

South East Water Pension Scheme

Annual Report and Financial Statements

31 March 2024

Scheme Registration number 10183078

Contents

	Page
Section 1 – Trustee and its Advisers	1
Section 2 – Trustee's Report	2
Management of the Scheme	2
Scheme Membership	6
Investment Policy	7
Statement of Trustee's Responsibilities	9
Further Information	10
Section 3 – Independent Auditor's Report	12
Section 4 – Financial Statements	15
Section 5 – Notes to the Financial Statements	17
Section 6 – Independent Auditor's Statement about Contributions	27
Section 7 – Actuarial Certificate	29
Section 8 – Implementation Statement	30

Section 1 – Trustee and its Advisers

Trustee

Water Pension Trustee Limited was appointed as Trustee of the South East Water Pension Scheme (“SEWPS”) in December 2016. They are also the Trustee of the related Mid Kent Group Pension Scheme (“MKGPS”).

The Trustee Directors

Company appointed

J Stimpson (Chair)

R Loh

M Hersey

S Jenkins

N A Morton

Member nominated

M Giel (appointed by the members of both SEWPS and MKGPS)

D Chung (appointed by the members of both SEWPS and MKGPS)

R J Allison (appointed by the members of both SEWPS and MKGPS)

P Seeley (appointed by the members of both SEWPS and MKGPS)

Secretary to the Trustee:

Peter Carver FIA CERA, Hymans Robertson LLP

Advisers

The advisers to the Trustee are set out below:

Actuary

Shireen Anisuddin FIA CERA, Hymans Robertson LLP

Auditor

Mazars LLP (Resigned 29 February 2024)

Cooper Parry Group Limited (appointed 24 March 2024)

Legal Adviser

Squire Patton Boggs (UK) LLP

Administrator

Hymans Robertson LLP

Investment Consultant

Hymans Robertson LLP

Investment Managers

Barings Asset Management Ltd (“Barings”)

Insight Investment Management (Ireland) Limited (“Insight”)

Just Group Plc

Legal and General Investment Management Limited (“LGIM”)

M&G Investment Management Limited (“M&G”)

Schroders Investment Management (UK) Limited

TwentyFour Asset Management LLP (“24AM”)

Banker

Barclays Bank plc

Additional Voluntary Contribution (“AVC”) Provider

Aviva UK Limited

Principal Employer

South East Water Limited

Contact address

Ms Tracey Smith

Reward Manager

South East Water Limited

Rocfort Road

Snodland

Kent, ME6 5AH

Section 2 – Trustee’s Report

The Trustee of the South East Water Pension Scheme is pleased to present its report together with the audited financial statements and actuarial statements of the Scheme for the year ended 31 March 2024. The purpose of the report is to describe how the Scheme and its investments have been managed during the year.

Management of the Scheme

Legal Status

The Scheme is governed by a Definitive Trust Deed and Rules dated 28 December 2016.

The Scheme is a defined benefit scheme and is a registered pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

Members of the Scheme were contracted out of the State Second Pension, prior to the closure of the Scheme to future benefits (see below). Prior to 6 April 2012 this was on a Money Purchase ('Protected Rights') basis. Following the Government's abolition of contracting out on a Money Purchase basis from 6 April 2012, the Scheme was amended to instead be contracted out on a Defined Benefit ('Reference Scheme Test') basis from 6 April 2012 onwards.

The scheme closed from 1 April 2015. The closure means that active members will earn no further benefits from 31 March 2015. Any benefits built up in the Scheme prior to this date are protected and all members will still receive them as expected. Ongoing pension benefits are provided through the Company's Defined Contribution scheme.

Trustee

The Trustee of the South East Water Pension Scheme is Water Pension Trustee Limited whose Directors are listed on page 1.

In accordance with the trust deed the Principal Employer has the power to appoint and remove Company appointed Trustee Directors.

In accordance with the Occupational Pension Scheme (Member Nominated Trustees and Directors) Regulations 1996, four of the Trustee Directors are nominated by the members of the South East Water Pension Scheme and Mid Kent Group Pension Scheme to serve for a period of up to five years.

The Member Nominated Trustee Directors may be removed before the end of their term only by agreement of all of the remaining Trustee Directors, although their appointment ceases if they cease to be members of the Scheme.

The Trustee met formally for regular Trustee meetings four times (2023: four) during the year. In addition, there were further meetings for other activities including additional meetings in respect of specific projects and a number of meetings of subcommittees. From December 2016, as the Trustee of the South East Water Pension Scheme, Water Pension Trustee Limited, is also the Trustee of the Mid Kent Group Pension Scheme all Trustee meetings and most subcommittee meetings are joint meetings of the two Schemes.

Change of Auditor

During the year, the Trustee appointed Cooper Parry Group Limited as the Scheme auditor on 24 March 2024. During this process, the outgoing auditor, Mazars LLP who resigned on 29 February 2024, confirmed that they were not aware of any circumstances connected with their resignation which, in their opinion, affected the interest of members or beneficiaries.

Trustee's Report (continued)**Financial Development of the Scheme**

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The fund account shows that the net assets of the Scheme decreased from £133,667k at 31 March 2023 to £132,471k at 31 March 2024. The decrease in net assets is accounted for by:

	31 March 2024 £000	31 March 2023 £000
Contributions paid in by the Company	6,678	4,614
Benefits paid to members and payments in respect of leavers	(8,214)	(7,081)
Administrative expenses	(378)	(251)
Net withdrawals from dealings with members	(1,914)	(2,718)
Returns on investments	1,132	(45,079)
Investment manager expenses	(414)	(378)
Total decrease in net assets for the year	(1,196)	(48,175)
Net assets at the start of the year	133,667	181,842
Net assets at the end of the year	132,471	133,667

Pension Increases

During the Scheme year, pension increases were applied in accordance with the Scheme Rules as follows:

- Effective date – 1 April 2023
- Pensions in payment:
 - Guaranteed Minimum Pension (“GMP”s) accrued pre 6 April 1988 = Nil% (increases in line with the annual rise in Consumer Price Index (“CPI”) may be payable by the State)
 - GMPs accrued post 5 April 1988 = 3% (in accordance with the statutory revaluation orders)
 - non GMP benefits accrued pre 6 April 1997 = 10.1%
 - benefits accrued post 5 April 1997 = 10.1%

Deferred pensions are increased in accordance with statutory requirements

Trustee’s Report (continued)

Transfer Values

All transfer values paid during the year were calculated and verified as required under Section 97 of the Pension Schemes Act 1993.

Transfer values paid represented the full value of members’ guaranteed benefits. There were no transfers paid at less than the cash equivalent.

No allowance is made for any discretionary benefits when assessing transfer values.

Schedule of Contributions

Following the actuarial valuation on 31 March 2023, a Schedule of Contributions was agreed and certified by the Scheme Actuary on 10 June 2024. Deficit contributions of £4,847,034 per annum and expense contributions of £389,231 per annum were effective from 1 July 2024 until 31 March 2025.

This replaced the previous Schedule of Contributions which was certified by the Scheme Actuary on 18 June 2021. Under this, deficit contributions of £3,770,104 per annum and expense contributions of £302,750 per annum were payable effective from 1 July 2021 until 31 March 2025, increasing annually with Retail Price Index (“RPI”) inflation from 1 April 2022.

The Schedule of Contributions is available on request from the Trustee.

Report on Actuarial Liabilities

Under Section 222 of the Pensions Act 2004, the Scheme has adopted a Statutory Funding Objective which is to have sufficient and appropriate assets to cover its Technical Provisions. The Technical Provisions represent the present value of the benefits members are entitled to at the valuation date (also known as the liabilities). This value is assessed using the assumptions agreed between the Trustee and the Employer as set out in the latest Statement of Funding Principles dated 10 June 2024, which is available on request.

