WATER for LIFE

from Southern Water

Annual Performance Report

for the year ended 31 March 2026

Welcome to Southern Water's Annual Performance Report 2025–26

Welcome to the Annual Performance Report 2025–26

About us

An overview of the company, performance highlights for 2025–26 and our ownership structure.

Our approach to Board leadership, transparency and governance

How we apply Ofwat's Board leadership, transparency and governance principles.

Board and regulatory statements

Board statements required by either the terms of our licence, the Regulatory Accounting Guidance documents or the statutory requirements set out in the Water Industry Act 1991.

Cost allocations

Details of our approach to allocating costs between Price Controls.

Regulatory Accounts 2025–26

Regulatory accounting statements, accompanying notes and the Independent Auditor's Report.

Performance summary

Reporting of performance against our performance commitments for 2025–26.

Additional regulatory information

Commentary to the additional regulatory information along with data tables for some of our service level regulatory information or links to data tables.

Appendices

Details of transactions with other group companies, supporting definitions for our performance commitments and table summarising links to RAG 3.16 requirements.

Registered office

Southern Water
Southern House, Yeoman Road,
Worthing. West Sussex BN13 3NX

Registered no: 02366670

Keep in touch with us

southernwater.co.uk

SouthernWater
southernwatermedia
Southern Water
southernwater

Welcome to the Annual Performance Report 2025–26

Our Annual Performance Report

Chair and CEO intro

We are pleased to share our Annual Performance Report for the year ended 31 March 2026. We continue our commitment to improving our services for customers, the environment and our wider stakeholders, while maintaining the highest levels of corporate governance and transparency in our reporting.

This report provides a detailed update on our performance over the year, and the progress we have made in a range of important areas for our customers, namely bathing waters, preventing external flooding, reducing interruptions to supply and leakage. It also clearly highlights where we have fallen short on key metrics – such as wastewater treatment compliance, pollutions and customer satisfaction.

Turnaround plans have moved into our AMP8 delivery and execution plans, and over the past year 36% of our performance commitments have met or exceeded their target. This progress has been supported by substantial investment from Macquarie Group which has invested more than £2.5 billion into the group since 2021, with a further equity commitment of £300 million, alongside new investor. Asterion Investment Partners (AIP), by March 2027. This will mean that the total investment into the group by March 2027 will be more than £2.8 billion, supporting total investment well beyond our regulatory settlement, as well as providing access to its global infrastructure expertise. Importantly, this has been achieved without the payment of any dividends and with an expectation that none will be paid before 2030.

There are of course areas where we must see more improvement, particularly as we are mindful of the overall reputation of the water sector and the need to make more progress on reducing storm overflow releases and pollutions to improve water quality. We also need to deliver a better customer experience, as we know that we continue to fall short of the level of service our stakeholders expect. With one of the largest bill increases among our peers, we are particularly focused on increasing our support for customers struggling to pay. We already offer 193,000 customers discounted payments through a range of schemes and tariffs and have set aside a further £235 million in support before 2030.

Our Business Plan, which sets our ambition for delivery out to 2030 is our most ambitious yet and represents a significant opportunity to deliver lasting improvements for customers and the environment. This was recognised by the Competition and Markets Authority, whose Final Determination acknowledged both the higher cost of financing and the need to meet new legal and environmental requirements, including those related to supply resilience and pollution reduction. We have instigated a challenge to the recent CMA settlement, to arrive at a more balanced and fairer outcome, to support the needs of the company in delivering this plan.

We will work together with local authorities, sector peers, suppliers and industry experts to share the learnings of our projects and maximise benefits for the communities we serve. We will also build on our own experience, using innovative techniques to deliver improvements at pace. We are focused on continuing to reduce overflow releases, take more nutrients out of sewage, and improve treatment processes and services, sustaining the natural recovery of our region.

In the following pages we set out our financial performance for each price control, based on Ofwat's regulatory accounting framework, enabling both customers and stakeholders to evaluate our relative and absolute performance. We have also been clear about our methodology and assurance processes.

