and the successes and morale of the workforce during the year. His work has allowed the Board to ensure that due regard has been provided on employee interests of the key decisions during the year by the Board, particularly during the second year of the COVID-19 pandemic. Such decisions in the year have included continuing to manage the workforce through the COVID-19 pandemic, approval of the new 1-year pay deal for the workforce and embedding of our new electric vehicle policy. While certain of these decisions may not be materially strategic to the Company, the use of a workforce designated non-executive director has enhanced the understanding and decision making of the Board on employee matters.

Dave's work with the JNCC continues to allow the Board to closely monitor and assess the culture of the Company, providing the Board with assurance in particular matters, such as health, safety and wellbeing and the continued importance of operational and regulatory compliance.

Following Dave's transition to Chair of the Board on 24 March 2022, another independent non-executive director – Jon Woods – has stepped into this workforce representative role.

In addition, in 2021/22, the Board has continued to oversee the Company's engagement with the workforce on enhancement of the Company's purpose. This work commenced in prior year and has continued in 2021/22 where – under the Boards' direction – the Company has worked with senior management to conduct a collaborative process of engagement to develop and embed our purpose within the Company and wider community. Such work is aligned to Ofwat's focus on long-term delivery strategies and plan ahead of our PR24 business plan submission.

Finally, with the transition of the Chair of the Board from Jeremy Pelczer to Dave Shemmans, both individuals took advantage of this event to further engage with the workforce, jointly participating in a "Meet the Chair" day at our head office and Elmer water treatment works, allowing time to be spent with operational and head-office staff to further understand the current concerns and focal points of the Company's staff.

Evaluation of Board effectiveness

The most recent external review of Board effectiveness was facilitated in 2020/21 by Independent Audit Ltd during April and May 2021, with the results presented to and discussed at the Board meeting in June 2021. The exercise was conducted using a self-assessment questionnaire developed by Independent Audit Ltd with input from the Chair and Company Secretary, together with interviews with the Chair, CEO, senior independent non-executive director and CFO. The questionnaire was completed by each

The Board's Code on principles of good governance continued

member of the Board, together with other members of the executive team/ senior management who regularly attend Board meetings. The feedback provided by the interviews and completed questionnaires was then collated and analysed by Independent Audit Ltd and summarised in a report presented by them to the Board. This report reflected the key feedback themes and included suggested actions for consideration by the Board. Independent Audit Ltd have no other connection with SES Water.

The report highlighted several aspects of strong performance from the Board which had increased the latter's effectiveness in the year, including excellent open dialogue, full participation by all non-executives in discussions, further time incorporated into agendas to discuss the Company's purpose, culture and strategy and closer interactions with the workforce.

An internal review of Board effectiveness was conducted in 2021/22, led via the chair Jeremy Pelczer, with results presented to and discussed at the Board meeting in March 2022. This internal effectiveness review confirmed the positive progress of the Board on the matter previously raised by the preceding external review and provided a series of recommendations for Board focus in 2022/23.

The status of recommendations from the 2020/21 external board effectiveness review, and actions arising from the 2021/22 internal board effectiveness review, and documented below.

All actions from previous effectiveness review of the Board have been completed as documented in the 2019/20 APR.

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

Training and development

Directors are primarily responsible for their personal development and for compliance, where appropriate, with the continuing professional development requirements of their respective professions. The Board also receives regular updates on legislative, regulatory and other governance developments, including briefings from external specialists as appropriate. Such updates have been supplemented in 2021/22 through a formal Board training schedule, which has included access to various online training modules, together with specific training on Competition Act matters. In addition, the Board periodically visits the Company's water treatment works and enquires into operational policies, practices and procedures, although this has been curtailed to a degree due to the ongoing restrictions imposed by COVID-19 for the majority of 2021/22.

Board effectiveness

The Board met six times during 2021/22 to conduct regular Board business, in addition to nine separate meetings to deep-dive on specific topics, including preparation for PR24 and billing system implementation. Committees met as required and considered regular and ad-hoc business. Attendance at meetings by directors is summarised on page 82.

The Board has also established ad hoc Committees to consider key risk items, including the strategy for power purchases (an Energy Strategy Committee), for managing the Company's exposure to risks associated with the defined benefit pension scheme (a Pensions Risk Management Committee), for considering the way in which the Company should be financed in the future (a Financing Committee), health, safety and wellbeing matters (a Health, Safety and Wellbeing Committee) and a Governance committee to consider both recent requirements from Ofwat and the FRC in the area of BLTG. In addition, the Board also created a formal Environmental, Social and Governance (ESG) Committee in 2021/22, building on the focus by management on ESG matters in recent years and reconstituted its Price Review Committee (PR24 Committee) in light of the pending PR24 business plan submission.

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

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

System of internal control

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

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

- There is an ongoing process for identifying, evaluating and managing the principal and emerging risks faced by the Company
- The systems have been in place for 2021/22 and up to date of approval of the Annual Report and accounts
- The systems are regularly reviewed by the Board
- The systems meet the FRC 2014 guidance on these matters

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

1. Control environment

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

2. Risk management

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

An overview of key business risks and the mitigations the Company has established are presented on pages 63 to 69.

Board effectiveness action points from 2020/21 external review	Board response
Set clear environmental, social and governance (ESG) targets and object which reflect the Company's values	Through the ongoing work of the newly formed ESG Committee, and in conjunction with PR24, the Board is developing a set of long-term ESG goals that will align to Company values
Ensure there is a clear framework for agreeing targets for values an culture and embedding in the business	Based on the work on company purposes and values, and the preparation work for long-term delivery plans for PR24, the Board continues to monitor and assess the culture of the business, making recommendations where needed
Understand further the strategic opportunities and risk presented through new technologies	The Board had reviewed and approved digital "road maps" from the Chief Information Office to allow and understand of opportunities and risks in this area
Continue to expand the Board's discussion on principal risks to ensure useful and relevant to the Company decision making	The Board's agendas and deep dives have been enhanced to focus on principal risks based on the most recent risk register review
Expand the Board's consideration of how emerging leading practice in the water sector and other industries could enhance the Company strategy	The Board has continued to expand the data it receives with relation to market "benchmarking" allowing both the Board and senior management to improve decision making

Board effectiveness action points from 2021/22 internal review	Board response
Increase the level of challenge provided by the Board to management to ensure momentum maintained on both strategic and operational focus areas	Greater time will be provided in Board agendas in 2022/23 to ensure that adequate time is taken to deep dive with management on areas of underperformance to understand and address root causes – in particular customer service
Spend further time reviewing "people" matters with management, taking into account the recent feedback from employee engagement surveys	Dedicated Board time will be taken to review key tenets of the people strategy, overall people resilience matters and further feedback from the recent employee survey and JNCC discussions
Ensure a platform for review and discussion of long-term critical decisions for the Company is provided for the Board	The upcoming PR24 Committee discussions, with the focus on long-term delivery strategies and plans, should provide such a forum in 2022/23
Lead by example with respect to diversity by proactively ensuring levels of diversity are brought to bear in the Board meetings	The recruitment of new independent non-executive director, Rebecca Wiles, allows a level of diversity at Board level, and the EDI Committee will also work closely with the Board going forward to further such diversity initiatives

The Board's Code on principles of good governance continued

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

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

5. Monitoring system
The Company's internal financial, operational and compliance control systems have been reviewed in the context of evolving legal and regulatory requirements and additional assurance procedures have been agreed and implemented. The Company has published an Assurance Framework on its website. The Audit Committee has reviewed the application of this targeted assurance plan and has reported its conclusions to the Board.

The Committee has also considered the need for a dedicated internal audit function in the light of the development of the Quality and Compliance function since its establishment in 2014. Having agreed a programme of internal audit work to be undertaken by a combination of internal and external resources, the Committee has concluded that a separate internal audit function continues not to be needed at the present time. The monitoring and control arrangements operated in the year are considered good based on the internal assurance received from the above audit programme, with enhancements implemented that increased the capability of internal audit to review financial controls within the business. The external auditor has been informed of the Company's internal audit programme and tailored its external audit work as needed.

Taxation strategy

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

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

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

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

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

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

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

Board attendance record 2021-22

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee
Jeremy Pelczer	14/15	n/a	n/a	4/4
Murray Legg	14/15	4/4	2/2	4/4
Dave Shemmans	15/15	4/4	2/2	4/4
Jon Woods	13/15	4/4	2/2	4/4
Kenji Oida	14/15	n/a	n/a	n/a
Ken Kageyama*	14/14	n/a	n/a	n/a
Paul Kerr	15/15	n/a	n/a	n/a
Ian Cain	14/15	n/a	n/a	4/4

* Ken was appointed on 1 June 2021

Tax risks are encompassed within the Company's general risk management framework (described on pages 63 to 69). In any particular year the principal tax risks arise from changes in legislation or the interpretation of taxation law in practice, leading to higher taxation liabilities than have been allowed for in prices charged to customers.

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

Fair, balanced and understandable assessment

The Board has given careful consideration to whether the Annual Report and accounts, taken as a whole, is fair, balanced and understandable in accordance with the requirements of the Code. The preparation of this document is overseen by the executive directors with input from senior executives from across the business. The whole report has been reviewed in detail by the Audit Committee, which has noted the close personal involvement of directors who are involved in the day-to-day operation of the business and therefore well-placed to ensure the accuracy of matters reported, and the thorough assurance processes which underpin the reliability of key performance information. The Board is therefore satisfied that the document meets the requirements of the Code in this respect.

Going concern

The Company's activities, together with the factors that are likely to affect its future development, performance and position, are set out in the Strategic Report on pages 1 to 69.

The financial position of the Company is set out on pages 58 to 62. Note 2.26 of the Financial Statements on page 134 sets out the Company's position in relation to risks associated with financial instruments, credit and interest rates and describes the Company's risk mitigation measures.

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

The directors 'conclusions on the going concern basis include the consideration of amounts available under the Company's committed revolving credit facility of £75m using mitigating actions as needed should any plausible downsides occur.

No repayments of the Company's long-dated bond are due within the next 12 months, and the directors have considered reasonably plausible but severe downsides, including the potential ongoing effects of COVID-19 on reduced income and cash in the household and non-household markets, potential impacts arising from the current cost-of-living issues and high-inflation environment and potential associated bad debt issues. These scenarios, of reduced income and cash collection in the market, given the potential effect of COVID-19 on customers' ability to pay, were assessed against the long-dated bond financial covenants, which showed that such covenants were not breached as a result of the downside scenarios. If required, the Company has a number of mitigating actions to deal with liquidity issues, including re-scoping and deferral of capital projects.