The most recent signed actuarial valuation of the Scheme was carried out as at 31 March 2023. This showed that on that date:

The value of the Technical Provisions was: £140.0 million

The value of the Scheme’s assets was: £133.6 million

Both these figures exclude the value of members’ AVC funds. On this basis the Scheme had a funding deficit of £6.4 million at 31 March 2023 corresponding to a funding level of 95%.

A Recovery Plan was agreed between the Trustee and the Employer on 10 June 2024 to address the funding shortfall, details are set out later in this report.

Between triennial actuarial valuations, trustees of defined benefit schemes with more than 100 members must commission an annual funding report called an “Actuarial Report”. The actuarial report must have an effective date of no later than one year from the date of the previous actuarial valuation or actuarial report and must be completed within one year of the report’s effective date. An Actuarial report for the Scheme as at 31 March 2024 will be prepared before 31 March 2025. The next triennial valuation of the Scheme is due as at 31 March 2026.

Trustee's Report (continued)**Report on Actuarial Liabilities (continued)**

The method and the significant actuarial assumptions used to determine the Technical Provisions are as follows (further details of all assumptions adopted are set out in the Statement of Funding Principles dated 10 June 2024):

Method:

The actuarial method used in the calculation of the Technical Provisions is the 'Projected Unit' method.

Significant assumptions:

Discount rate: In line with gilt yield curve + 0.8% per annum ("p.a.") until 31 March 2025; then + 0.5% p.a. thereafter.

Future RPI inflation: In line with a gilt market implied inflation curve.

Future CPI inflation: Derived from the assumption for future RPI inflation, less an adjustment of 1.0% p.a. to 2030, then less 0.1% p.a. thereafter.

Pensionable salary increases: No allowance due to Scheme closure from 31 March 2015.

Pension increases (in excess of GMP): CPI price inflation adjusted to allow for an annual floor of 0% p.a.

Revaluation prior to retirement: In line with the greater of statutory revaluation and the relevant multiplier under the Pensions (Increase) Act 1971.

Mortality: Member specific Club Vita tables based on the Scheme's membership at the 2023 valuation. Future improvements in line with CMI 2021 core model with core smoothing parameter ($S_k=7.0$), addition to initial improvements ('A' parameter) of 0.0, and a long-term rate of improvement of 1.5% p.a. tapering linearly to zero between the ages of 85 to 110.

Commutation: Members assumed to commute 80% of the maximum allowable pension under post-April 2006 HMRC limits on current Scheme terms.

Other assumptions: Appropriate allowance is made for early retirements, as set out in the Statement of Funding Principles dated 10 June 2024.

GMP

On 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Trustee is aware that the issue affects the Scheme and has been considering this at recent meetings – some decisions have been made as to the next steps, however more work is required before benefit adjustments can be implemented. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts (unless the Scheme's Rules state otherwise). The impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

In November 2020 a further judgement was passed down on the Lloyds Bank GMP equalisation case, requiring pension scheme trustees to investigate historic transfer payments since 17 May 1990 and check whether the payment would have been higher had the member's benefits been equalised for the effects of unequal male and female GMPs. In cases where payments would have been higher, trustees may have an obligation to make "top-up" payments. The Trustee will take advice on the matter as part of the larger project of implementing GMP equalisation, but the impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

Scheme Membership

The reconciliation of the Scheme membership during the year ended 31 March 2024 is shown below:

Pensioner Members (including spouses and dependants)	Number
As at 31 March 2023	690
Retirements	16
Deaths	(30)
Child pension ceased	(1)
Spouses pensions	9
Pensioner members as at 31 March 2024	684

Deferred Pensioner Members	Number
As at 31 March 2023	309
Prior period adjustments	(2)
Restated as at 31 March 2023	307
Retirements	(16)
Death	(1)
Deferred pensioner members as at 31 March 2024	290

Investment Policy

Investment manager

The Scheme's investments are handled by investment managers appointed by the Trustee. The investment strategy is agreed by the Trustee after taking appropriate advice. Subject to the investment strategy set by the Trustee, day to day management of the Scheme's portfolio, which includes full discretion over stock selection, is the responsibility of the investment managers. The investment managers are shown on page 1.

Investment strategy

The current investment strategy has been designed to reduce the current risks to the future development of the Scheme's funding position through investment in assets that will generate cash that can be used to pay benefits as they fall due. In addition, the Trustee holds investments whose prices are designed to move in line with changes in the value placed on the Scheme's liability to pay benefits in the future.. The Trustee integrates environmental, social, and governance factors, including climate-related risks, into its investment process.

In August 2023, the Trustee performed an investment strategy review which suggested that the Scheme was expected to be fully funded comfortably ahead of its 2030 funding objective. As a result, the Trustee decided to adopt a lower risk investment strategy. The following changes were made:

- fully disinvesting from the Scheme's higher-risk credit holdings with Barings and M&G;
- reducing the allocation to the LGIM RAFI equity fund and the daily-dealing asset-backed securities mandates with Insight and TwentyFour; and
- investing the proceeds into the LGIM LDI portfolio and the new Insight Maturing Buy and Maintain investment grade credit mandate.
- Increasing the level of interest rate and inflation hedging.

The transition to the lower-risk investment strategy was completed in February 2024, whilst the increase in hedging was implemented post year end in April 2024.

Asset allocation

The asset allocation of the Scheme at 31 March 2024 is summarised in the table below.

	Asset Allocation at 31 March 2024		
	Valuation (£'000)	Total Fund (%)	Benchmark (%)
Global Equity	7,802	5.9	5.0
Investment Grade Credit	43,806	33.1	35.0
Asset Backed Securities	18,849	14.3	15.0
Gilts / LDI	41,705	31.6	45.0
Annuity buy in	5,215	3.9	
Private Equity	99	0.1	-
Cash	14,692	11.1	-
Total	132,168	100	100

Notes: 1) Bid prices sourced from investment managers except for Insight which is single priced.

2) The combined target allocation to LDI, and annuity buy in is 45%.

3) The cash value excludes monies held in the Trustee bank account.

4) As they are trivially immaterial to the Scheme and do not form part of the Trustee's investment strategy this table does not include AVC investments nor accrued interest

Trustee's Report (continued)**Investment Performance**

The return (net of fees) on the Scheme's investments over various periods to 31 March 2024 is shown below together with the return on the benchmark adopted by the Trustee.

Period Ended 31 March 2024	Scheme	Benchmark
1 year (%)	0.4	(0.2)
3 years (% p.a.)	(8.3)	(7.3)

Pricing methods of managers

Investment Manager	Fund	Pricing point
Legal & General Investment Management Limited	Equities and gilt/LDI index funds	Weekly
	Sterling Liquidity Fund	Daily
TwentyFour Asset Management	Monument Bond Fund	Daily
Insight Investment Management (Ireland) Limited	Insight Global Asset-Backed Securities Fund	Daily
	Insight Maturing Buy and Maintain Credit Fund 2026-2030	Weekly
Schroders Investment Management (UK) Limited	Schroder Private Equity Fund	n/a

Statement of Investment Principles ("SIP")

The Trustee has prepared a SIP, which sets out the principles governing how investments are chosen. A copy of the Scheme's SIP can be found at <https://www.sewpensionscheme.co.uk/resources/statement-of-investment-principles-2024/>.

Custodial Arrangements

The custodian is responsible for the safe keeping, monitoring and reconciliation of documentation relating to the ownership of listed investments. Underlying investments are held in the name of the custodian's nominee companies, in line with common practice for pension scheme investments. The table below shows the custodial arrangements for each investment manager.

Investment Manager	Custodian
Legal and General Investment Management Limited	Liquidity Funds: Northern Trust Fiduciary Services (Ireland) Limited; All other pooled funds: Citibank N.A
TwentyFour Asset Management	The Northern Trust Company, London Branch
Insight Investment Management (Ireland) Limited	Northern Trust Fiduciary Services (Ireland) Limited
Schroders Investment Management (UK) Limited	Schroders Investment Management (UK) Limited

Employer Related Investments

There were no employer related investments during the year (2023: £nil).