The report is also clear about the actions we are taking to improve performance where we have not performed as well as we wanted. We continue to enhance our reporting in consideration of stakeholder feedback and welcome any feedback on our disclosures to Regcorrespondence@southernwater.co.uk.

Welcome to the Annual Performance Report 2025 –26 cont.

Regulatory information and annual performance report

Introduction

Our Annual Performance Report sets out the performance in 2025–26 of Southern Water's regulated business, as defined under our Licence[1], in financial terms and against our business outcome and performance commitments.

This Annual Performance Report comprises:

1. Regulatory financial reporting
2. Price control and additional segmental reporting
3. Performance summary
4. Additional regulatory information – service level.

The additional information required under RAG 3.16, including a copy of all the data tables, has been published alongside this document as an appendix to the Annual Performance Report and can be found at southernwater.co.uk/our-reports.

The Annual Performance Report also contains:

- an overview of the company structure and funding
- details of our approach to Board leadership, transparency and governance
- Board and regulatory statements required to be made under RAG 3.16, including:
  - a Board statement of company direction and performance
  - a compliance statement in relation to our compliance with relevant statutory, licence and regulatory obligations and how we are taking appropriate steps to manage and/or mitigate any risks we face
  - a Board assurance statement on Condition P (ring-fencing certificate)
  - a Board assurance statement on the accuracy and completeness of data and information
- details of our cost allocation process

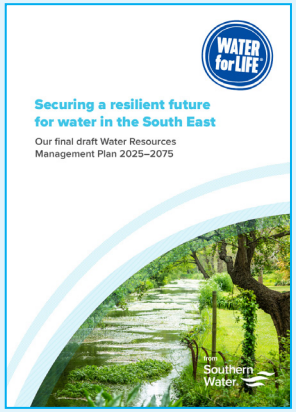
These are supported by the publication of our Final Assurance Plan for performance reporting for the entire five-year Asset Management Period (AMP8) 2025–30. See the following link for details southernwater.co.uk/our-reports.

Find out more about our plans and publications

In addition to this APR, you can read and download other documents at: southernwater.co.uk/about-us/our-plans.

Our Business Plan 2025–30

Our largest and most ambitious plan ever marks the final stage in our transformation. It shows how we'll enhance the health and well-being of our communities, protect and improve the environment and help to sustain the local economy.



Water Resources Management Plan

This plan sets out how we'll create a resilient water future for customers in the South East and keep taps flowing during droughts.

Pollution Incident Reduction Plan

Our 2026 Pollution Incident Reduction Plan takes a clear look at the causes of pollution incidents and sets out the actions we're taking to reduce them.

Gender Pay Gap

Any company with more than 250 employees must publish its gender pay gap. Here you can view our Gender Pay Gap reports which provide a snapshot of salary data.

1 - We operate in accordance with an Instrument of Appointment (our 'Licence') issued, by the Secretary of State, to us as a water and sewerage undertaker under the Water Industry Act 1991. The Water Services Regulation Authority (Ofwat) has a duty under the Water Industry Act 1991 to ensure compliance with the conditions of this Licence.

About us

Overview and performance highlights

As one of the large Water and Wastewater companies in the UK, we provide water services to 2.7 million customers and wastewater services to around 4.8 million customers across Kent, Sussex, Hampshire and the Isle of Wight.

We are committed to making sure our customers have access to high-quality, affordable and efficient water and wastewater services, while we protect and enhance our communities and the environment.

The South of England is water-stressed and at risk of experiencing drought. The impacts of climate change mean that our weather is more unpredictable, which places additional strain on water supplies. At the same time, larger volumes of water and localised flooding are challenging the capacity of our sewer networks. Demand for water and wastewater services is also growing; by 2050, the population in the South East is predicted to grow by another 25%.

Separate water supply areas

Our clean water business operates across five separate regions, each with its own networks, that are not linked to each other. This increases operational, resource and logistical costs and means that we need to build new water supply solutions in each individual water resource zone or coordinate with neighbouring water companies.

About us cont.