Long-term viability statement

The directors have assessed the viability of the Company to March 2032, taking account of the Company's current position, performance and the potential impact of the principal risks documented in the Strategic report. Based on this assessment, the directors have a reasonable expectation that the Company will be able to fulfil its obligations, including meeting its liabilities as they fall due, over the period to March 2032.

In making this statement the directors have considered the resilience of the Company's financial position based on its projections as incorporated in the PR19 Business Plan (updated through the acceptance of Ofwat's Final Determination in February 2020 and taking into account the Company's latest 2021/22 performance).

The directors have tested the Company's ability to withstand the impact of the following scenarios suggested by Ofwat, all of the individual scenarios are met with the exception of the combined scenario:

- Failure to deliver regulatory performance commitments equivalent to 3% of the allowed return on regulatory equity in any one year.
- 1% inflation increase and 1% inflation decrease over five years.
- 5% increase in bad debt.
- 2% increase in interest rates.
- 10% totex overspend over five years.
- 3% of turnover financial penalties
- Combined scenario of 10% totex overspend over five years, penalties for failure to deliver regulatory performance commitments of 3% of the allowed return on regulatory equity and financial penalties equivalent to 3% of turnover.

The directors have also tested the Company's ability to withstand the impact of certain company-specific scenarios, including:

The Board's Code on principles of good governance continued

A cyber-attack that results in a fine of 4% impact of revenues:

- A cyber-attack on the Company's informational and operational technology systems leads to short-term asset failures and data breaches.
- Regulatory and performance penalties are incurred as a result.
- Additional expenditure is incurred to remediate the incident and compensate for the impact to customer service.

A water quality failure:

- A loss of operational control leads to a significant drop in the quality of water from one or more of our water treatment work assets.
- This results in an interruption to water supply to a significant portion of our customer base.
- Regulatory and performance penalties are incurred as a result.
- Additional expenditure is incurred to remediate the incident and compensate for the impact to customer service.

Loss of high-quality staff:

- A sustained loss of staff due to illness or significant work-based disputes occurs that results in key activities not being able to be performed across the Company.
- Regulatory and performance penalties are incurred as a result.
- Additional expenditure is incurred to hire and train temporary staff to perform key duties.

Operating expenditure underperformance:

- An underestimate is made within our annual budgeting process on the time, effort and cost required to perform key activities across the Company.
- Regulatory and performance penalties are incurred as a result.
- Additional expenditure is incurred, potentially through the need to contract with external parties, to manage daily activities.

Failure of our AMP 7 efficiency programme:

- The expected financial efficiencies to be gained through technology and new ways of working are not achieved and as such activities do not yield the overall financial savings expected.
- Regulatory and performance penalties are incurred as a result.
- Additional expenditure is incurred when compared to forecast amounts to manage daily activities.

Additional climate-related costs:

- Funding is required – not currently in our Final Determination – to address climate-related matters, such as net zero carbon and asset enhancements
- Additional capital expenditure is incurred when compared to forecast amounts

Additional pension costs on the defined benefit scheme:

- Movements in market valuation and actuarial assumptions require that deficit payments are needed for the defined benefit scheme (equivalent to those under the 2014 valuation).
- Additional expenditure is required to fulfil these deficit payments.

Redemption costs associated with our long-term bond:

- Significant fees are incurred in association with the redemption and replacement of the Company's long-dated bond.
- Additional expenditure is incurred when compared to forecast amounts to fulfil these fees.

Combined scenario

- A combined scenario for the above cyber-attack, operating expenditure underperformance and failure of our AMP 7 efficiency programme.

The directors have determined that the period to March 2032 is an appropriate period over which to provide this viability statement as it is consistent with our recent Business Plan submissions, and takes into account the Company's current liquidity position and committed borrowing facilities, its potential mitigating actions including increasing both borrowings and equity and suspension of dividends. The directors have also considered the Company's ability to access current and future sources of debt funding, based on recent transactions, current arrangements and discussions with financial institutions.

In addition, the above scenarios are in line with our recent Business Plan and Ofwat's Final Determination, and we continue to consider such scenarios relevant for our Company, given that they are reflective of the key risks separately documented within the Strategic report of this Annual Report. We consider the above stress-testing scenarios stretching for our Company, based on the fact that these scenarios represent the higher categories of risk for the Company.

The assessment criterion the directors have used for testing the potential financial impact of the documented Ofwat and Company specific scenarios, both before and after mitigating actions, is the Company's ability to comply with the financial covenants associated with the £100 million index-linked bond. These covenants generally impose tighter financial constraints than the metrics used by the independent credit rating agencies, which publish their own assessments of the Company's credit strength. Annual compliance with financial covenants is subject to external assurance and certificates of compliance with the broader covenants of the £100 million index-linked bond are issued annually to the independent Controlling Finance Party.

The underlying assumptions within this long-term viability statement are consistent with those assumptions utilised in our PR19 Business Plan and Ofwat's Final Determination, updated for the Company's latest 2021/22 performance. Such assumptions, together with data input, were subject to our well-established internal procedures for managing data quality and assurance. In addition, we used a range of suitably qualified external assurance providers to give additional comfort to the data and underlying assumptions which were incorporated into our business plan, and hence this long-term viability statement. In particular, a leading audit practice confirmed the reasonableness of the key assumptions made in preparing the inputs into the data tables that underpin our Business Plan and therefore this long-term viability statement. The directors reviewed the assurance activities as part of their approval and concluded that appropriate assurance activities had been undertaken that were consistent with SES Water's latest Company Monitoring Framework assessment.

Based on the above scenarios and assessment criterion, we remain financially resilient (and have sufficient headroom to raise additional debt within our covenants) to address all scenarios (with the exception of the extreme combined scenarios and certain extreme specific scenarios, such as a 10% total overspend). In the latter scenarios, maintaining financial resilience would be achieved through a combination of suspending dividend payments and direct equity injections. Given that this additional headroom might be needed because the probability of more than one event or combination of events occurring increases with the long time horizon being considered, the directors have a signed undertaking from our two main shareholders to provide financial support in the scenarios described to ensure that we are able to continue financing and providing services to customers.

SUMISHO OSAKA GAS WATER UK LTD (SOGWUK)

Code of corporate governance principles

As the ultimate holding company of Sutton and East Surrey Water plc (the 'regulated company'), we recognise that the principles which govern our code of corporate governance (the 'Code') should: i) take into account the areas where our activities may have the greatest direct impact on the regulated company; and ii) complement the corporate governance principles of the regulated company.

Accordingly, we have established this 'code of corporate governance principles' to address these considerations as well as regulate and enhance our activities in terms of transparency, risk management and long-term decision making.

1. We shall ensure that our holding structure is transparent and explained in a clear way. This structure, together with any changes, shall be demonstrated and explained in the Annual Report of the regulated company each year.
2. We shall provide clear information on our debt and equity structures. This structure, together with any changes, shall be demonstrated and explained in the Annual Report of the regulated company each year.
3. We shall be transparent in declaring the interests of our directors. We shall demonstrate this transparency by having a clear internal process for disclosure and publishing a list of such interests in the Annual Report of the regulated company each year. We shall disclose and explain any matters at the regulated Company level which are reserved for our Board in the Annual Report of the regulated company each year.
4. In carrying out our activities we shall ensure that we fully understand and take into account, particularly at Board level, the duties and obligations of the regulated Company contained within statute and its Licence. In particular, we shall refrain from any action which would cause the regulated Company to be in breach of any of its obligations.
5. In order that the regulated Company may assess any potential impact on its activities and its exposure to risk, we shall provide the regulated company with any information that it reasonably requests about the activities of our wider group. Further, we shall proactively disclose to the regulated Company any issues or information that may have a material impact on its activities.
6. We recognise the importance of supporting the regulated Company in a way that allows it to run its business as if such Company were an independent public-listed Company.
7. We recognise the importance of supporting the regulated Company in order that it can make strategic and sustainable decisions in the interests of the regulated business for the long term.
8. We shall regularly review this Code to ensure that it meets the standards of current best practice. Any changes to this Code shall be reported in the succeeding Annual Report of the regulated company.

Approved by the Board of Directors on 30 June 2022.

Statement by the Chair of the Nomination Committee

As incoming chair of this Committee, I am pleased with the strong focus by the Committee on Board transition matters in the last year.

Dave Shemmans
Chair of the Nomination Committee

Such transition matters included not only my appointment as the new Chair of the Company, replacing Jeremy Pelczer, whose third and final term as Chair ended on 23 March 2022, but also the appointment of Jon Woods, one of the Company's current non-executive directors, as Chair of the Remuneration Committee, and appointment of Rebecca Wiles as a new non-executive director of SES Water.

Rebecca brings more than 30 years' experience working for BP and has a strong engineering background. Having led large projects and teams, both operationally and technically, she has significant experience looking for new technology opportunities to optimise infrastructure and assets – a skillset that will prove invaluable to help us develop our capital infrastructure.

The Board takes diversity at all levels of the business seriously and appreciates the benefits that it brings. We are pleased to welcome Rebecca to the Board, bringing the female diversity to a 25% level at independent Board level.

At SES Water we believe in creating a diverse and gender-balanced workforce which ensures equal opportunities for all employees and reflects the customers we serve. We do not discriminate based on gender.

The overall stability of the Board and the executive team in the year, as well as the strong focus on senior management development has been critical in addressing the various customer, employee, operational and financial issues that continued during the year due to the ongoing COVID-19 pandemic. The strong leadership displayed across the Board and executive team has been vital in ensuring that both our customer and employee concerns have been addressed in the second year of the pandemic.

I am also pleased the Committee approved and recommended to the Board that Jon serve a third and final three-year term as the independent non-executive director, effective from 1 April 2022.

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

Finally, on a personal note, I would like to convey my thanks to Jeremy for his diligent, insightful and thoughtful chairing of this Committee in his tenure at SES Water, which has resulted in an effective and experienced Board and Executive team to guide this business into the future.