Statement of Trustee's Responsibilities

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, including the Financial Reporting Standard applicable in the UK (FRS 102) are the responsibility of the Trustee. Pension Scheme regulations require, and the Trustee is responsible for ensuring, that those financial statements:

- show a true and fair view of the financial transactions of the Scheme during the Scheme year and of the amount and disposition at the end of the Scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Scheme year; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including making a statement whether the Financial Statements have been prepared in accordance with the relevant financial reporting framework applicable to occupational pension schemes.

In discharging the above responsibilities, the Trustee is responsible for selecting suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis, and for the preparation of the financial statements on a going concern basis unless it is inappropriate to presume that the Scheme will not be wound up.

The Trustee is also responsible for making available certain other information about the Scheme in the form of an annual report.

The Trustee also has a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the Scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

The Trustee is responsible under pensions legislation for preparing, maintaining and from time to time reviewing and if necessary revising a Schedule of Contributions showing the rates of contributions payable towards the Scheme by or on behalf of the Employer and the active members of the Scheme and the dates on or before which such contributions are to be paid. The Trustee is also responsible for keeping records in respect of contributions received in respect of any active member of the Scheme and for adopting risk-based processes to monitor whether contributions are made to the Scheme by the employer in accordance with the Schedule of Contributions. Where breaches of the Schedule occur, the Trustee is required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the Members.

Further Information

Internal Dispute Resolution (“IDR”) Procedures

It is a requirement of the Pensions Act 1995 that the trustees of all occupational pension schemes must have IDR procedures in place for dealing with any disputes between the Trustee and the scheme beneficiaries. A dispute resolution procedure has been agreed by the Trustee, details of which can be obtained by writing to the Secretary to the Trustee at the following address:

Secretary to the Trustee
South East Water Pension Scheme
Hymans Robertson LLP
One London Wall
London
EC2Y 5EA
Email: southeastwater@hymans.co.uk .

Contact for Further Information

Any enquiries or complaints about the Scheme, including requests from individuals about their benefits or for a copy of Scheme documentation, should be sent to the Secretary to the Trustee at the above address.

The Money and Pensions Service (“MaPS”)

This service is available at any time to assist members and beneficiaries with pensions questions and issues they have been unable to resolve with the Trustee of the Scheme. MaPS has launched MoneyHelper, which brings together the Money Advice Service, The Pensions Advisory Service and Pension Wise to create a single place to get help with money and pension choices. MoneyHelper is impartial, backed by the government and free to use.

The Money and Pensions Service
Bedford Borough Hall
138 Cauldwell Street
Bedford
MK42 9AP
Tel: 0800 011 3797
www.moneyhelper.org.uk

The Pensions Ombudsman

Members have the right to refer a complaint to The Pensions Ombudsman free of charge. The Pensions Ombudsman deals with complaints and disputes which concern the administration and/or management of occupational and personal pension schemes.

Contact with The Pensions Ombudsman about a complaint needs to be made within three years of when the events(s) the member is complaining about happened – or, if later, within three years of when they first knew about it (or ought to have known about it). There is discretion for those time limits to be extended.

The Pensions Ombudsman can be contacted at:

10 South Colonnade
Canary Wharf
London
E14 4PU
Tel: 0800 917 4487
Email: enquiries@pensions-ombudsman.org.uk
www.pensions-ombudsman.org.uk

Trustee’s Report (continued)
The Pensions Ombudsman (continued)

Members can also submit a complaint form online:
www.pensions-ombudsman.org.uk/making-complaint

The Pensions Regulator (“TPR”)

TPR has the objectives of protecting the benefits of members, promoting good administration and reducing the risk of claims on the Pension Protection Fund (“PPF”). TPR has the power to investigate schemes, to take action to prevent wrongdoing in or maladministration of pension schemes and to act against employers failing to abide by their pension obligations. TPR may be contacted at the following address:

The Pensions Regulator
Telecom House
125 -135 Preston Road
Brighton
BN1 6AF
www.thepensionsregulator.gov.uk

Pension Tracing Service

The Pension Schemes Registry has been replaced with the Pension Tracing Service and is now provided by the Department for Work and Pensions. Responsibility for compiling and maintaining the register of occupational pension schemes has been passed to The Pensions Regulator.

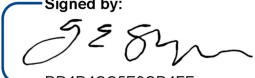
Contact details for the services are as follows:

The Pension Service
Post Handling Site A
Wolverhampton
WV98 1AF
Tel: 0800 731 0469
www.gov.uk/find-pension-contact-details

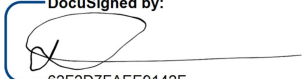
Approval of the Report by the Trustee

The investment report included in this annual report and financial statements forms part of the Trustee’s report.

Signed for and on behalf of the Trustee of the South East Water Pension Scheme by:

Signed by:

DD4D4CC5E9CD4FF...

Trustee Director

DocuSigned by:

62F2D7FAEE9142F...

Trustee Director

21 October 2024

Date

Section 3 – Independent Auditor's Report to the Trustee of the South East Water Pension Scheme

Opinion

We have audited the financial statements of the South East Water Pension Scheme for the year ended 31 March 2024 which comprise the fund account, the statement of net assets and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Scheme during the year ended 31 March 2024, and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3A of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Scheme in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Scheme's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustee with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon and our auditor's statement about contributions. The Trustee is responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report to the Trustee of the South East Water Scheme (continued)

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Trustee

As explained more fully in the Statement of Trustee's Responsibilities set out on page 9, the Scheme's Trustee is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

Our assessment focussed on key laws and regulations the Scheme has to comply with and areas of the financial statements we assessed as being more susceptible to misstatement. These key laws and regulations included but were not limited to compliance with the Pensions Act 1995 and United Kingdom Generally Accepted Accounting Practice.

We are not responsible for preventing irregularities. Our approach to detecting irregularities included, but was not limited to, the following:

- obtaining an understanding of the legal and regulatory framework applicable to the Scheme and how the Scheme is complying with that framework, including agreement of financial statement disclosures to underlying documentation and other evidence;
- obtaining an understanding of the Scheme's control environment and how the Scheme has applied relevant control procedures, through discussions and sample testing of controls;
- obtaining an understanding of the Scheme's risk assessment process, including the risk of fraud;
- reviewing Trustee meeting minutes throughout the year; and
- performing audit testing to address the risk of management override of controls, including testing the appropriateness of journal entries and other adjustments made.

Independent Auditor's Report to the Trustee of the South East Water Scheme (continued)**Auditor's responsibilities for the audit of the financial statements**

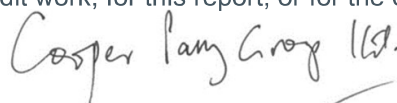
Whilst considering how our audit work addressed the detection of irregularities, we also considered the likelihood of detection based on our approach. Irregularities arising from fraud are inherently more difficult to detect than those arising from error.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Scheme's Trustee, as a body, in accordance with Regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Scheme's Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme's Trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

**COOPER PARRY GROUP LIMITED**

Statutory Auditor

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 21 October 2024

Section 4 – Financial Statements

Fund Account for year ended 31 March 2024

		2024	2023
	Note	£000	£000
CONTRIBUTIONS AND BENEFITS			
Contributions			
Employer	4	6,678	4,614
		<u>6,678</u>	<u>4,614</u>
Benefits	5	(8,125)	(7,061)
Leavers	6	(89)	(20)
Administrative expenses	7	(378)	(251)
		<u>(8,592)</u>	<u>(7,332)</u>
Net withdrawals from dealings with members		(1,914)	(2,718)
RETURNS ON INVESTMENTS			
Investment income	8	3,429	2,517
Change in market value of investments	10	(2,297)	(47,596)
Investment management expenses	11	(414)	(378)
Net returns on investments		718	(45,457)
Net decrease in the Scheme during the year		(1,196)	(48,175)
Balance of the Scheme at the start of the year		133,667	181,842
Balance of the Scheme at the end of the year		<u>132,471</u>	<u>133,667</u>

The notes on pages 17 to 26 form part of these financial statements.