Shellfish waters

We have a large number of shellfish waters along our coastline, next to many densely populated urban areas in places like Southampton and Portsmouth. We also have the largest number of storm overflows discharging into designated shellfish waters, making up almost 40% of all those in England. Environmental standards are stricter in relation to shellfish waters, and even a short emergency discharge may be considered impactful by the Environment Agency (EA).

Bathing waters

Many of our customers live in coastal communities, a higher proportion than other wastewater companies. Having such a high concentration of customers in coastal areas presents significant challenges for our sites and networks. These are protected areas of water that, because of their use by the public, are subject to stricter standards and more regular testing by the EA.

Chalk streams

Recognised as internationally important habitats, chalk streams, like the Test and Itchen in Hampshire, currently provide much of our customers' water supply. We have a legal duty to replace 30% of our water sources in the county over the next five to six years to reduce what we take from these streams. The last time new water resources were developed on this scale in the UK, was to support the fast-growing industrial cities of Liverpool and Birmingham in the late 1800s.

Operational performance highlights

00:05:01

Supply interruption

We have significantly reduced the average time that customers are without water during an incident, to 00:05:01 from two hours, 21 minutes and 50 seconds during 2024–25. This is a result of improved access to data, proactive maintenance, safe control of operations and analysis of previous incidents.

2,507 incidents

Outperformed flooding target

We have outperformed the Ofwat target for external flooding incidents over 2025–26, recording 2,507 (2024–25: 3,047) against a target of 3,636. We now have c.34,000 sewer level monitors installed across our network helping us track flows and prevent flooding.

78

Bathing waters excellent, good or sufficient

We met our bathing water quality target and 12 of the 87 bathing waters in our area received improved classifications during 2025. A total of 78 bathing waters were rated excellent, good or sufficient using Ofwat's methodology.

3.19 CRI

Drinking water quality compliance improvement

Our Compliance Risk Index (CRI) improved to 3.19 (2024–25: 3.82). CRI measures risk arising from treated water compliance failures. This was reduced as a result of improved sampling processes and the completion of our reservoir cleaning and maintenance programme.

2.90%

Reduced outage from unplanned works

We outperformed Ofwat's target for unplanned outage of 2.93, achieving 2.90 (2024–25: 5.48). This is a measure of water production capacity lost due to unplanned maintenance. It's reduced because of improved staffing levels and access to critical spare parts at our larger supply sites.

101.1 Ml/d

Reduced leakage on our network

Leakage has reduced for a third year in a row, to a three-year rolling average of 101.1 Ml/d (2024–25: 109.9 Ml/d), inside our Ofwat target of 102.2. This is including customer supply pipe losses, expressed in megalitres or millions of litres per day (Ml/d).

Ownership, funding and Capital structure

Ownership and structure (at 31 March 2026)

Southern Water Services Limited (Southern Water) is a privately owned company and is the principal subsidiary of Greensands Junior Finance Limited (GSJF), which sits at the top of its group. All companies in the group are incorporated in England & Wales, UK tax resident and liable for tax in the UK.

Ownership

On 31 March 2025, Greensands Holdings Limited (GHL) was the ultimate parent company and controlling party of Southern Water, and the majority shareholder of GHL was MSCIF Wight Bidco Limited, on behalf of infrastructure funds managed by Macquarie Asset Management (MAM) who invested over £1.6 billion into the group between 2021 to 2023.

On 4 July 2025, as part of a group restructuring process, Sandstone Bidco Limited (SBL), an investment company, acquired the issued share capital of Greensands Junior Finance Limited (GSJF) and Southern Water (Greensands) Financing plc from Greensands (UK) Limited, an intermediate parent company of Southern Water, which was then in administration.

As a result of this restructure, GSJF became the new ultimate parent company of Southern Water, replacing Greensands Holdings Limited, the previous ultimate parent company.

SBL represents a consortium of long-term investors with the majority investment being infrastructure funds managed by Macquarie Asset Management (MAM).

Following the group restructuring the investors of SBL injected additional equity of £505.0 million into the group in November 2025, followed by a further £395 million in March 2026.