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

Dave Shemmans
Chair of the Nomination Committee

8 July 2022

Activities of the committee

The Nomination Committee met four times during the year, focusing on transition arrangements for the Chair of the Board, non-executive and executive succession planning and the performance of the Committee and individual directors as part of the review of Board effectiveness. Jeremy Pelczer did not chair the Committee when it discussed his performance as Chair.

The Committee completed its succession plan for new Chair of the Company by appointing Dave Shemmans, replacing Jeremy Pelczer, whose third and final term as Chair ended on 23 March 2022. The Board appointed Dave as Chair of the Company with effect from 24 March 2022. Dave's appointment will run until completion of the PR24 process, which is anticipated, for the purpose of this appointment, to be in December 2024. As such, Dave's term as Chair will end on 31 December 2024. Dave's total period as a director of the Company would therefore be 10 years and four months, compared to the normal limit of nine years.

Membership:

Jeremy Pelczer (resigned 23 March 2022)	**4/4**
Dave Shemmans (appointed as chair of Nomination Committee 24 March 2022)	**4/4**
Murray Legg	**4/4**
Jon Woods	**4/4**
Ian Cain	**4/4**
Rebecca Wiles (appointed 26 May 2022)	

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

Note: Given that Dave Shemmans, under the related FRC code, is no longer considered independent upon his appointment as Chair of the Board, the Nomination Committee had a short period where the majority of its membership was not independent (from 23 March 2022 to the appointment of Rebecca Wiles on 26 May 2022). The Nomination Committee considered Dave independent of character to continue to perform his duties on the Committee during this brief period until Rebecca's appointment.

Responsibilities:

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

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

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

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

Dave will continue as Chair of the Health, Safety and Wellbeing Committee, and has been appointed Chair of the Nomination Committee, again taking over from Jeremy in this respect.

With Dave's appointment to Chair of the Board and Nomination Committee, he relinquished both his Chair role on the Remuneration Committee and his role as the non-executive director designated to liaise with our workforce. Jon Woods, as one of the Company's current non-executive directors, has taken over both these positions from Dave, effective 24 March 2022.

The Nomination Committee also approved and recommended to the Board that Jon serve a third and final three-year term as the independent non-executive director, effective from 1 April 2022.

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

Statement by the Chair of the Nomination Committee continued

In addition, the Committee was pleased to announce the appointment of Rebecca Wiles as non-executive director of SES Water, effective from 26 May 2022. Rebecca brings more than 30 years' experience working for BP and has a strong engineering background. Having led large projects and teams, both operationally and technically, she has significant experience looking for new technology opportunities to optimise infrastructure and assets – a skillset that will prove invaluable to help us develop our capital infrastructure.

An external executive recruitment company was contracted to perform the search for the new independent non-executive director and performed a thorough and diligent process in the recruitment of Rebecca, with requisite Board involvement in the research and interview process. The recruitment company, independent of the Company, has no associated connections with the directors of the Company.

The smooth transition of Chair of the Board from Jeremy to Dave, the overall stability of the Board and the executive management team in the year and the strong focus on senior management development has been critical in addressing the various customer, employee, operational and financial issues that continued during the year due from the ongoing COVID-19 pandemic. The strong leadership displayed across the Board and executive team has been vital in ensuring both our customer and employee concerns have been addressed in the second year of the pandemic.

The Committee was pleased to note the appointment of Ken Kageyama as one of the Company's shareholder-nominated non-executive directors, replacing Seiji Kitajima effective from 1 June 2021. Ken has brought with him a wealth of experience in the water and energy markets, having been with Sumitomo Corporation since 1991.

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

The Board is committed to evaluating its performance every two years, with the most recent internal evaluation being concluded in March 2022, and the findings were reported to the Board. The Board concluded during this recent review that it remained satisfied that the Committee continued to perform its duties in line with its terms of reference.

The Board Chairman reviews individual non-executive director performance annually and, in turn, the senior independent non-executive director undertakes a review of the Chairman's performance annually. All reviews were satisfactory.

Equality, Diversity and Inclusion Policy

The Board is committed to maximising both employee and business performance through employing the best people at all levels and creating an environment in which they want, and are able, to contribute to the Company's success. We aim to provide them with the appropriate training and support and will ensure they are appropriately rewarded for their efforts and are treated fairly and with dignity and respect.

To further these aims, the Company formed an Equality, Diversity and Inclusion (EDI) Committee in 2020/21, comprising of various employees from across the Company, which was involved in the formalization and issuance of an EDI policy in early 2021, and has the remit, together with the Board, of ensuring all key principles of the associated policy are embedded throughout the Company. This policy apples to Board diversity, as well as diversity across the whole business.

The EDI policy sets out how the Company will promote and support an inclusive environment built on our values, where everyone can flourish irrespective of their background and personal characteristics. We aim to:

- Embed equality, diversity and inclusion in all our activities
- Work together with all our stakeholders as well as through our Customer and Environmental Scrutiny Panels
- Minimise the potential for discrimination, harassment and bullying across all our activities, and promote equal opportunities
- Create opportunities for local, disadvantaged and under-represented people and companies by increasing equal opportunities, skills and employment
- Reduce our gender pay gap
- Raise awareness of equality issues and of the benefits of a diverse culture.

As part of the Company's principle of equal opportunities in employment, full and fair consideration is provided to all applications for employment that disabled people make to the Company. The Company's consideration of such equal opportunity is also provided to the employment, training, development and promotion of disabled people within the business, and any personnel who become disabled during employment.

Through implementation of this EDI policy, we expect our employees to treat their colleagues as they would like to be treated. This means treating others with dignity and respecting their individual differences and contributions. Any conduct involving discrimination or harassment (racial, sexual or of any other kind) of an employee is unacceptable.

As part of this EDI policy, we support the principle of equal opportunities and fair pay in employment and believe it is in the Company's and employees' best interests to develop, train and nurture all people, talent and skills available when new opportunities arise and throughout employment. The Board has implemented this aspect of the EDI policy through its work with the Nomination Committee and wider reviews with management on the Company's people strategy throughout the year.

Statement by the Chair of the Audit Committee

The Committee's main focus in 2021/22 has been supporting and challenging management on its financial resilience and liquidity through the second year of the COVID-19 pandemic.

Murray Legg
Chair of the Audit Committee

The Committee has been closely involved in ensuring that appropriate resilient plans continue to be in place by management to ensure the ongoing liquidity of the Company. This has involved ensuring that the additional debt facilities were obtained through increasing available funds under our revolving credit facility by £25m to £75m. This has also involved the stress-testing of management's liquidity scenarios and assumptions, and a review of management's debt facility and covenant requirements under such circumstances.

In addition, during the year the Company launched the new billing system. Prior to the launch on 30 September 2021, the Committee ensured that appropriate "transition controls" were in place (such as reconciliation of customer debt balances from the old to the new system) and also that appropriate IT general computer controls over the financial systems were functioning effectively as part the transition. The Committee was supported in this regard by reports from the Chief Information Officer and the external auditor through their audit procedures, which aided a successful launch of the new billing system.

The above activities were in addition to the core activities of the Committee in 2021/22, which include ensuring compliance with statutory and regulatory requirements, and that the Company has provided a long-term viability statement. The Committee also focused on safeguarding the highest standards of integrity, financial reporting, risk management and internal controls within the Company. Further details of these core activities during 2021/22 are provided in this report.

Also, the Committee, together with the Board, formed a separate PR24 Steering Committee in the year, in light of initial Ofwat guidance and timeline published in 2021 in respect of PR24. This PR24 Steering Committee has already focused on development of key workstreams, including long-term delivery strategies, customer engagement, business-wide systems resilience, and cost modelling.

I continue to be impressed by the insight, diligence and seriousness the Company applies to all its assurance activities, and to the work performed to ensure the ongoing financial resilience of the Company in the light of the ongoing impacts of the COVID-19 pandemic.

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

The internal review of the effectiveness of the Board and its committees this year, concluded that the Audit Committee continued to fulfil its objectives appropriately.

Murray Legg
Chair of the Audit Committee

8 July 2022

Statement by the Chair of the Audit Committee continued

Membership:

Murray Legg	**4/4**
Dave Shemmans	**4/4**
Jon Woods	**4/4**
Rebecca Wiles (appointed 26 May 2022)	

Given that Dave Shemmans, under the FRC Code, is no longer considered independent upon his appointment as Chair of the Board, there was a short period of time (from 23 March 2022 to the appointment of Rebecca Wiles on 26 May 2022) where the Audit Committee membership was not fully independent. This was rectified by the appointment of Rebecca on 26 May 2022 and in the intervening period the director did not consider the decision making of the Audit Committee to be adversely impacted.

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

Terms of reference:
Reviewing the form and content of the Company's interim and year-end accounts and results announcements

- Reviewing submissions to Ofwat, including annual performance reports, price control compliance, risk and compliance statements and periodic business plans and resubmissions
- Reviewing the effectiveness of internal controls and risk management systems
- Consideration of the need for an internal audit function within the Company
- Overseeing the relationship with the external auditor, including approval of audit plans and assessment of their objectivity and independence

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

Composition and training of the Committee

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

The Committee receives regular accounting and corporate governance updates at least twice each year as well as specific or personal training as required. During 2021/22, members of the Committee, in conjunction with the full Board, received specific competition law training and on-line training provided by the Company covering a variety of topics, including whistleblowing and data protection. Members of the Committee periodically visit water treatment works, Bough Beech reservoir, and other sites where operational practices and issues are explained. Advice on regulatory developments is made available to the Committee from specialist advisors on regulatory matters.

Main activities of the Committee

The Audit Committee met four times during 2021/22, and on 26 May 2022 to consider this Annual Report. At least once a year a private session is held with the Committee and the external auditor without management present. At each meeting the Committee operates to a formal agenda of items including the minutes and action points of the last meeting. This ensures that an accurate record of its deliberations has been maintained and actions are progressed.

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

When reviewing the risks faced by the Company – and the mitigations already in place – the Committee has this year given particular attention to certain key matters – namely COVID-19, cyber security, the implementation of the Company's new billing system and preparations for PR24.