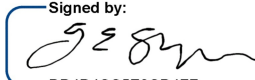
Statement of Net Assets (available for benefits) as at 31 March 2024

		2024	2023
	Note	£000	£000
Investment assets	10		
Pooled investment vehicles ("PIVs")		126,953	127,826
Insurance policy		5,215	5,538
AVC investments		30	27
Accrued interest		14	-
		132,212	133,391
Current assets	12	1,017	854
Current liabilities	13	(758)	(578)
Net assets of the Scheme at the end of the year		132,471	133,667

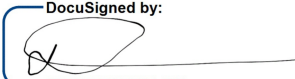
The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Scheme year.

The actuarial position of the Scheme, which does take account of such obligations, is dealt with in the Report on actuarial liabilities on pages 4 and 5 of these financial statements and should be read in conjunction therewith.

These financial statements were approved by the Trustee of the South East Water Pension Scheme and signed for and on their behalf by:

Signed by:

DD4D4CC5E9CB4FF...

Trustee Director

DocuSigned by:

02F2D7FAEE9142F...

Trustee Director

21 October 2024

Date

The notes on pages 17 to 26 form part of these financial statements.

Section 5 – Notes to the Financial Statements

Notes to the financial statements for the year ended 31 March 2024

1 BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis and in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council (“FRS 102”) and the guidance set out in the Statement of Recommended Practice, “Financial Reports of Pension Schemes” (Revised June 2018) (“the SORP”).

The financial statements are prepared on a going concern basis, which the Trustee believes to be appropriate as it believes that the Scheme has adequate resources to realise its assets and meet pension payments in the normal course of affairs (continue to operate) for at least the next twelve months.

2 IDENTIFICATION OF FINANCIAL STATEMENTS

The Scheme is established as a trust under English law. The address for enquiries to the scheme is:

Secretary to the Trustee
South East Water Pension Scheme
Hymans Robertson LLP
One London Wall
London
EC2Y 5EA
Email: southeastwater@hymans.co.uk

3 ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied during the year, are set out below.

3.1 Contributions

Deficit and expenses contributions are accounted for in accordance with the terms of the Schedule of Contributions. Additional contributions are accounted for on receipt.

3.2 AVCs

AVCs are accounted for on an accruals basis, in the same way as other contributions, and the resulting investments are included in the net assets statement.

3.3 Benefits

Pensions payable in respect of the Scheme year are accounted for by reference to the period to which they relate. Refunds and lump sums are accounted for by reference to the later of the date of retirement or leaving the Scheme, or the date the option is exercised.

3.4 Transfers

Transfer values to other pension arrangements are accounted for when the liability for any pension benefits in respect of a transferring member passes from the Scheme.

3.5 Income

Interest on bank deposits is accounted for on an accruals basis. Income from investment vehicles is accounted for on an accruals basis.

Notes to the financial statements for the year ended 31 March 2024 (continued)

3 ACCOUNTING POLICIES (continued)

3.6 Expenses

Expenses are accounted for on an accruals basis.

3.7 Investments

Quoted securities are valued at the bid market price at the close of business. The fair value of unit trusts and managed fund units is taken as the bid price at the accounting date as advised by the investment managers.

The Just Group Plc insurance policy is allocated to the provision of pensions for certain members of the Scheme. Income received from this policy is treated as investment income and the corresponding expenditure is included in Benefits within the pension payment account. The buy in policy remains an asset of the Scheme and is valued at the year-end using an "actuarial value" approach. This approach places a value on the policy based on the present value of the underlying pension cashflows. The valuation has been prepared by the Scheme Actuary on a technical provisions basis which is consistent with the valuation of the Scheme's liabilities.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Investments in overseas currencies are translated into sterling at the exchange rates ruling at the year end.

4 CONTRIBUTIONS

	2024	2023
	£000	£000
Employer		
Deficit funding	4,603	4,038
Contributions to cover expenses	370	324
Additional contributions	1,705	252
	6,678	4,614

Deficit funding contributions of £4,603,071 (2023: £4,037,781) and expense contributions of £369,640 (2023: £324,245) were received as per the Schedule of Contributions. Deficit funding contributions are payable to 31 March 2025. The Principal Employer started paying additional contributions into the Scheme from January 2023 which amounted to £1,705,034 in 2023/24.

Notes to the financial statements for the year ended 31 March 2024 (continued)**5 BENEFITS**

	2024	2023
	£000	£000
Pensions	7,235	6,510
Commutations and lump sum retirement benefits	869	551
Death benefits	21	-
	<u>8,125</u>	<u>7,061</u>

6 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2024	2023
	£000	£000
Individual transfers to other schemes	<u>89</u>	<u>20</u>

7 ADMINISTRATIVE EXPENSES

	2024	2023
	£000	£000
Administration and actuarial	310	217
Audit fee	14	13
Legal and other professional fees	46	9
PPF levy	8	12
	<u>378</u>	<u>251</u>

8 INVESTMENT INCOME

	2024	2023
	£000	£000
PIV Income	3,045	2,197
Annuity income	335	305
Bank Interest	49	15
	<u>3,429</u>	<u>2,517</u>

9 TAX

The South East Water Pension Scheme is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate.

Notes to the financial statements for the year ended 31 March 2024 (continued)**10 INVESTMENT ASSETS****10.1 Investment Assets Reconciliation**

The movements in investments during the year were:

	<i>Opening value</i>	<i>Purchase cost</i>	<i>Sales proceeds</i>	<i>Change in market value</i>	<i>Closing value</i>
	£000	£000	£000	£000	£000
PIVs	127,826	64,880	(63,776)	(1,977)	126,953
Insurance policy	5,538	-	-	(323)	5,215
AVC investments	27	-	-	3	30
Total	133,391	64,880	(63,776)	(2,297)	132,198
Accrued interest	-				14
	133,391				132,212

The change in the market value of investments during the year comprises all increases and decreases in the fair value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the Scheme such as fees, commissions, stamp duty and other fees. In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within the PIVs.

Insurance policy

The Just Group Plc insurance policy is allocated to the provision of pensions for certain members of the Scheme. Income received from this policy is treated as investment income and the corresponding expenditure is included in Benefits within the pension payment account. The buy in policy remains an asset of the Scheme and is valued by the Scheme Actuary at the year-end using an "actuarial value" approach. This approach places a value on the policy based on the present value of the underlying pension cashflows. The valuation has been prepared by the Scheme Actuary on a technical provisions basis which is consistent with the valuation of the Scheme's liabilities.

All fund managers operating the PIVs are registered in the United Kingdom

Notes to the financial statements for the year ended 31 March 2024 (continued)**10 INVESTMENT ASSETS (continued)****10.2 PIVs**

	2024	2023
	£000	£000
Global Equity	7,802	12,240
Investment Grade Credit	43,806	-
Multi-Asset Credit	-	12,995
Asset Backed Securities	18,849	26,611
Absolute Return Bonds	-	20,413
Gilts - LDI Funds	41,705	42,389
Liquidity Funds	14,692	13,076
Private Equity	99	102
	126,953	127,826

10.3 AVC Investments

The Trustee holds assets invested separately from the main fund in the form of a managed fund/insurance policy. These secure additional benefits on a money purchase basis for those members electing to pay additional voluntary contributions. Members participating in this arrangement each receive an annual statement made up to 31 March confirming the amounts held to their account and the movements in the year.