SBL has also confirmed its intention to provide a further £300 million of binding equity commitments with drawdown of these funds to be on or before 31 March 2027 and support Southern Water to further reduce its leverage (as measured by the ratio of net debt to regulatory capital value) from c74% as at 31 March 2025 to 65% from 2029 onwards.

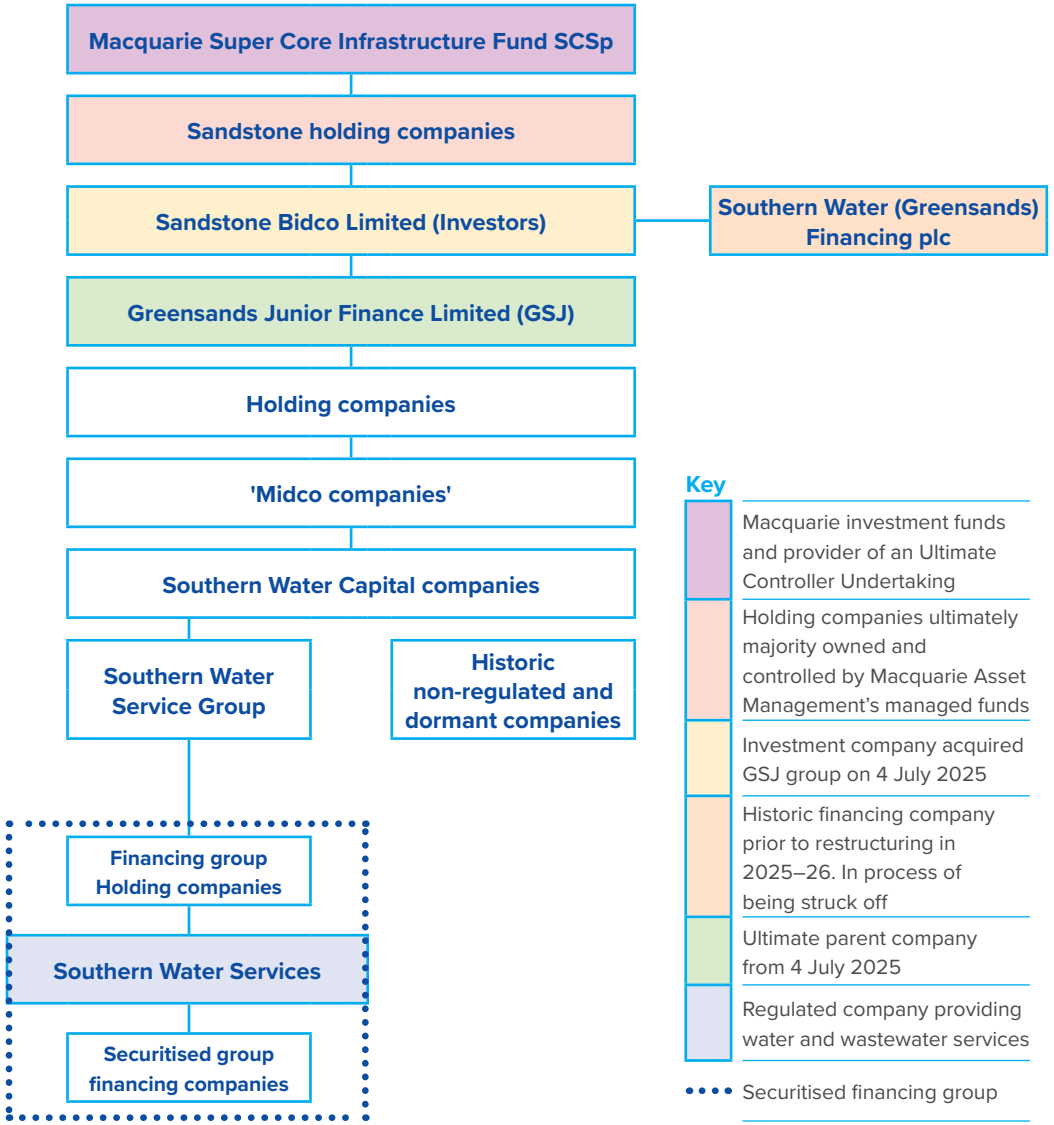
The majority of this new Equity Commitment is being funded by subscriptions for new shares in the Southern Water group by Asterion Industrial Partners (Asterion), an independent European infrastructure investment manager headquartered in Madrid, with the balance being funded by further subscription for shares in the Southern Water group by funds managed by Macquarie Asset Management (MAM). Following completion, Asterion will become a new indirect minority shareholder in the Southern Water group, with MAM-managed funds remaining the majority shareholder.