COVID-19

The Committee's main focus during the year has been supporting and challenging management on its financial resilience and liquidity through the second year of the COVID-19 pandemic. The Committee has been closely involved in ensuring that:

- Appropriately resilient plans continued to be in place by management to ensure the ongoing liquidity of the Company. This has involved ensuring that the additional debt facilities were obtained through increasing available funds under our revolving credit facility by £25m to £75m.
- There continues to be stress-testing of management's liquidity scenarios and assumptions, and a review of management's debt facility and covenant requirements under such circumstances. Stress-testing scenarios have centred around the reductions in revenue (and therefore cash) associated with both the household and non-household retail markets, changes in the profiling of capital expenditure, flexibility in dividend payments and associated levels of potential bad debt resulting from the economic downturn
- Work has been performed with management on the recommendations to the Board in respect of the optimal financial options to choose in the long-term interest of the Company's customers and other stakeholders, including successfully addressing the early payment restrictions originally embedded in the Company's long-term bond
- Appropriate disclosure in the November 2021 interim announcement and in this Annual Report has been provided in respect of the impact of COVID-19 on financial reporting where relevant, for example bad debt provisioning.

Cyber security

The Committee's consideration of the threat to assets, controls and personal data (of both employees and customers) posed by malicious activity over the internet continues to be performed in conjunction with the Company's Cyber Assessment Framework (CAF) submission to the DWI under the Network and Information Systems regulations (NIS). The latter focused on the threat to the Company's operational technology and – while the effectiveness of the Company's existing protective measures has been noted – the Committee continues to work with management to enhance further plans for handling threats to water quality and operations. In 2021/22, the latter also included consideration of threats – and proactive mitigating actions – arising from the on-going Ukraine-Russia conflict.

The Committee, in conjunction with the new on-line cyber training, has also ensured that regular updates on the findings of the Company's recent penetration tests on its operation and information systems are discussed with the Committee, together with requisite learnings and actions.

Implementation of the Company's new billing system

Prior to the launch on 30 September 2021 of the Company's new billing system, the Committee considered the risks to accurate and timely financial reporting within the revenue and billing financial process. The Committee ensured that appropriate "transition controls" were in place prior to go-live of the system (such as reconciliation of customer debt balances from the old to the new system) and also that appropriate IT general computer controls over the financial systems were functioning effectively as part the transition. The Committee was supported in this regard by reports from the Chief Information Officer and the external auditor, which aided a successful launch of the new billing system.

Preparations for PR24

The Committee, together with the Board, formed a separate PR24 Steering Committee in the year, in light of initial Ofwat guidance and timeline published in 2021 in respect of PR24. This PR24 Steering Committee is also chaired by Murray Legg, and has already focused on development of key workstreams, including long-term delivery strategies, customer engagement, business-wide systems resilience and cost modelling.

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

- Documents required by Ofwat to be published by the Company, including the Annual Performance Report (incorporating regulatory accounts, performance against final determination performance measures, and financial resilience measures); targeted assurance plans; and the Company's wholesale, household, developer services and New Appointment and Variations (NAV) charges schemes
- The Company's risk register, including reviewing and challenging at six-monthly intervals management's assessment of the key risks faced by the business, the probability of their occurrence and the impact of mitigation measures in place. The key risks from the Company's latest risk register are illustrated on pages 63 to 67 of this report
- The Company's progress in developing its business-wide systems resilience plans, in line with Ofwat requirements and sector best practice
- The Company's long-term viability statement, going concern assumption, tax policy statement and certificates of compliance with its Instrument of Appointment
- The Company's compliance with covenants associated with its £100 million index-linked bond, including the maintenance of appropriate financial ratios and the funding of ring-fenced reserve accounts

Statement by the Chair of the Audit Committee continued

- The operation of internal controls within the business and progress with management responses on detailed control points identified by external audits
- The operation of the Company's compliance and assurance function and the associated programme of internal audits
- Oversight of management's work with Mott MacDonald, the external auditor of the Company's regulatory performance commitments, including interim and year-end reviews
- Key policies under annual review, including the Company's code of conduct and whistleblowing policies, together with consideration of new Company policies, such as a social media policy
- The Company's consideration of the effect of any new accounting standards to be adopted in 2022/23
- The appropriate treatment in the financial statements of government mandated changes in tax rates
- The appropriateness of the underlying actuarial assumptions underpinning the valuation of the Company's section of the Water Companies Pension Scheme (WCPS)
- Review of compliance of the Company on service level agreements with SES Business Water and other associated companies, ensuring services provided are on an arms-length basis and no cross-subsidy from the appointed business is occurring
- Formal evaluation of the performance of the external auditor.

Significant accounting judgements

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

The Committee considers that the key estimates and judgements are:

- The appropriateness of the estimates and provisions for doubtful debts. The Committee supported management's approach to provisioning, which involved a consideration of the level of bad debt provisions required in the light of recent cash collection rates, the on-going effects of the COVID-19 pandemic and the current cost of living crisis. This also involved a consideration of the cash collection processes and resources in place within the Company, the results of which underpin the doubtful debt provision
- The estimated unbilled revenue for measured customers. The Committee agreed with management's estimate of this balance, which represents consumed but unbilled water usage at year-end, after taking into account recent consumption trends
- The appropriateness of the Company's policy for capitalising expenditure as fixed assets under FRS 101 and the consistent application of the policy in the year. The Committee noted that the policy and practice was consistent with that adopted under previous accounting standards, continued to be applied in detail and was subjected to significant management and audit scrutiny. The Committee noted that this policy extended to ensuring that appropriate processes and controls were in place for the transfer of Assets Under Construction to Fixed Asset, including the requisite commencement of depreciation charges, and that significant review by management had occurred in this area in the year
- The appropriateness of the accounting estimates and disclosures for the benefits provided to employees through the Company's section of the WCPS. The Committee concluded that the estimates applied by the Company's actuarial advisors in calculating the annual cost and valuing the assets and liabilities associated with the defined benefit obligation were within the range typically adopted for prudent provisions in the current economic environment. In addition, the Committee concluded that the effect of the Guaranteed Minimum Pension matters continued to be appropriately accounted for and reported in the Company's financial statements
- The need for provisions for outstanding claims. The Committee agreed that the basis of provisions made was prudent and realistic.

Going concern

Having considered a paper from management on the Company's liquidity and forecast obligations for the immediate future and for the period to 31 March 2032, and having made appropriate enquiries of management, the Committee supported the directors' assessment that the Company should adopt a going concern assumption for the preparation of the annual financial statements and should provide a long-term viability statement (which considers Ofwat's guidance in this area as detailed in Information Notice 19/07) as set out on page 83. The Committee noted that management had appropriately considered the effects of Covid-19 within this going concern assessment, to the best of their knowledge given the information available at the time.

Fair, balanced and understandable report

The 2018 edition of the UK Corporate Governance Code requires the Board to consider whether the Annual Report is, when taken as a whole, fair, balanced and understandable and provides the information necessary for users to assess the Company's performance, business model and strategy. The Board has asked the Audit Committee to advise on compliance with this important requirement.

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

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

External auditor

The Committee approved PwC's proposed approach for the year end statutory audit at their meeting in September 2021. Regular dialogue was held with the auditor regarding the progress and findings from the audit, including additional procedures conducted as a result of the ongoing impact of COVID-19. The Committee approved the management representations to the external auditor and also requested feedback from both management and the external audit team about the effectiveness of the audit carried out.

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

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

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

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

Note 6 to the statutory accounts (page 137) shows that the fees due to PwC all related to audit or other assurance procedures on the Company's statutory and regulatory obligations. The Committee concurred with the auditor's assessment that there are no factors which would impair their objectivity and independence. The Committee is satisfied that there are adequate safeguards in place to protect the independence and objectivity of the service provided by the external auditor including a requirement for all non-audit work likely to exceed £10,000 to be approved by the Chairman of the Committee. Amounts under this threshold will be approved by the Chief Financial Officer and are considered pre-approved by the Audit Committee.

Statement by the Chair of the Remuneration Committee

As Dave Shemmans takes on the role of the Chair of the Board, I am pleased to be taking over the Chair of the Remuneration Committee.

Jon Woods
Chair of the Remuneration Committee

Firstly I want to take this opportunity to recognise the efforts of our colleagues in ensuring that we always do the right thing for our employees, our communities that we serve, our customers and the environment that we have the privilege to operate in. In my role as chair I will ensure that we continue to deliver for our employees, our board and our customers each and every day.

The focus of the Committee in 2021/22 has been to ensure that the reward and incentive schemes for our executive, senior leaders and all colleagues are fair and effective across the organization to enable us to recruit and retain the highest calibre of individuals. We want to reward individuals who can contribute to delivering our values and performance commitments, providing a high quality service to our customers, always having a positive impact on the environment we operate in and ensuring that SES is a great place to work.

This report details the activities of the Remuneration Committee for the financial year to 31 March 2022, including the remuneration given to directors in the year, and provides transparency on our policies that will become effective on 1 April 2022 for the next financial year. The remuneration policy provides a clear link between remuneration and our vision to be an outstanding water company that delivers service excellence.

In April 2022 we updated the executive pay policy reflecting Ofwat's executive pay remuneration recommendations made during the PR19 business plan process, together with Ofwat's views under its Board Leadership, Transparency and Governance Principles. The Remuneration Policy aims to be transparent on how executives are remunerated and ensures any performance-related element is linked to customer interests, increasing the focus and weighting on the environmental metrics and that the targets set are stretching in nature.

This updated Remuneration Policy in place for 2021/22 continued to allow the Committee the flexibility to consider pay awards in the context of the Company's response to the COVID-19 pandemic and other external pressures, ensuring that the appropriate remuneration has been provided to executives, and the wider employees in light of another year of difficult circumstances.

Each year we agree our employee payrise with our employee representation forum the Joint Negotiation and Consultative Committee. The focus this year has, as expected, been on the increases in cost of living and the Company has provided all employees with a 3.5% contribution to this, commencing 1 April 2022.

The executive Remuneration Policy in place for 2022/23 has also been updated, in light of recent comments from Ofwat, to increase the weighting on environmental and reputational resilience matters, within the Company's long-term incentive plans (LTIPs). The latter now aligns weighting in this area to 30% of potential LTIP award, similar to the weighting attributed to customer service and support. Performance targets are continually assessed to ensure they remain stretching throughout the 2020 to 2025 business plan period.

Full details of the executive remuneration policy matters, in addition to the achievements against the targets for 2021/22 which are also shared by all employees – and the consequent bonuses payable to executive directors – are set out in this report.

The Committee oversaw remuneration arrangements for senior executives and managers joining the Company and was pleased to see that the existing policy framework continues to prove effective in attracting talent that will be well suited to contributing to the success of the Company for many years to come.