	2024	2023
	£000	£000
Aviva	30	27

Notes to the financial statements for the year ended 31 March 2024 (continued)

10 INVESTMENT ASSETS (continued)

10.4 Concentration of Investments

The following investments account for more than 5% of the Scheme's net assets as at 31 March 2024:

	2024		2023	
	£000	% of net assets	£000	% of net assets
IIFIG Global ABS Fund Cls B GBP Income	43,806	33.1	-	-
Legal & General Sterling Liquidity Fund	14,692	11.1	13,076	9.8
Legal & General 2037 Leveraged IndexLinked Gilt Fund	9,717	7.3	9,390	7.0
TwentyFour AM Monument Bond Fund	9,535	7.2	13,439	10.1
IIFIG Global ABS Fund Cls B GBP Income	9,315	7.0	13,172	9.9
LGIM RAFI Multi-Factor Climate Transition Fund	7,802	5.9	12,240	9.2
Legal & General 2030 Leveraged Index Linked Gilt Fund	7,116	5.4	6,859	5.1
M&G Alpha Opportunities Fund	-	-	20,413	15.3
Barings Global High Yield Credit Fund	-	-	12,996	9.7

10.5 Investments Fair Value Hierarchy

The fair value of financial instruments has been determined using the following fair value hierarchy:

Level 1	The unadjusted quoted price in an active market for identical assets that the entity can access at the measurement date.
Level 2	Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly;
Level 3	Inputs which are unobservable (i.e. for which market data is unavailable for the asset or liability).

The Scheme's invested assets have been fair valued using the above hierarchy categories as follows:

As at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
PIVs	-	126,854	99	126,953
Insurance policy	-	-	5,215	5,215
AVC investments	-	30	-	30
Accrued interest	14	-	-	14
	14	126,884	5,314	132,212

Notes to the financial statements for the year ended 31 March 2024 (continued)**10 INVESTMENT ASSETS (continued)****10.5 Investments Fair Value Hierarchy (continued)**

As at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
PIVs	-	127,724	102	127,826
Insurance policy	-	-	5,538	5,538
AVC investments	-	27	-	27
Accrued interest	-	-	-	-
	-	127,751	5,640	133,391

10.6 Investment Risks

FRS 102 requires the disclosure of information in relation to certain investment risks. These risks are set out by FRS 102 as follows:

Credit risk: this is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Market risk: this comprises currency risk, interest rate risk and other price risk.

- Currency risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in foreign exchange rates.
- Interest rate risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market interest rates.
- Other price risk: this is the risk that the fair value or future cash flows of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). These changes may be caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Scheme has exposure to these risks via the investments held to implement the Scheme's investment strategy. The Trustee determines their investment strategy after taking advice from the investment adviser. The Trustee manages investment risks, including credit risk and market risk, considering the Scheme's investment objectives and the investment strategy and the advice of their investment advisers.

The Scheme invests in sterling denominated PIVs. The Scheme therefore has direct credit risk to the PIV and indirect credit and market risks arising from the underlying investments of the PIVs. The Trustee selects the PIVs based on their investment mandates and monitor the PIV at the fund level. The investment managers are responsible for managing the underlying credit and market risks within the PIVs.

The Scheme's investment strategy has been disclosed within the Trustee's report.

Further information on the Trustee's approach to risk management is set out below. This does not include AVC investments, as these are not considered significant in relation to the overall investments of the Scheme.

Notes to the financial statements for the year ended 31 March 2024 (continued)**10 INVESTMENT ASSETS (continued)****10.6 Investment Risks (continued)****Direct Credit risk**

Direct credit risk arising from the PIVs is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and diversification of investments amongst a number of pooled arrangements. The Trustee carries out due diligence checks on the appointment of new pooled investment managers and on an ongoing basis monitors any changes to the regulatory and operating environment of the pooled manager.

All the PIVs are unrated. Cash is held within financial institutions which are at least investment grade credit rated. Insurance policies are held with Just Group Plc. The Scheme has direct credit risk with Just Group Plc arising from these contracts.

Indirect credit and market risks

The table below summarises which PIVs have significant exposure to indirect credit and market risks.

2024				
	Credit risk	Foreign exchange risk	Interest rate risk	Other price risk
Legal & General Investment Management LDI	✓	-	✓	✓
Legal & General Investment Management Sterling Liquidity Fund	✓	-	✓	-
Legal & General RAFI Multi- Factor Climate Transition Equity Index Fund	-	✓	-	✓
Insight Investment Global ABS Fund	✓	✓	✓	-
TwentyFour AM Monument Bond Fund	✓	✓	✓	-
Schroder Private Equity Fund of Funds	-	✓	-	✓
Insight Maturing Buy and Maintain Bond Fund 2026-2030	✓	✓	✓	✓
2023				
Barings Global High Yield Credit Strategies Fund	✓	✓	✓	✓
Legal & General Investment Management LDI	✓	-	✓	✓
Legal & General Investment Management Sterling Liquidity Fund	✓	-	✓	-
Legal & General RAFI Multi- Factor Climate Transition Equity Index Fund	-	✓	-	✓
M&G Alpha Opportunities Fund	✓	✓	✓	✓
Insight Investment Global ABS Fund	✓	✓	✓	-
TwentyFour AM Monument Bond Fund	✓	✓	✓	-
Schroder Private Equity Fund of Funds	-	✓	-	✓
Barings Global High Yield Credit Strategies Fund	✓	✓	✓	✓
Legal & General Investment Management LDI	✓	-	✓	✓

Notes to the financial statements for the year ended 31 March 2024 (continued)**11 INVESTMENT MANAGEMENT EXPENSES**

	2024	2023
	£000	£000
Administration, management and custody	414	378

12 CURRENT ASSETS

	2024	2023
	£000	£000
Deficit contributions	383	336
Expense contributions	31	27
Cash balances	603	491
	1,017	854

Contributions were paid in line with the Schedule of Contributions.

13 CURRENT LIABILITIES

	2024	2023
	£000	£000
Unpaid benefits	576	529
Accrued expenses	182	49
	758	578

14 RELATED PARTY TRANSACTIONS

Certain Trustee Directors in office during the financial year were members of the Scheme. The pension payments for the pensioner Trustee Directors are paid in accordance with the Scheme rules.

15 EMPLOYER RELATED INVESTMENTS

There were no employer related investments at 31 March 2024 (2023: £nil) or at any time during the year.

Notes to the financial statements for the year ended 31 March 2024 (continued)**16 GMP**

As noted in the Trustee's Report on page 5, on 26 October 2018, the High Court handed down a judgment involving the Lloyds Banking Group's defined benefit pension schemes. The judgment concluded the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The Trustee is aware that the issue will affect the Scheme and will be considering this at future meetings and decisions will be made as to the next steps. Under the ruling schemes are required to backdate benefit adjustments in relation to GMP equalisation and provide interest on the backdated amounts. The impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

In November 2020 a further judgement was passed down on the Lloyds Bank GMP equalisation case, requiring pension scheme trustees to investigate historic transfer payments since 17 May 1990 and check whether the payment would have been higher had the member's benefits been equalised for the effects of unequal male and female GMPs. In cases where payments would have been higher, trustees may have an obligation to make "top-up" payments. The Trustee will take advice on the matter as part of the larger project of implementing GMP equalisation, but the impact on the Scheme is not expected to be material and has therefore not been recognised in the accounts.

17 SECTION 37 LEGAL RULING

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023, considered the implications of section 37 of the Pension Schemes Act 1993. We do not know at this stage whether the case will be appealed but, as matters stand, the case has the potential to cause significant issues in the pensions industry. The Trustee has investigated the possible implications with their advisers and concluded that the section 37 ruling was not relevant to the Scheme as it was not contracted out on a salary related basis between 6 April 1997 and 5 April 2016.

Section 6 – Independent Auditor’s Statement about Contributions

Independent Auditor’s Statement about Contributions to the Trustee of the South East Water Pension Scheme

We have examined the Summary of Contributions of the South East Water Pension Scheme payable in respect of the Scheme year ended 31 March 2024 to which this statement is attached.