These funds will bring the total investment into the group since 2021 to over £2.8 billion.

The proceeds of the equity funding will support Southern Water's AMP8 record investment programme, which is delivering additional capacity and resilience to Southern Water's infrastructure and services to meet new legislation, increased environmental standards and the impacts of climate change, as well as the expectations of its customers.

Further details can be found in the Annual Report on pages 101 to 106.

Southern Water Group 2026



Note: Ultimate Controller Undertakings have been provided by Macquarie Super Core Infrastructure Fund SCSp as shown above, as well as by Macquarie Asset Management Europe Sarl and Sandstone Water Holdings Limited, companies represented by Sandstone holding companies in the diagram above.

Ownership, funding and Capital structure cont.

Board and executive team

The Board's role is to:

- Establish the company's purpose, strategy and values;
- Develop and promote the company's purpose in consultation with a wide range of stakeholders;
- Determine overall strategic aims and direction consistent with the company's purpose;
- Monitor and assess the company's values and culture to ensure that behaviour throughout the business is aligned with its purpose;
- Have full responsibility for all aspects of the company's regulated business in the long term;
- Ensure obligations to, and interests of, all company stakeholders are known and met appropriately;
- Provide effective leadership and collective responsibility for the long-term success of the company for the benefit of its members, taking into account the interests of a wide range of stakeholders, including customers, local communities, employees, suppliers and the company's impact on the environment;
- Ensure that sufficient resources are available to the CEO and his team to operate, manage and develop the business appropriately; and
- Ensure that appropriate and effective processes and controls are in place to assess and appropriately manage risk.

Further details of the members of the Board, their roles and responsibilities, Board committees and remuneration can be found in the Corporate Governance section of the Annual Report on pages 127 to 185.

Capital structure

Why Southern Water raises finance

Significant capital investment has been a feature of our business since privatisation in 1989 and by 31 March 2025 the cumulative investment made was more than £11.5 billion. The investment is required to both maintain our existing asset base and to construct new assets to improve the environmental quality of wastewater, improve the quality of drinking water and accommodate population growth in our area of operation.

Every five years we submit our business plans to Ofwat for the next regulatory period. These plans detail our expectations of the costs to operate the business as well as the capital investment required to maintain and enhance our assets to deliver environmental improvements.

2025–26 marks the first year of the new regulatory period (AMP8) which runs to 2030. During this period, our plans of over £8.9 billion will make environmental improvements, such as storm overflow reductions, remove nutrients through the wastewater treatment process, complete obligations under the Water Industry National Environment Programme (WINEP), manage the increasing demand on water resources through delivery of our Water Resources Management Plan (WRMP) and make network resilience improvements and compliance remediation.

The amount invested each year is not the same as the amount recovered from customers through bills. This is because much of our investment is in long life assets, such as pipes, treatment works and reservoirs, which serve customers over many decades. Instead of asking current customers to pay the full cost upfront, the sector is designed so that these investments are funded initially by investors. Customers then pay back the investment gradually over time through their bills, along with a financial return for the investors which is set by Ofwat. This approach helps to keep bills affordable and ensures that the cost of major investment is shared fairly between current and future customers, who only pay for their share of the benefit received from the investment.

We therefore raise finance to pay for the construction of new assets and to repay loans taken out in previous years where the cost of the associated investment has not yet been fully recovered from customers. We cannot rely wholly on raising new finance to pay for the construction of new assets. Our shareholders contribute approximately 30% of the funds we need, which also provides a financial buffer to absorb financial risk.