As well as the financial packages that we offer our employees we are proud to offer a range of wellbeing schemes offering mental health support, access to financial, legal and lifestyle support tools to ensure that we support our employees through every aspect of their wellbeing. We have also launched two leadership programmes for our aspiring managers to ensure that we grow and develop our leaders to their full potential.

The Committee continues to drive the diversity agenda and are proud that we provide equal opportunities for everyone in our business. We continue to review our gender pay gap and data from the latest available report dated (5 April 2021) is detailed in this report. Our 2021 report showed that the difference in average pay has improved to 12.3% (2020: 15.1%), this improvement is driven by our commitment to create a diverse and gender-balanced workforce, ensuring equal opportunities for all employees and reflecting the customers that we serve.

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

Jon Woods
Chair of the Remuneration Committee

8 July 2022

Implementation of directors' remuneration policy in 2021/22

The table below summarises the implementation of the directors' remuneration policy for executive directors in 2021/22.

Base salary
Core element of a fixed amount, reflecting the size and scope of the role.

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

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

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

Long-term incentive plan
Rewards performance against targets set by the Board for financial performance over three years.

Membership and attendance:

Jon Woods, Chair	**2/2**
Murray Legg	**2/2**
Dave Shemmans	**2/2**

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

Responsibilities:

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

Terms of reference:

The Committee's full terms of reference as approved by the Board can be on the Company's website.

Annual Report on Remuneration continued

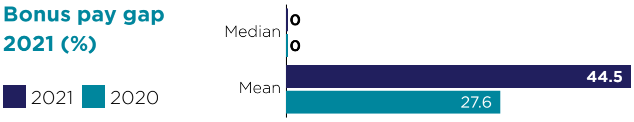
Gender pay and bonus pay gap percentages

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

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

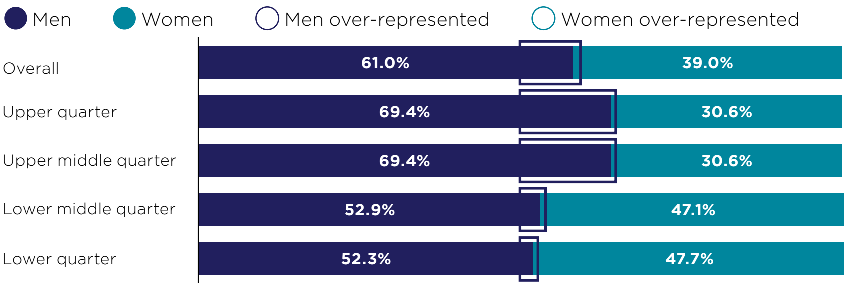
Gender pay gap 2021 (%)

Bonus pay gap 2021 (%)



Pay quarters

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



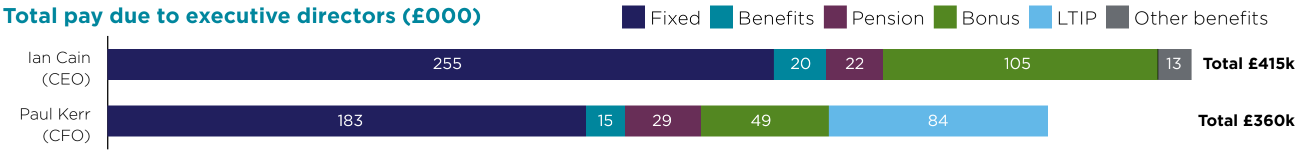
Gender split by role

	Female	Male	Total
Director	0	2	2
Employee	129	190	319
Non-executive director (NED)		4	4
Senior manager	8	13	21
Total	136	210	346

Implementation of director's remuneration policy in 2021/22

The table below summarises the implementation of the director's remuneration policy for executive directors in 2021/22. As described further in this report, an updated executive directors' remuneration policy has been implemented from 1 April 2022 onwards which has enhanced the executive pay policy with respect to LTIP awards further.

Total pay due to executive directors (£000)

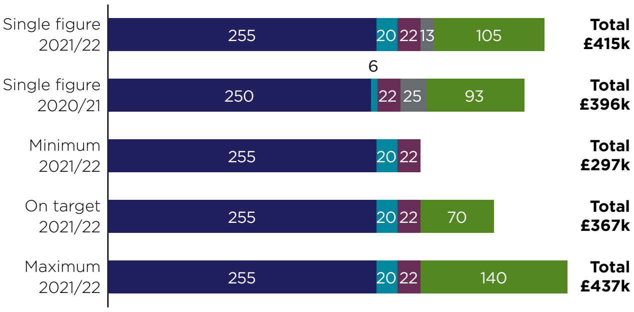


Single total figure of remuneration for executive directors for 2021/22 compared with outcomes

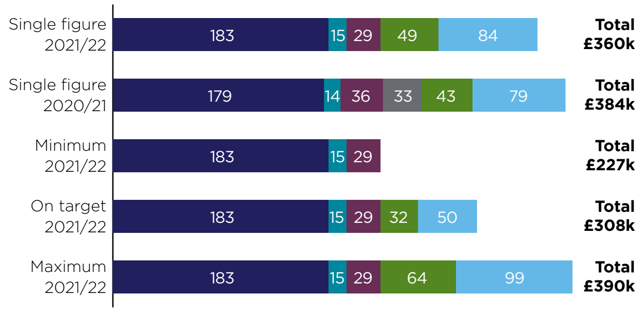
Fixed pay comprises base salary, benefits and pension, with variable pay comprising other benefits, bonus, LTIP. The charts below show the relative split between these fixed and variable pay elements for Ian Cain and Paul Kerr as compared with the remuneration scenarios described on page 102.

Fixed | Benefits | Pension | Bonus | LTIP | Other benefits

Ian Cain (£000)



Paul Kerr (£000)



The Company's remuneration policy is designed to attract and retain good quality senior executives having regard to other UK-based businesses. It provides for a remuneration package, the variable element of which reflects the Company's performance against stretching customer service, operational and financial objectives. The Board considers that the performance element of the remuneration package is appropriate given the main activities of the Company. Full details of each component of the director's remuneration applicable for the 12 months ended 31 March 2022 are shown below.

Updated remuneration policy – effective from 1 April 2022

While this remuneration report focuses on Board and executive directors' remuneration for the year-ended 31 March 2022, the Board acknowledges and fully agrees with Ofwat's recent pronouncements on its expectations with respect to companies being transparent about how executives are remunerated and especially how any performance-related element is linked to customer interests and the measures are stretching in nature.

Specifically, for the updated remuneration policy effective from 1 April 2022, the Remuneration Committee has clarified the substantial link between executive pay and delivery for customers and the environment within the Company's long-term incentive plans (LTIPs). The latter now clarifies further the customer-based targets and measurement criteria, strengthening the position that 70% of any potential LTIP award to aligned to customer performance and service and 30% relating to our environmental performance

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

The Remuneration Committee still retains the power to reduce all or part of performance-related pay payments resulting from exceptional circumstances.

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

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

To ensure that the policy and associated annual bonus targets are sufficiently stretching, the Board will ensure any outperformance is only payable if the Company is earning a net reward for the delivery of the customer pledges in any one year. This 'gateway' approach will be particularly demanding given the Company's targets for 2020 to 2025 are typically in the industry upper quartile.

The remuneration policy incorporates business resilience as it includes an assessment of customer performance into the LTIPs as opposed to simply financial performance will ensure that executives have a responsibility to ensure the long-term financial sustainability of the Company and this will be assessed using a set of measurements such as bond ratios, totex efficiency and credit ratings. Such business resilience targets also include network infrastructure, operational and information technology infrastructure resilience measurements. As part of this review of business resilience, the ongoing impact of COVID-19, and how the executives have managed the long-term operational and financial sustainability of the business in the crisis, is a key consideration.

Through our Remuneration Committee, we are committed to being fully transparent and continuously reviewing executive pay policies over time and, where they develop and change, we will explain the reasons in our Annual Report and signal changes to stakeholders. We will also include accessible explanations in 'Keeping it clear', our customer-friendly guide to how we are owned, run and financed.

For clarity in this report, each of the following sections details elements of executive directors' remuneration for the 12 months ended 31 March 2022, for the LTIPs all awards were considered under the updated remuneration policy considered above.

Components of executive directors' remuneration applicable for the 12 months ended 31 March 2022

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

1. Base salary

Purpose and link to strategy

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

Annual Report on Remuneration continued

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

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

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

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

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

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

2. Benefits
Purpose and link to strategy
- Ensures the overall package is competitive
- Purpose is to calibre recruit retain directors of the calibre required for the business.

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

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

Performance metrics
Not applicable.

3. Retirement benefits
Purpose and link to strategy
- Purpose is to recruit and retain directors of the calibre required for the business
- Provides market-competitive post-employment benefits.
- The executive pension contributions are set per individual's contract. This is higher than other employees within the business (at c15% for the CFO compared to between 6 and 10% for all other employees) and is considered part of their overall remuneration package

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

The defined benefit scheme was closed to new entrants from 1 May 2020. Any executive director who is a member of the closed scheme can continue to receive benefits in accordance with the terms of the scheme. The executive directors are not members of the defined benefit scheme.

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

Performance metrics
Not applicable.

4. Annual bonus
Purpose and link to strategy
Rewards performance against annual targets which support the strategic direction of the Company.

Operation
Annual targets include shared corporate targets for the levels of service to customers and other aspects of operational performance, financial performance, and individual targets for the achievement of personal goals. Targets are set by the Board (advised by the Remuneration Committee) before the start of each financial year and are assessed following audit of the Company's financial statements and independent assurance of the levels of service achieved, prior to publication of the Company's Annual Report and signature of the Risk and Compliance Statement. As with all bonuses, they remain discretionary and can be adjusted or removed at the Company's discretion, which is exercised by the Remuneration Committee on behalf of the Board.

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

The specific customer pledges are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. These specific customer pledges have been determined by the Remuneration Committee to be those of most relevance to delivering quality and consistent levels of high customer service in the year-ended 31 March 2022.