In our opinion the contributions for the Scheme year ended 31 March 2024 as reported in the Summary of Contributions and payable under the Schedule of Contributions have in all material respects been paid at least in accordance with the Schedule of Contributions certified by the scheme actuary on 18 June 2021.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported in the attached Summary of Contributions have in all material respects been paid at least in accordance with the Schedules of Contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Scheme and the timing of those payments under the Schedule of Contributions.

Respective responsibilities of trustee and auditor


As explained more fully in the Statement of Trustee’s Responsibilities, the scheme’s trustee is responsible for preparing, and from time to time reviewing and if necessary revising, a Schedule of Contributions and for monitoring whether contributions are made to the Scheme by the employer in accordance with the Schedules of Contributions.

It is our responsibility to provide a Statement about Contributions paid under the Schedule of contributions and to report our opinion to you.

Use of our report

This statement is made solely to the Scheme’s Trustee, in accordance with Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995. Our work on contributions has been undertaken so that we might state to the Scheme’s Trustee those matters we are required to state to them in such an auditor’s statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme and the Scheme’s Trustee, for our work on contributions, for this statement, or for the opinions we have formed.

Sky View
Argosy Road
East Midlands Airport
Castle Donington
Derby
DE74 2SA
Date: 21 October 2024


COOPER PARRY GROUP LIMITED
Statutory Auditor

Summary of Contributions payable in the year

During the year, the contributions payable to the Scheme were as follows:

	Employer £000
Required by the schedule of contributions	
Deficit funding	4,603
Contributions to cover expenses	370
Total per the Schedule of Contributions	4,973
Additional contributions	1,705
Total (as per Fund Account)	6,678

Signed for and on behalf of the Trustee of the South East Water Pension Scheme by:

<div>Signed by:  DD4D4CC5E9CD4FF...</div>	Trustee Director
<div>DocuSigned by:  62F2D7FAEE9142F...</div>	Trustee Director
<div>21 october 2024</div>	Date

Section 7 – Actuarial Certificate



South East Water Pension Scheme

Schedule of Contributions – Actuarial Certificate

Scheme: South East Water Pension Scheme

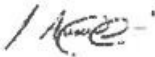
Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective on 31 March 2023 can be expected to be met by the end of the period specified in the recovery plan dated 10 June 2024.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 10 June 2024.

Please note that the adequacy of contributions statement in this certificate relates to the Scheme’s statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme’s full liabilities with annuities if the Scheme were to wind up.

Signature	
Date	10 June 2024
Name	Shireen Anisuddin
Qualification	Fellow of the Institute and Faculty of Actuaries
Name of Employer	Hymans Robertson LLP
Address	One London Wall London EC2Y 5EA

This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.

Section 8 – Implementation Statement

Statement of Compliance with the South East Water Pension Scheme's Stewardship Policy for the year ending 31 March 2024

Introduction

The Trustee has prepared this Implementation Statement in accordance with the requirements of the Occupational Pension Schemes (Investment and Disclosure) (Amendment) Regulations 2019 and the Pensions Regulator's General Code of Practice. It sets out how the Trustee has complied with the South East Water Pension Scheme's Stewardship Policy as set out in the Statement of Investment Principles (SIP) (www.sewpensionscheme.co.uk) during the period 1 April 2023 to 31 March 2024.

Overall, the Trustee is satisfied that:

- The Scheme's investments have been managed in accordance with the Scheme's Stewardship Policy during the period;
- The Scheme's investments have been managed in accordance with the remainder of the Scheme's SIP; and
- The provisions of the SIP remain suitable for the Scheme's members.

Statement of Investment Principles (SIP)

The Trustee reviewed and updated the SIP on 4 March 2024. The main change was to explicitly comment on the consideration given to the Sponsor, South East Water Ltd, as well as the Trustee when setting the investment strategy. This reflects best practice suggested by the General Code of Practice, which came into force in March 2024. The Scheme's SIP between 1 April 2023 and 4 March 2024 was fundamentally the same as the SIP signed on 4 March 2024 from an investment policy, objective and risk management perspective. The next review will take place in February 2025.

The Trustee has prepared this Implementation Statement on the basis of the SIP in force at 31 March 2024, as well as the SIP which was in place between 1 April 2023 and 4 March 2024, with reporting within this document in line with the SIP applicable at the relevant time.

Scheme year investments

The primary objective of the Scheme is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependants, on a defined benefits basis.

The Trustee has overall responsibility for how the Scheme's investments are governed and managed, in accordance with the Scheme's Trust Deed and Rules, as well as Trust Law, Pensions Law and Pension Regulations.

The Trustee has also established an Investment Sub-Committee, which focuses on investment issues and makes recommendations to the full Trustee Board.

The Trustee has delegated day-to-day investment decisions, such as which investments to buy and sell, to the investment managers.

The Trustee monitors how well the investment adviser meets the objectives agreed with them, which are designed to align with the Trustee's own objectives and investment strategy set out in the SIP. The Trustee has set the following objectives for the adviser:

- Advise on a suitable investment strategy, and amendments to the strategy to deliver the required investment returns from the Scheme's investments to support progress towards the long-term funding objective.
- Implement a strategy, and amendments to the strategy, that delivers the target returns whilst minimising the associated risk.
- Facilitate the scope to implement a gradual reduction of investment risk over the period to 2030 sufficient to reach full-funding.
- Advise on potential solutions if the funding plan is not on track.
- Deliver an investment approach that reflects the Scheme's cashflow position, and likely evolution, and minimises the risk of forced disinvestment.
- Provide sufficient liquidity to meet liabilities as they fall due and LDI cash collateral requirements should they arise, minimising the risk of forced disinvestment at unattractive prices.
- Provide advice on cost-efficient implementation of the Trustee's strategy, including but not limited to advice on the use of suitable benchmarks, active or passive management, and selection of managers.
- Supports the Trustee in reviewing the Responsible Investment policy of the Schemes' managers.
- Ensure investment strategy is aligned with the Trustee's views on Responsible Investment.
- Provide relevant and timely advice.
- Develop Trustee knowledge and understanding of the Schemes' investment strategy, its implementation and investment matters.
- Provide suitable reporting for the Trustee to understand the Schemes' progress towards its investment objectives.
- Helping ensure the governance framework facilitates good and timely investment decision making.
- Help the Trustee to review the Investment Sub-Committee Terms of Reference on a timely matter.
- Ensure their advice complies with relevant pensions regulations, legislation and supporting guidance.
- Ensure the Trustee meets the relevant pensions regulations and legislation relating to investment, including the Schemes' Statement of Investment Principles and approach to Responsible Investment.
- Maintain relationship and service standards by:
 - Maintaining fees in line with tender submission and agree fee budgets for additional work.
 - Appropriate quality and quantity of resourcing to meet Trustee's and Schemes' needs.
- Positive and collaborative relationship with Trustee and other advisers.

The Trustee has carried out an evidence-based review of the investment adviser's performance against these objectives on 8 November 2023. This involved rating the adviser against the different objectives. The Trustee were satisfied that the objectives had been achieved for the year.

The Trustee has undertaken training during the last year to ensure that their knowledge of investment matters remains up to date.

The investment risks relating to the Scheme are described in the SIP on pages 3 and 4, and the expected return is described in the SIP on page 4.

The Trustee's views on the expected levels of investment risks and returns inform decisions on the strategic asset allocation (i.e., what type of assets and areas of the world the Scheme invests in over the longer-term), and the style of management adopted by the Scheme.

The Trustee expects fund managers to invest the Scheme's assets in the members' best interests. With the aim of ensuring long-term, sustainable returns to provide benefits to the Scheme's members, the fund managers are expected to exercise voting power (where applicable) with the objective of preserving and enhancing long-term shareholder value. The Trustee meets regularly with the fund managers to monitor their performance and conflicts of interest, whilst asking them to evidence the implementation of environmental, social and governance risk factors into their investment decision-making, including voting rights.