Revenues from our customers are used to meet the costs of running the business (our operating expenditure), to repay the cost of capital investment over time and to pay for the interest on the finance we raise and a return on the equity provided by our shareholders, to finance the capital investment programme.

The charts on the next page illustrate the sources and uses of expected cash flows for the business plan 2025–30 and demonstrate our requirement to raise finance to fund our capital investment programme. We also include a breakdown of the 2025–26 average bill for a dual service customer. The data is based upon the regulatory price determination for 2025–30, which sets out both our performance obligations and the limits on customer bills for this five-year price period.

Ownership, funding and Capital structure cont.

Where the money comes from

Household customers – money we charge customers for providing water and wastewater services to their homes.

Business customers – money we charge businesses for providing water and wastewater services. It also includes charges to developers for providing infrastructure and new connections to our network.

Net debt proceeds – new loans raised to fund capital investment programmes, less loans repaid.

Equity proceeds – additional financing raised from shareholders to support the delivery of our capital investment programme.

Key

Household customers	52.0%
Business customers	16.0%
Net debt proceeds	20.0%
Equity proceeds	12.0%

Where the money goes

Operating costs – Day-to-day running costs of providing clean water, wastewater treatment and customer services including wages, power, chemicals, materials and bad debt* costs.

* Bad debt = the cost of providing for unpaid customer charges.

Capital investment maintaining infrastructure – investment to maintain our existing pipework and treatment works.

Capital investment enhancement expenditure – investment to build new assets, improve treatment standards, comply with environmental obligations and cater for population growth.

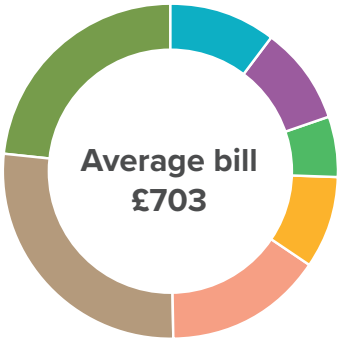
Expanding our network – the construction of new infrastructure and the connection of new properties to the network.

Financing our capital investment – the financing cost of equity and debt to deliver capital improvements to the business over the long term.

Key

Operating costs – providing clean water	8.0%
Operating costs – collecting and treating wastewater	13.0%
Operating costs – customer service	3.0%
Expanding our network for new housing and connections	1.0%
Capital investment – maintaining infrastructure	16.0%
Capital investment – enhancement expenditure	37.0%
Financing our capital investment	22.0%

Details of our performance against our totex allowances for 2025–26, the first year of the regulatory period, along with narrative explaining the variances are provided in table 4C of this APR on page 105.



Average bill for 2025–26

Key

Operating costs – providing clean water	£73	10%
Operating costs – collecting and treating wastewater	£67	9%
Operating costs – customer service	£40	6%
Capital investment – enhancement expenditure	£63	9%
Capital investment – maintaining infrastructure	£108	16%
Previous investment paid for over time	£189	27%
Financing our investment	£163	23%

Ownership, funding and Capital structure cont.

Financing during 2025–26

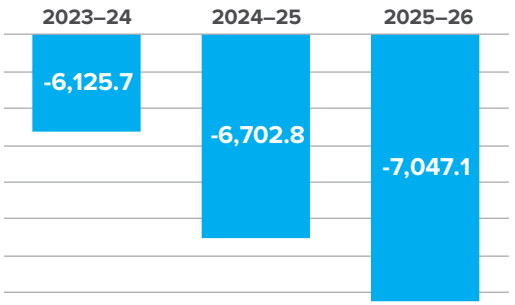
Alongside receipt of £0.9 billion of further equity in the year, we also accessed the capital markets, raising £1.9 billion of debt financing during 2025–26 to deliver our plans, support the capital investment programme and refinance existing borrowings. As a result, we are in a strong liquidity position at 31 March 2026, with cash and deposits of almost £1.3 billion and this is set out in our going concern statement which can be found in our Annual Report. Our next debt maturity is a £300 million bond, due for repayment in March 2027.