Performance metrics

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

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

	% split
Water quality	16.67%
C-MeX	16.67%
Leakage	16.67%
Supply interruptions	16.67%
Per capita consumption	16.67%
Affordability	16.67%
Total	**100.00%**

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

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

5. Long-term incentive plan

Purpose and link to strategy

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

Operation

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

Opportunity

Incentive payments for the three-year period vary from on-target performance to maximum opportunities as shown below:

LTIP	On-target	Maximum available
Chief Executive Officer	35%	70%
Chief Financial Officer	30%	60%

Performance metrics

In 2019/20, the remuneration policy was updated to substantially change the targets and measurement criteria for the Company's LTIPs commencing 1 April 2020. This update to the remuneration policy in prior year did not change the on-target and maximum available opportunities available under the LTIP for the CEO and CFO. In 2020/21, these performance targets have been aligned even further to performance for customers, with the requisite weighting as follows:

- Customer performance, service and support – 80%
- Reputational resilience – 20%

The specific measurement criteria are broken down further into the following key components, which will be measured and monitored for achievement by the Remuneration Committee. With the focus primarily on customer performance through long term business resilience, as well as customer service and support, 80% of any potential LTIP award is clearly aligned to delivery for customers.

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

Annual Report on Remuneration continued

Customer performance through business resilience – 2021/22

Target	Measurement criteria	Weighting
Systems-based resilience	Progress on key aspects of the company-wide resilience plans with a focus on network and operational resilience – Such progress will be achieved through effective totex spend to minimise leakage, supply interruptions and supply failures and efficient capex programmes to minimise unplanned outages and ensuring performance commitments are met. Digital resilience will be a key part of achieving this overall systems-based resilience	15%
Financial resilience	Ensure that customers benefit from a stable financial business that allows prioritisation of customer service – Outperformance of budget (allowing delivery to customers in an economically efficient manner) – Business plan financial covenant and gearing ratios are met – Progress on enduring financial resilience solutions, including long-term refinancing and sinking fund solutions	35%
Total weighting		**50%**

Customer service and support – 2021/22

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

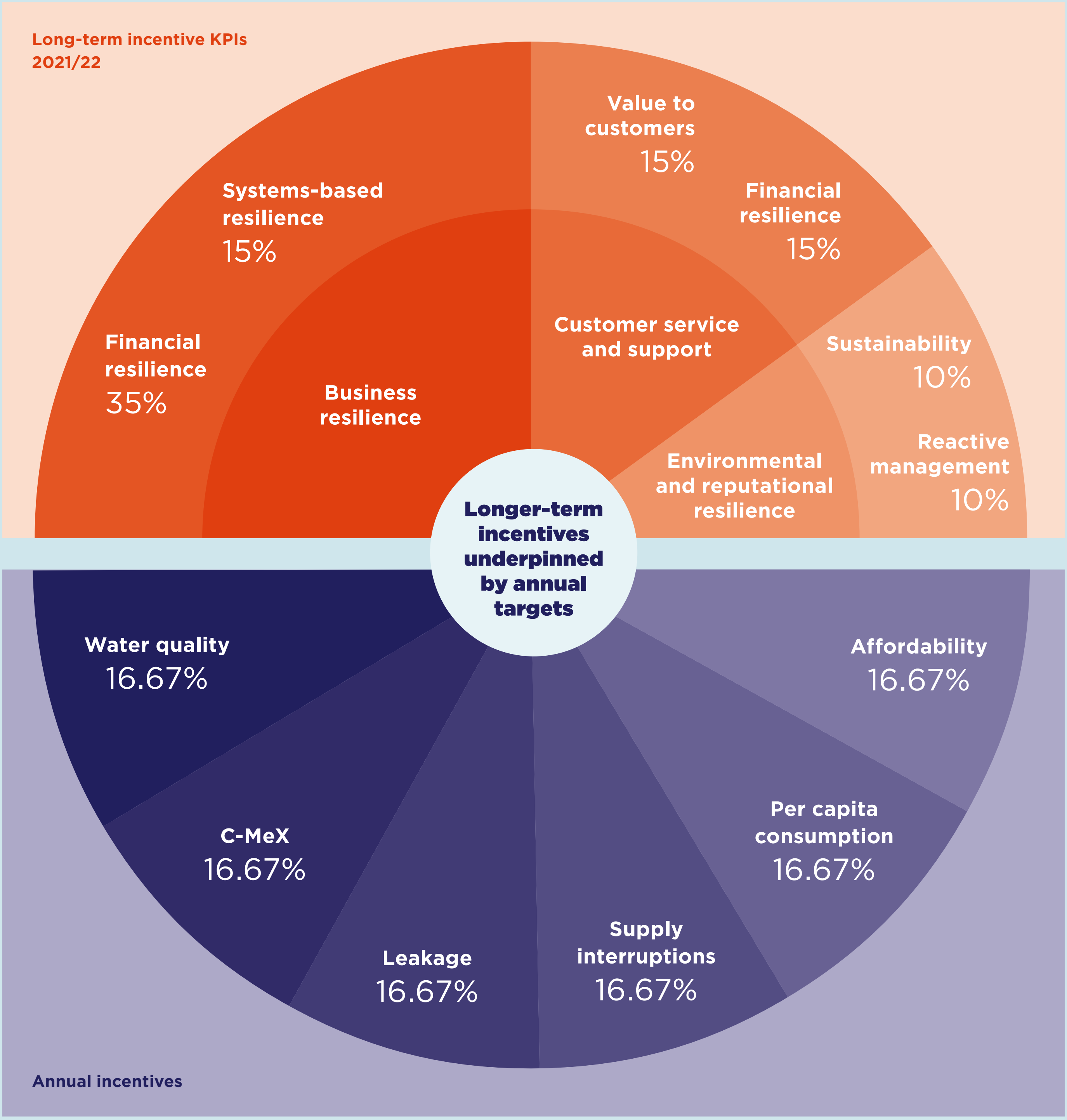
Environmental and reputational resilience – 2021/22

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

There has been no deviation from the above policy in the year for any of the executive directors.

Linkage of annual and long-term incentives to business strategy

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



Annual Report on Remuneration continued

Remuneration scenarios for executive directors

	Minimum	On target	Maximum
Fixed pay	Fixed elements of remuneration are base salary and pensions. Base salary and the value of benefits are included in the single figure calculations on page 96.	Not Applicable	Not applicable
Variable – bonus	No bonus	50% of potential annual bonus achieved for delivering at performance against the respective bonus targets	100% of potential annual bonus achieved for delivering at or above the highest performance against the respective bonus targets
Variable – LTIP	No reward earned	On Target reward earned (CEO 35%, CFO 30%)	Maximum reward earned (CEO 70%, CFO 60%)

Non-executive director fees

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

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

On 26 May 2022 we appointed Rebecca Wiles as a new independent non-executive director, see page 73 of the nomination committee report for further details.

Pay and conditions for other employees

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

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

Many elements of fixed pay, benefits and pension arrangements are common to all employees. In particular, employees all have the same rights to participate albeit it at different rates in the Company's defined contribution pension scheme (and for those employees joining before 1 May 2002, the Company's defined benefit pension scheme), the cash health plan introduced in 2014 and the employee annual bonus scheme introduced in 2015.

Gender Pay

As a Company, we do not discriminate on gender pay and provide equal opportunities for progression within our business.

However, we commissioned our fifth gender pay gap report for 5 April 2021, the report showed that the difference in average pay is 12.3% (2020: 15.1%). This is in main due to an uneven distribution of females in the company, however we have seen an overall increase in female representation in the Company of 2.2%. It is not uncommon in the water industry to employ few women, as the STEM (science, technology, engineering and maths) fields have been predominantly male occupations with historically low participation among women.

At SES Water we understand that people are our greatest asset and believe that by creating a diverse, gender balanced workforce that this not only helps to ensure that we have equal opportunities for all employees but also reflects the customers we serve. We continue to push ourselves in the recruitment process to ensure we are inclusive across all areas and ensure that our performance review process is fair across all employees regardless of gender. We also ensure that – when we recruit for senior roles – we have a gender balanced objective and task our search consultants to provide a long list of candidates for both genders, and we do not select or bias on gender in the final selection.

Annual pay awards

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

The payrises included in this report were previously agreed in early 2020 for the two year period ending March 2022 and comprised of:

- An annual pay increase of 2.2% for 2020 based on the November 2019 Retail Price Index (RPI) and for 2021 this will move to a blended rate of 50% of the November 2020 Consumer Price Index Household (CPIH) and 50% of the November 2020 RPI. This includes a guaranteed minimum increase of 2% for 2021 if the blended rate is less than 2%
- Annual pay increases will coincide with the start of each financial year
- The annual pay rise will include basic pay, overtime, shift allowances, seven day working and other allowances
- Further to the pay increase it was agreed that an additional one day of holiday entitlement, for 2020/21 only, will be provided to all employees who joined on or before 2 January 2020. This is in recognition of the significant contribution and efforts by all employees in preparation for the challenging customer and performance deliverables we will target in our Business Plan for 2020 to 2025.
- The opportunity to earn an employee bonus upon achievement of Company customer service, health, safety, quality, environmental and financial targets. From 1 April 2017 the maximum bonus payable for achievement of all targets was £550 p.a.

In February 2022 the annual pay agreement for the year commencing 1 April 2022 was reached with employee representatives including, among other items, an annual pay increase of 3.5%.

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

Recruitment remuneration policy

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

Service contracts

The service contracts for executive directors are subject to twelve months' notice when terminated by the Company and six months' notice when terminated by the employee. The executive directors' contracts commenced on the following dates:

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

The non-executive directors, including the Chair, do not have service contracts and their appointments, while for a term of three years, may be terminated without compensation at any time. The Chair and the independent non-executive directors have letters of appointment. The appointments of the current non-executive directors commenced on the following dates:

- Jeremy Pelczer – 1 April 2013 (resigned 23 March 2022)
- Dave Shemmans – 1 September 2014
- Murray Legg – 1 October 2015
- Jon Woods – 1 March 2016
- Seiji Kitajima – 6 February 2019 (resigned on 1 June 2021)
- Kenji Oida – 1 May 2019
- Ken Kageyama – 1 June 2021
- Rebecca Wiles – 26 May 2022

Annual Report on Remuneration continued

Single total figure of remuneration (audited)

The table below shows the total remuneration earned by each director in 2021/22.