The Scheme's asset managers have conflicts of interest policies in place. The Trustee formally ask managers to confirm any conflicts of interest when managers meet with the Trustee. Managers have not disclosed any potential or actual conflict over the period.

Stewardship Policy

The Trustee's Stewardship (voting and engagement) Policy sets out how the Trustee will behave as an active owner of the Scheme's assets which includes the Trustee's approach to;

- the exercise of voting rights attached to assets; and
- undertaking engagement activity, including how the Trustee monitors and engages with its investment managers and any other stakeholders.

You can review the Scheme Stewardship Policy which can be found within the Scheme's SIP, at www.sewpensionscheme.co.uk.

The Stewardship Policy is reviewed on an annual basis in line with the Scheme's SIP review which was last completed on 4 March 2024.

The Trustee has developed and implemented an updated responsible investment policy in the form of responsible investment beliefs, with effect from December 2022. These are reviewed periodically to ensure they evolve in line with industry practice and remain appropriate for the Scheme. The beliefs are currently under review.

The Trustee has delegated voting and engagement activity in respect of the underlying assets to the Scheme's investment managers. The Trustee believes it is important that its investment managers take an active role in the supervision of the companies in which they invest, both by voting at shareholder meetings and engaging with the management on issues which affect a company's financial performance. The Trustee expects its investment managers to engage with portfolio companies regarding their ESG practices and to consider exclusion only when engagement fails to achieve a satisfactory outcome.

The Scheme is not a part of investor collaborations or initiatives itself but does recognise that such efforts can be supportive of the Scheme's investment objectives. As such, the Trustee welcomes that its appointed investment managers (and advisers) are active participants in relevant groups – be this to support overall well-functioning financial markets or through focussed thematic engagement efforts. This is consistent with its approach of delegating certain rights and responsibilities and is considered to be a component of an investment manager's stewardship efforts.

The Trustee's own engagement activity is focused on its dialogue with its investment managers which is undertaken in conjunction with their investment advisers. The Trustee meets regularly with its managers and the Trustee considers managers' exercise of their stewardship both during these meetings and through reporting provided by their investment adviser.

The Trustee also monitors its compliance with its Stewardship Policy on a regular basis and is satisfied that they have complied with the Scheme's Stewardship Policy over the last year.

Voting activity

The Trustee periodically reviews the fund managers' approaches to stewardship including voting and engagement policies. Responsibility for investment decisions has been delegated to the investment managers. Where managers are responsible for investing in a new issuance, the Trustee expects the manager to engage with the issuer about the terms on which capital is issued and the potential impact on the rights of new and existing investors.

The Trustee seeks to ensure that its managers are exercising voting rights and where appropriate, to monitor managers' voting patterns. The Trustee also monitors investment managers voting on particular companies or issues that affect more than one company.

Over the 12 months to 31 March 2024, the Scheme has invested in equity assets through one mandate, the Legal & General RAFI Multi Factor Climate Transition Equity Index Fund.

The Scheme's equity investment manager has reported on how votes were cast as set out below. The reported information is based on full disclosure by the investment manager, Legal & General Investment Management (LGIM). The manager has been unable to provide a breakdown into type of issue, including environmental, social and governance issues, for this statement. The Trustee does not believe that any information is missing.

Table 1: Legal & General RAFI Multi Factor Climate Transition Equity Index Fund voting data

Legal & General RAFI Multi Factor Climate Transition Equity Index Fund	
Proportion of Scheme assets as at 31 March 2024	5.9%
Did the manager employ the house voting policy in managing the fund?	Yes
Was use made of any proxy voting service during the year?	Yes – LGIM uses Institutional Shareholder Services' (ISS) electronic voting platform to electronically vote clients' shares. All voting decisions are made by LGIM.
No. of holdings in the fund at year end	608
No. of meetings eligible to vote at during the year	816
No. of resolutions eligible to vote on during the year	11,900
% of resolutions voted	99.8%
% of resolutions voted with management	77.6%
% of resolutions voted against management	22.2%
% of resolutions abstained	0.3%
% of meetings with at least one vote against management	81.4%

Source: Legal & General Investment Management. *The voting data covers the period 1 April 2023 to 31 March 2024. Numbers may not sum to 100% due to rounding differences.

Significant votes

The Trustee has asked its managers to report on the most significant votes cast within the portfolios they manage on behalf of the Trustee. Managers were asked to explain the reasons why votes were significant, the size of the position in the portfolio, how they voted, any engagement the manager had undertaken with the company and the outcome of the vote. The majority of public companies hold their Annual General Meeting (AGM) during the

second quarter of each year. The most significant votes undertaken on behalf of the Trustee are outlined in the Appendix.

Engagement activity

The Trustee holds meetings with their investment managers on a regular basis where stewardship issues are discussed in further detail. Over the last 12 months, the Trustee has met with 3 of the Scheme's managers (LGIM, Insight, and TwentyFour), and the Scheme's buy-in provider Just. The Trustee has discussed the following issues over the course of the year.

Table 2: Trustee's engagement activity with investment managers over the year to 31 March 2024

Date	Fund manager	Subject discussed	Outcome
25 May 2023	Insight	<ul style="list-style-type: none"> Firm-wide Diversity, Equity and Inclusion (DE&I) practices. Refresher on the ABS asset class and the Insight strategy. Performance review, noting and comparing detractors and contributors over the last 12 months and since inception. Broad market overview, covering the Russia-Ukraine invasion and Credit Suisse banking sector crises. Progress on integrating ESG and climate risk factors into ABS relative to equity and corporate bond markets. 	The ISC were satisfied with Insight's presentation and noted the limitations of ESG integration in ABS markets and that these markets have some way to go to improve data availability.
2 August 2023	LGIM (with Research Affiliates (RAFI))	<ul style="list-style-type: none"> Background on LDI as an asset class. The significant negative performance of LDI assets since the UK gilts crisis in Sep 2022. Difficulties in client servicing over the LDI crisis, and LGIM's since implemented changes to the process. 	The ISC noted their disappointment with LGIM's presentation and suggested that RAFI's attendance did not add value. The ISC commented that it appeared that LGIM failed to grasp the extent of the struggle from DB pension schemes during the crisis last year, suggesting a better approach would have been to accept responsibility for processes not

Date	Fund manager	Subject discussed	Outcome
		<ul style="list-style-type: none"> Summary of RAFI index constructing process, with specific reference to the 	going smoothly and identifying areas to improve from there. Further, the ISC noted that LGIM's company-wide ESG

		<p>strategies controversial weapons policy.</p> <ul style="list-style-type: none"> • Self-decarbonisation nature of the RAFI strategy. • Relationship between RAFI and LGIM. • Firm-wide Diversity, Equity and Inclusion (DE&I) practices. 	<p>policies and some of their funds seem opposed.</p> <p>Following the meeting, the ISC asked LGIM to clarify their position on selling funds to investors which conflict with their central ESG policy, decided to monitor LGIM's progress on DE&I, and stated that RAFI's attendance will not be necessary as they are not the asset manager.</p>
8 November 2023	Just	<ul style="list-style-type: none"> • Business update on Just and the team. • Update on the risk transfer market and volume of deals completed over the year. • Significant increase in risk transfer demand, and limits on insurer capacity. • Just's investment process, and recent change in outsourced admin team, as Mercer sold its admin department to Aptia. • ESG integration. • Firm-wide Diversity, Equity and Inclusion (DE&I) practices. 	<p>The ISC were disappointed with Just's presentation, particularly their lack of clarity on ESG and diversity, and the lack of information provided on the sale of Mercer's admin division to Aptia.</p> <p>The ISC asked their investment advisers to perform due diligence on Aptia, reporting their findings to the Trustee, and asked Just to share further information and reporting on ESG integration.</p>
12 February 2024	24AM	<ul style="list-style-type: none"> • Refresher on ABS asset class. • Impact of wider trends in corporate credit markets on ABS. • Performance track record and portfolio statistics. Further discussion around yield, credit ratings, and duration. • Market outlook, specifically trends of labour markets. • ESG integration 	<p>The ISC were satisfied with 24AM's presentation, noting that the manager had evidently prepared well to answer any questions directed to them on ESG integration and DE&I</p>

Date	Fund manager	Subject discussed	Outcome
		<ul style="list-style-type: none"> • DE&I policies and initiatives. 	