Links to other useful financial information	
Table 1E – Net debt analysis	Page 51.
Credit ratings:	
Standard & Poor's: BBB- (negative outlook)	Further details of our credit ratings can be found in the financial performance section of our Annual Report on page 100.
Fitch: BBB- (stable outlook)	
Moody's: Ba1 (stable outlook)	
Going concern statement	Annual Report and Financial Statements – page 196.
Regulatory ringfence, licence condition P14 and certificate	Page 37.

Links to other useful financial information	
Financial performance summary	Annual Report and Financial Statements – page 90.
Directors' report	Annual Report and Financial Statements – page 186.
Dividend policy and disclosure	Page 13.
Long term viability statement	Annual Report and Financial Statements – page 123.
Audit opinion	Page 77.
Glossary	Page 138.

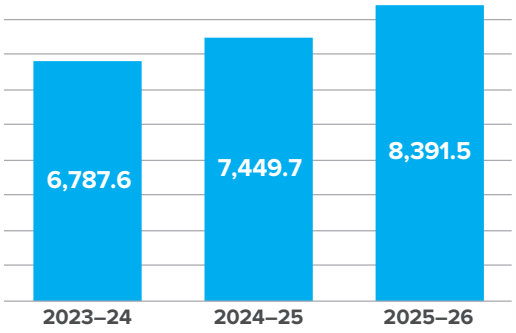
Financial highlights 2025–26

Net debt (£m) per table 1E



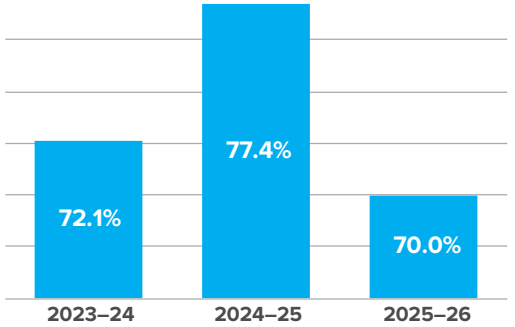
Net debt reflects the increased level of borrowing undertaken, supported separately by additional equity, to fund and support delivery of our AMP8 capital programme.

Regulatory Capital Value (RCV)[2] (£m)



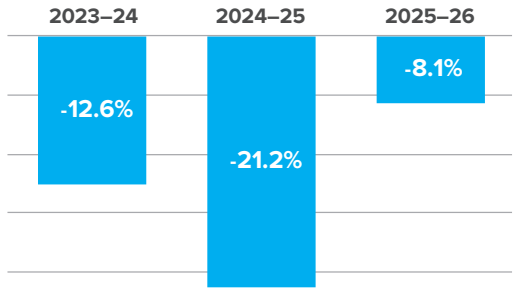
The increase in RCV reflects the scale of our capital investment programme.

Regulatory gearing (%) per table 4H



Regulatory gearing reduced as a result of £0.9 billion of new equity to support the capital investment programme for AMP8.

Return on regulated equity (actual structure) (%) per table 1F



The RoRE has improved in 2025–26 reflecting an increased allowed base return on regulatory equity and better operational and cost performance.

Dividends declared (£m)

No ordinary dividends have been paid by Southern Water Services since 2017–18.

Dividend yield (%) per table 4H

As no dividends have been paid or declared, the dividend yield for the past three years is nil.

Our approach to Board leadership, transparency and governance

Our governance framework enables agile and effective decision making, while ensuring we have established and robust governance practices in place.

In 2019 Ofwat published its Board leadership, transparency and governance principles ('Ofwat Principles'), which represented a major update of the principles published in 2014 and these incorporate many of the principles and provisions of the UK Corporate Governance Code, published by the Financial Reporting Council (FRC) in July 2018. In addition, since July 2019, meeting the objectives of the Ofwat Principles has been a requirement under Southern Water's licence. Accordingly, we seek to apply both the Ofwat Principles and the relevant principles and provisions of the UK Corporate Governance Code.