	Salary		Taxable benefits[1]		Annual bonus[2]		Long-term incentive[3]	
£000	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Executive directors								
Ian Cain	**255**	250	**20**	6	**105**	93	**–**	–
Paul Kerr	**183**	179	**15**	14	**49**	43	**84**	79
Total exec directors	**438**	429	**35**	20	**154**	136	**84**	79
Non-executive directors[6]								
Jeremy Pelczer	**68**	66	**–**	–	**–**	–	**–**	–
Murray Legg	**39**	39	**–**	–	**–**	–	**–**	–
David Shemmans	**39**	36	**–**	–	**–**	–	**–**	–
Jon Woods	**34**	33	**–**	–	**–**	–	**–**	–
Total non-exec directors	**180**	174	**–**	–	**–**	–	**–**	–
Total	**618**	**603**	**35**	**20**	**154**	**136**	**84**	**79**

1 Taxable benefits include car allowances, private medical insurance and medical cash plan.

2 Annual bonuses are variable and were determined in accordance with the remuneration policy described on page 95 and reflect the performance against the targets on page 99.

3 The 2019 LTIP scheme closed on 31 March 2022 and a payment of £83,800 was made to Paul Kerr in respect of this scheme as detailed below. The other current LTIP schemes (the 2020 and 2021 LTIP) have expected payments accrued as at 31 March 22 but are not disclosed because the performance periods have not yet ended, given the payment dates of 2023 and 2024 respectively.

4 Pension-related benefits represent the company's contributions to the directors' personal pension plans.

Relevant details of the annual bonus scheme

The targets shown below are common to all employees including executive and senior management:

Customer Pledge	% split	Actual result
Water Quality	16.70%	13.4%
C-Mex/D-Mex	16.70%	5.5%
Leakage	16.70%	16.7%
Supply interruptions	16.70%	16.7%
PCC	16.70%	8.4%
Affordability	16.70%	12.5%
Total	**100.00%**	**73.2%**

Pension related benefits[4]		Other Payments[5]		Total Remuneration		Fixed Remuneration		Variable Remuneration	
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
22	22	**13**	25	**415**	396	**310**	303	**105**	93
29	36	**–**	33	**360**	384	**227**	262	**133**	122
51	58	**13**	58	**775**	780	**537**	565	**238**	215
–	–	**–**	–	**68**	66	**68**	66	**–**	–
–	–	**–**	–	**39**	39	**39**	39	**–**	–
–	–	**–**	–	**39**	36	**39**	36	**–**	–
–	–	**–**	–	**34**	33	**34**	33	**–**	–
–	–	**–**	–	**180**	174	**180**	174	**–**	–
51	**58**	**13**	**58**	**955**	**954**	**717**	**739**	**238**	**215**

5 Other payments include payment to Ian Cain of £12,500 (2020: £25,000) for mitigation of loss of bonus and LTIP payments from previous employment.

6 Fees for the independent non-executive directors have been set in accordance with the policy disclosed on page 102. Jeremy Pelczer, the Board Chair, also acts as the Chair of East Surrey Holdings Limited, and Murray Legg, the Audit Committee Chair, also acts as the Audit Committee Chair of East Surrey Holdings Limited, for which they are separately remunerated by East Surrey Holdings Limited. None of the other non-executives received any remuneration from the Company.

Explanation of variable pay element for CEO and CFO on 31 March 2022 (audited)

Annual bonus payments

The annual bonus payments for Ian Cain and Paul Kerr of £105k and £49k for the year-ended 31 March 2022 as noted above were based achievement of specific customer pledges and personal targets for the year, with the results as follows:

	Customer pledges			Personal			Total bonus		
	Max %	Actual %	Actual £	Max %	Actual %	Actual £	Max %	Actual %	Actual £
Ian Cain	38.5%	28.2%	£71.8k	16.5%	13.2%	£33.6k	55%	41.4%	£105.4k
Paul Kerr	24.5%	17.9%	£32.8k	10.5%	8.6%	£15.8k	35%	26.5%	£48.5k

Annual bonus targets

Customer pledge targets

In line with the Company's executive pay remuneration policy, bonuses equivalent to a maximum of 38.5% and 24.5% of Ian and Paul's annual salaries respectively relates to achievement of six specific customer pledges, equally weighted. The actual bonus targets for each of these pledges is primarily achievement of the associated performance commitment in the year in line with associated outcome delivery incentive – for example the target for supply interruptions is ensuring that the 6.08 minutes/property/year was not breached. The Remuneration Committee then consider further achievement of these bonus targets associated with the pledges in terms of the manner of their achievement and any mitigating or external factors to conclude on actual performance against target. The final result of this assessment is provided below, including the reasoning for the Committee's final consideration of % of pledges (and therefore bonus targets) achieved. Both executives were awarded 73.2% of these bonus levels – resulting in an actual payout of 41.4% and 26.5% of their annual salaries respectively

Annual Report on Remuneration continued

Customer Pledge	% split	% Achieved	Comment	Actual result
Water Quality	16.70%	80.00%	While certain regulatory targets were marginally missed, overall water quality remains in the top half of the industry and there were no significant events in the year.	13.4%
C-Mex/D-Mex	16.70%	33.00%	Reflects the fact that, despite strong customer satisfaction score from regular Company reviews with customers, CMEX position of 14th place confirmed for the year and DMEX performance not at targeted levels	5.5%
Leakage	16.70%	100.00%	Leakage target was achieved in the year, but work continues to be completed to reach AMP targets	16.7%
Supply interruptions	16.70%	100.00%	Our performance in the year has been within target to keep interruptions to a minimum.	16.7%
PCC	16.70%	50.00%	While PCC has been severely impacted by Covid-19 in the current year and target has not been met, there has been positive activity on metering and water efficiency programmes in difficult circumstances in the year	8.4%
Affordability	16.70%	75.00%	Reflects the significant efforts to support customers financially during the Covid-19 pandemic via social tariff and payment holidays, but mitigated by poor voids performance	12.5%
Total	**100.00%**			**73.2%**

Personal targets

In line with the Company's executive pay remuneration policy, bonuses equivalent to a maximum of 16.5% and 10.5% of Ian and Paul's annual salaries respectively relate to achievement of their personal objectives for the year. Actual performance against these personal objectives resulted in Ian and Paul receiving 80% and 82% respectively of these personal bonus levels – resulting in an actual payout of 13.2% and 8.6% of their annual salaries respectively. These payout levels reflected the achievement of a significant number of their personal objectives, including ensuring stable management of daily operations, key recruitment and restructuring targets and substantial improvements in the areas of governance and controls across the business.

LTIP payments

Paul Kerr was awarded a LTIP payment of £83.8k in respect of the 2019 LTIP, which represented 85% of the maximum reward. In accordance with the 2019 LTIP scheme rules and metrics, the proposed payment gateway based on financial performance was not met due to the impact of Covid and other one-off items, therefore the committee exercised discretion and this payout reflects achievement of overall performance metrics for the three years to 31 March 2022, including an assessment of the contribution from Paul to the businesses customer, regulatory, environmental and governance performance over the three-year period under review. Note that, in accordance with the enhanced executive pay remuneration policy for LTIPs, future LTIP performance – commencing with the 2020 LTIP – will be assessed against the criteria noted on page 100.

Percentage change in remuneration for the CEO and CFO

The table below shows the percentage change in remuneration between the years ended 31 March 2022 and 31 March 2021 for the CEO, CFO and all employees

	2022			2021		
	Salaries and Fees	**Taxable Benefits**	**Annual Incentive**	Salaries and Fees	Taxable Benefits	Annual Incentive
CEO[1]	**2.0%**	**230%**	**13.6%**	0%	0%	416.7%
CFO[2]	**2.0%**	**8.2%**	**12.0%**	2.2%	0%	149%
All employees	**3.5%**	**0%**	**7.4%**	2.2%	(2.1%)	7.3%

1 The 2021 CEO annual incentive increase of 417% is driven by a bonus covering 1 month of Ian Cain joining in February 2020 for financial year ending 31 March 2020 comparing to a full year's bonus earned in financial year ending March 2021.

2 The 2021 CFO annual incentive increase of 149% is driven by the first LTIP payment being made covering the years 2018 to 2021.

The non-executive directors aligned to all employees received a 2.2% payrise, this is reviewed annually.

CEO pay ratio

As in prior year reporting and in line with regulatory requirements, we have chosen to use the Department of Business, Energy and Industrial Strategy (BEIS) methodology Option A to show the pay ratio between the CEO compared to the total remuneration received by all employees. This includes all remuneration elements including benefits, overtime and long term incentives.

The table below provides the ratio between the CEO single figure remuneration, and the median, 25th and 75th percentile remuneration of all full time equivalent employees as at 31 March 2022.

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

The closure of the gap on the ratios is driven by the change in leadership and therefore remuneration over the three-year period.

The salary and total pay for employees in the 25th percentile is £25,000 salary (total pay £28,773), for median salary is £29,295 (total pay £29,784) and for 75th percentile salary of £40,794 (total pay of £42,347).

Year	Method	25th Percentile ratio	Median	75th Percentile ratio
2022	Option A	14:1	14:1	10:1
2021	Option A	14:1	12:1	9:1
2020	Option A	17:1	12:1	9:1

Relative importance of employment costs

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

£000	**2022**	2021	% change
Employee costs	**15,369**	14,421	6.5%
Interest expense	**15,923**	7,950	100%
Capital expenditure	**27,000**	25,600	5.4%

Directors' report

The directors present their report and audited financial statements for the Company for the year ended 31 March 2022.

Directors and their interests

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

- J Pelczer, Chair (resigned 23 March 2022)
- D Shemmans, Chair and independent non-executive (appointed as Chair 24 March 2022)
- I Cain, Chief Executive Officer
- P Kerr, Chief Financial Officer and Company Secretary
- M Legg, senior independent non-executive
- J Woods, independent non-executive
- R Wiles, non-executive (appointed 26 May 2022)
- S Kitajima, non-executive (resigned 1 June 2021)
- K Kageyama, non-executive (appointed 1 June 2021)
- K Oida, non-executive

Service contracts

All current executive directors have service contracts and notice periods as detailed in the Remuneration Committee report on page 103.

Contracts of significance

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

Further information about directors' interests, together with confirmations and appointments, is contained in the Nomination and Remuneration Committee reports on pages 86 and 94.

Reappointment

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

Ownership and relationship with associated companies

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

The Company is 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. The full corporate structure is shown on page 5. Except where indicated, all companies within this corporate structure are domiciled in the UK for tax purposes.