Summary of manager engagement activity

The following table summarises the key engagement activity for the 12-month period ending 31 March 2024 unless stated otherwise. Where fund specific data is not available, data on a firmwide level has been used.

Table 3: Summary of management activity

Manager: Fund	Number of engagements	Topic engaged on
Barings: Global High Yield Credit Strategies	No voting rights. 253 engagements with issuers within its fixed income investments for the period 1 April 2023 to 12 February 2024 (date of disinvestment).	Most frequently engaged topics (listed ordinarily, starting with most frequently engaged) include: reporting, climate change, natural resources, strategy/purpose, risk management, financial performance, pollution/waste, human and labour rights, diversity, and public health.
Legal & General: RAFI Multi Factor Climate Transition Fund	In addition to the voting activity, there were 252 engagements within the fund for the period 1 April 2023 to 31 March 2024.	Climate change; remuneration; climate impact pledge; income inequality; board composition; public health; labour standards; diversity; nominations and succession; LGIM ESG score.
Insight: Global ABS	No voting rights for the Fund. 65 engagements with issuers, 2521 at a firmwide level, for the period 1 April 2023 to 31 March 2024.	At a firmwide level, most frequently engaged topics (listed ordinarily, starting with most frequently engaged) includes: strategy/purpose, financial performance, reporting, climate change, capital allocation, risk management, shareholder rights, human and labour rights, human capital management, and natural resources.
Insight: Maturing Buy & Maintain 2026-2030	No voting rights for the Fund. 33 engagements with 28 entities, for the period 19 December 2023 (date of investment) to 31 March 2024.	At a strategy level, most frequently engaged topics (listed ordinarily, starting with most frequently engaged) includes: strategy/purpose, financial performance, reporting, capital allocation, climate change, risk management, natural resources, human capital management,

Manager: Fund	Number of engagements	Topic engaged on
		conduct culture and ethics, and board effectiveness.

TwentyFour: Monument Bond	<p>No voting rights.</p> <p>149 engagements with the originators and servicers of the loan pools within the Monument Bond Fund, for the 12-month period to 31 March 2024.</p>	<p>Engagements are split into Environmental (16), Social (4), Governance (15), and Borrower Meeting (114). Borrower meetings are wide ranging discussions that usually tend to cover governance issues.</p> <p>Engagement topic examples include: carbon emissions policies, scope 3 emissions, exposure to natural disasters, ESG strategies, mortgage-book emissions.</p>
M&G: Alpha Opportunities	<p>No voting rights for the funds.</p> <p>9 engagements across 8 issuers within the fund, for the period 1 April 2023 to 1 February 2024 (date of disinvestment).</p>	<p>Board composition, executive remuneration, net-zero, decarbonisation, and public health.</p>

Source: Investment managers

Review of policies

The Trustee has committed to reviewing the managers' RI policies on an annual basis. This last review was undertaken by the Trustee on 13 May 2024. The review considered managers broader approach to responsible investment issues in addition to considering any change in approach by the manager over the year. The Trustee also considered changes to their managers' voting policies.

The Trustee and its advisers remain satisfied that the responsible investment policies of the managers and, where appropriate, the voting policies remain suitable for the Scheme.

Appendix - LGIM significant votes for the year to 31 March 2024

Table 4: Legal & General RAFI Multi Factor Climate Transition Equity Index Fund significant votes

Date	Company	% of Fund	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Lessons Learnt
25/04/2023	The Coca-Cola Company	1.2	Resolution 7 – Report on Congruency of Political Spending with Company Values and Priorities (Social)	LGIM voted for the resolution as they expect companies to be transparent in their disclosures of their lobbying activities and internal review processes involved.	LGIM believes that companies should use their influence positively and advocate for public policies that support broader improvements of ESG factors including, for example, climate accountability and public health.	LGIM will continue to engage with their investee companies and publicly advocate their position on these issues.
25/04/2023	Citigroup Inc.	1.1	Resolution 9 - Adopt Time-Bound Policy to Phase Out Underwriting and Lending for New Fossil Fuel Development (Environment)	LGIM voted for the resolution as they look to encourage Boards of financial institutions to closely consider their strategy and risk appetite towards fossil fuels into the near future.	LGIM consider that decarbonisation of the banking sector and its clients is key to ensuring that the goals of the Paris Agreement are met.	
01/05/2023	Eli Lilly and Company	1.2	Resolution 8 - Adopt Simple Majority Vote (Governance)	LGIM voted for the resolution as elimination of the supermajority vote requirement enhances shareholder rights.	LGIM is conscious this is a high-profile meeting and the proposed resolution has had a high level of support received.	
16/05/2023	JPMorgan Chase & Co	0.6	Resolution 9 - Report on Climate Transition Plan Describing Efforts to Align Financing Activities with GHG Targets	LGIM voted for the resolution as it seeks additional disclosures on how they aim to manage their financing	LGIM consider that decarbonisation of the banking sector and its clients is key to ensuring that the	

South East Water Pension Scheme

Date	Company	% of Fund	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Lessons Learnt
			(Environment)	activities in line with their published targets.	goals of the Paris Agreement are met.	
31/05/2023	Meta Platforms Inc.	1.7	Resolution 1.9 - Elect Director Mark Zuckerberg (Governance)	LGIM voted against the resolution as they expect companies to separate the roles of Chair and CEO due to risk management and oversight concerns.	LGIM has a voting policy against the combination of the Board Chair and CEO (CEO duality).	
31/05/2023	Dollar General Corporation	0.3	Resolution 5 - Report on 2025 Cage-Free Egg Goal (Social)	LGIM voted for the resolution as it would help shareholders evaluate the effectiveness of the company's cage-free egg goal and management of any related risks.	LGIM is conscious this is a high-profile meeting and the proposed resolution has had a high level of support received.	LGIM will continue to engage with their investee companies and publicly advocate their position on these issues.
12/09/2023	NIKE inc.	0.3	Resolution 5: Report on Median Gender/Racial Pay Gap (Social)	LGIM voted for the resolution as they expect companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap.	LGIM views gender diversity as a financially material issue for our clients, with implications for the assets we manage on their behalf.	
15/11/2023	Oracle Corporation	1.7	Resolution 7 - Require Independent Board Chair (Governance)	LGIM voted for the resolution as LGIM expects companies to establish the role of independent Board Chair.	LGIM promotes Board independence and views this as concern for their voting policy of equality of voting rights.	

South East Water Pension Scheme						
Date	Company	% of Fund	Subject (theme and summary)	Manager's vote and rationale	Why considered significant	Lessons Learnt
28/02/2024	Apple Inc.	2.5	Report on Risks of Omitting Viewpoint and Ideological Diversity from EEO Policy (Social)	LGIM voted against the resolution as including viewpoint and ideology in EEO policies does not appear to be a standard industry practice.	LGIM views diversity as a financially material issue, with implications for the assets we manage on their behalf.	LGIM will continue to engage with their investee companies and publicly advocate their position on these issues.
21/03/2024	Banco Santander SA	0.3	Approve Remuneration Policy (Governance)	LGIM voted against the resolution as awards are permitted to vest for below median relative performance which therefore fails the pay for performance hurdle. Also the 5% salary raises for 2024 and future year increases to be given to the Executive Directors, including the Chair, will likely exacerbate existing concerns with the significant pay packages.	LGIM views this as an extension of their voting policy on the topic of the combination of the board chair and CEO.	

Source: Legal & General Investment Management.