Financial transactions with associated companies are disclosed in the statutory accounts on page 148 and further detailed in the regulatory accounts in the annual performance report.

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

The immediate parent of the Company is SESW Holding Company Limited (which wholly owns the Company) and was 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. The Company is an associate of other trading and property businesses within the East Surrey Holdings Group, transactions with whom are disclosed on page 148.

The Company has entered into a management agreement with Sumitomo Corporation and Osaka Gas, as controlling shareholders, which complies with the independence procedures as set out in the Listing Rules 6.1.4D. Both the Company and the shareholders (as far as the Company is aware) have complied with these independence provisions. Further information with respect to the Code of conduct applied by the controlling shareholders with respect to the Company is contained within the Corporate Governance report on page 85.

Directors' indemnities and insurance

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

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

Principal activities

The Company is engaged principally in the supply of water across the London Boroughs of Croydon (4%), Merton (9%) and Sutton (62%), as well as Reigate and Banstead (13%), Epsom and Ewell (11%) and parts of Kent and West Sussex.

Stakeholder engagement – employee engagement

Details of engagement by the directors during the year with the Company's employees is provided on pages 44, 47 and 64.

Stakeholder engagement – other engagement

Details of engagement by the directors during the year with the Company's other stakeholders is provided on pages 44, 45 and 46.

Financial results and dividends

Financial performance for the year is described on pages 59 and 60 in the financial review.

Revenue for the year ended 31 March 2022 was £63.0m (2021: £65.8 million). (Loss)/profit before taxation was (Loss of £5.4 million) compared to a profit in 2021 of £3.9 million. A loss of £17.3m was deducted from reserves (2021: £3.6m profit transfer, however sufficient reserves were still available as at 31 March 2022).

Details of ordinary dividends declared and paid during the year are given in note 22 of the financial statements. The total dividend declared and paid for the year ended 31 March 2022 was 0.34 pence (2021: 0.37 pence) per ordinary share.

Dividend policy statement

The Board considers that the base level of ordinary dividend for the appointed business should reflect the return on regulatory equity (defined as regulatory capital value less net debt) allowed in the regulator's most recent price review, subject to the Company having adequate resources available to fulfil its overall service commitments and its other financial obligations.

This includes compliance with the covenants associated with its index-linked bond (which are designed to protect the interests of the Company's creditors).

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

- The overall level of service delivered to customers, compliance with statutory obligations, progress with the delivery of regulatory and other obligations. Such other obligations will include delivering to our communities and employees – ensuring that "in-the-round" delivery is considered
- Known and forecast financial and non-financial performance against regulatory assumptions and internal targets, taking account of the relative importance to customers and stakeholders of such targets.

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

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

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

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

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

The dividend paid by the appointed business for the year ended 31 March 2022 was £2.9m (2021: £4.3m). This dividend has been calculated using the latest RCV and net debt amounts for the Company and applying Ofwat's allowed level of return as defined in the Company's Final Determination.

Board's consideration of dividend payments

Dividends paid in the year-ended 31 March 2022

Due to the timing of appointed dividends declared and paid in the financial year, the appointed dividend paid in the year-ended 31 March 2022 comprised of the final appointed dividend from the year-ended 31 March 2021 (£1.4m paid in June 2021) and the interim appointed dividend in respect of the year-ended 31 March 2022 of c£1.5m paid in November 2021. This total appointed dividend paid in the year-ended 31 March 2022 of c£2.92m represents a dividend yield for the year-ended 31 March 2022 of 3.5% (2021: 5.1%)

Directors' report continued

Dividends payable for the year-ended 31 March 2022

The appointed dividend payable for the year-ended 31 March 2022 comprises of the interim appointed dividend paid in November 2021 noted above, and a final appointed dividend, approved by the Board and paid in May 2022.

The Board considered both the interim and final appointed dividend in respect of the year-ended 31 March 2022 were appropriate and in line with the Company's dividend policy given that:

- The dividend has been calculated based on the allowed return on regulatory equity allowed in the PR19 determination of 3.77%
- Performance has substantially improved since prior year in terms of meeting our obligations and commitments to customers. Rewards under the regulatory framework for leakage and supply interruptions have been achieved, together with a strong water quality performance and significant support for our vulnerable customers. While certain commitments were not met – for example C-MeX, D-MeX and Voids performance – the successful implementation of the Company's new billing system and improved performance in these areas were considered positive customer service factors in consideration of the proposed dividend payment
- Forecast profit before tax in the last two years of the AMP returns to higher levels when the impact of current high inflation on revenues is realised – there is not an expectation of a sustained downturn in profits
- There is no historical precedent of adjusting dividend levels when the Company's profitability has been positively or negatively impacted by the non-cash effects of inflation on indexation, on our long-term bond or deferred tax changes. The Board do not recommend adjusting dividends for such matters in the current year when a loss after tax has been incurred as noted above
- The long-term financial resilience of the Company is considered strong and supportive of the dividend payment – with a Baa2 stable credit rating from Moodys, a stable regulatory gearing of 72% and a detailed long-term viability assessment that supports the Company's ability to fulfil its obligations up to 2032
- There are sufficient distributable reserves and available cash within the Company to pay such dividends
- Sufficient liquidity exists under 2022/23 budget, with financial ratios being met, to pay the final appointed dividend
- The shareholders remain supportive, ensuring the company acts in the public interest.

The dividends paid by the non-appointed business was £0.6m (2021: £0.6m). Dividends from non-appointed activities undertaken by the Company are determined based on the financial performance and prospects of these activities and their anticipated need for future investment.

Future developments

A review of future developments for the water industry and the potential effect on the Company is provided within the market review on page 16.

Research and development

SES continue to develop innovative solutions and additionally contribute to the national innovation agenda. As well as trialling and deploying the UK's first fully smart water network, we have played a leading role in developing the water industry's ground-breaking leakage roadmap. We are now applying the expertise and learning we have gained into the Internet of Things and Artificial Intelligence into our above ground asset solutions. We have submitted three entries into the OFWAT innovation competitions, although ultimately these failed to be awarded funding. In total we have been partners in 13 submissions, six of which have been successful. In recognition of our expertise and innovation, we have been shortlisted for both the Asset Management Initiative of the Year and the Smart Water Networks Award at this year's Water Industry Awards.

Greenhouse gas emissions

Greenhouse gas emissions are calculated using the UK Water Industry Research Carbon Accounting Workbook which is updated annually to reflect changes to emission factors and carbon reporting guidance from the UK Government.

Net operational greenhouse gas emissions in 2021/22 were 2,800 tonnes of carbon dioxide equivalent (tCO_2eq) (2020/21: 2,550 tCO_2eq), a 9.8% reduction on the previous year. This equates to operational emissions of 46 $kgCO_2eq$ per million litres of treated water (2020/21: 40 $kgCO_2eq$). Using 2020/21 emissions factors, operational emissions for 2021/22 would be equivalent to 42 $kgCO_2e$ per million litres of treated water.

Operational greenhouse gas emissions for 2021/22 for the regulated business include (2020/21 emissions are in brackets):

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

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

	FY2022 (tCO_2e)
Scope 1	1,070
Scope 2	–
Scope 3	1,730
Gross	2,800

- Gas consumption: 1,244,341 kWh and 228 tCO_2e (1,210,127 kWh and 223 tCO_2e)
- Consumption of travel fuels: 4,603,677 kWh and 427 tCO_2e (3,703,921 kWh and 397 tCO_2e)
- Purchase of electricity by the company for its own use, including for transport: 52,506,268 kWh and 0 tCO_2e (55,409,645 kWh and 0 tCO_2e).

Note: all conversions are using the 2021 and 2020 greenhouse gas reporting figures on a net calorific value basis.

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

In 2021/22 we continued to purchase 100% Renewable Energy Guarantee of Origin backed electricity for all sites. The Company has extended its electric vehicle charging infrastructure to now include 42 charging points across 100% of our operational treatment works and head office. The Company has solar panels installed at five treatment works and at its Redhill head office.

In 2021/22 these generated 290,024 kWh (2020: 266,045 kWh). This year, our first Air Source Heat Pump was installed to provide continuous heating to the gas storage and dosing room at one of our treatment works. This is the first step in a move to replace gas heating systems with renewable heating across all of our sites. In addition, our GHG emissions figure was impacted by COVID-19 due to increased demand for water and decreased vehicle movements during lockdowns.

The Company is part of the Water UK commitment for water companies in England to be net zero carbon by 2030. The water industry's route map to net zero carbon was published in November 2020 followed by our own route map published in June 2021.

Charitable and political donations

During the year the Company made charitable donations amounting to £34,177 (2021: £46,820). This included a £30,000 donation to The Community Foundation for Surrey. There were no political donations (2021: nil).

Payment to suppliers

Settlement terms are agreed with suppliers as part of contract terms and it is the Company's policy to pay in accordance with these terms. Other creditors are paid in accordance with invoice terms. Creditor days remain stable at approximately 17 days (2021: 15 days).

Going concern and long-term viability

The going concern and long-term viability statements required by the Disclosure and Transparency Rules are set out on page 83 of the Corporate Governance Report and are incorporated by reference in this report.

Financial instruments

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

Instrument of Appointment and Regulatory Accounts

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

Post balance sheet events

On 26 May 2022 a dividend of £1.9m was declared in respect of FY22 and paid to the immediate parent company on 31 May 2022.

Disclosure of information to auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of c418 of the Companies Act 2006.

Auditor

PricewaterhouseCoopers LLP ("PwC") is the auditor at the date of this report.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 74 to 85 of this Annual Report. The Corporate Governance report forms part of this Directors' report and is incorporated into it.

Annual General Meeting

The 2022 annual general meeting (AGM) will be held on 28 September 2022. Full details of the resolutions proposed to shareholders, and explanatory notes in respect of these resolutions, can be found in the notice of AGM, a copy of which can be found on the SES Water website. At the 2022 AGM, resolutions will be proposed, amongst other matters, to receive the Annual Report and financial statements; to approve the directors' remuneration report; to declare a final dividend; and to reappoint PwC as statutory auditor.

By Order of the Board

Paul Kerr
Chief Financial Officer
& Company Secretary

Redhill, Surrey
8 July 2022
Company number 02447875

Statement of directors' responsibilities in respect of the financial statements

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

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

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

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

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

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

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

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.