During 2024, the Financial Reporting Council (FRC) issued updated Corporate Governance Code Guidance. As the FRC states, the guidance is a prompt for boards to examine their own competence and improve their effectiveness. There are a number of issues to which the Board gave its attention during the year, including its committee structure and the approach to Provision 29 and key controls. The Board expects to report on 34 material controls in July 2027 which are aligned to the company's Principal Risks.

Competence and independence

Our Board and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high-quality decisions that address diverse customer and stakeholder needs.

In line with both Ofwat's principles and the UK Corporate Governance Code and best practice, the Board has established a number of standing committees. These are outlined in detailed in our annual report (pages 127 to 185).

The Board committees and associated ad-hoc working groups have given the Board the ability to exercise oversight carefully and deeply across all aspects of the company's business. Each committee has a strong independent director component. The Board and its committees demand and receive high-quality analysis and proposals from the Executive. Board members are also able to bring to bear their own experience and background and ensure there is a wider knowledge base to draw on and enhance the quality of decision making.

In accordance with Ofwat's principles, the majority of non-executive directors have been independent and independent non-executive directors were the largest single group on the Board throughout the year.

Following listed company best practice, the Board takes into account those matters listed in Provision 10 of the UK Corporate Governance Code, as well as any other relevant circumstances or considerations in forming its assessment of the independence of directors.

The Board considers that the independent non-executive directors were throughout the year, and continue to be, independent in character and judgment and persons of standing with relevant experience, collectively having connections with, and knowledge of, the company's area and understanding of the interests of our customers, communities, workforce, suppliers and the environment and how these can be respected and protected.

Conflicts or potential conflicts are governed by the Companies Act 2006. The Board does not have power to authorise conflicts under the company's Articles of Association. If a conflict should arise, the conflicted director takes no part in discussions and may not vote on that issue. During 2025–26, no director declared a material interest at any time during the year in any contract of significance with the company.

The Board takes full responsibility for setting the company's strategy and holding the executive to account for performance. It plays a critical role in setting the tone of the company and acting as interface with key stakeholders – the company's customers and shareholders, communities, government, regulators.

Purpose, values and culture

The regulated company Board establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.

Alongside its engagement with the Price Review process following the company's decision to appeal the Final Determination to the Competition and Markets Authority (CMA) the Board's strategic activity has focused on progress on embedding the business strategy framework and readiness for price review 2029 (PR29).

The Board oversaw continuing delivery of the company's operating strategy and plans, including a new approach to manage performance.

Following the conclusion of the company's Turnaround Plan the Board has overseen delivery against the key operational metrics and strategic moves that will deliver on the company's purpose and vision. The company's core values then provide the foundation and ethical decision-making framework by which we operate.

Our company purpose sets out who we are; to provide water for life to enhance health and wellbeing, protect and improve the environment, and sustain the economy. This purpose is then supported by our company values that define how we do things for all our customers. We currently have four company values

Always improving – Actively seeking new ideas, influences and ways of working.

- Continue developing our knowledge and skills
- Ensure processes are followed
- Suggest positive solutions to issues
- Identify issues and flag them before they become complaints
- Share best practice with our teams and other departments

Our approach to Board leadership, transparency and governance cont.

Doing the right thing – For our customers, the environment, and the health of our communities.

- Communicate clearly and openly with customers and colleagues
- Provide a service we'd expect to receive
- Get it right first time
- Deliver our promises
- Be approachable and act professionally

Succeeding together – Co-creating our future with customers, colleagues, stakeholders, and partners.

- Educate customers and keep them informed at every step
- Support each other and work as a team
- Treat everyone with respect
- Treat customers like individuals — not just a job
- Empathise with our customers

Working with care – Taking care in all that we do — every task, every job, every time.

- Take responsibility for ourselves, each other, and our customers
- Speak up when something needs extra attention or support
- Remember we're all responsible for health and safety
- Be vigilant and share any concerns about security
- Look after wellbeing — for ourselves and our teams
- Share best practice within our teams

The Board continues to prioritise culture, monitoring key indicators whether directly or through its committees. Building on the culture diagnostic that was presented to the Board the results of the latest colleague engagement survey were shared. The Health and Safety and Operational Risk Committee is focusing on safety culture and continues to seek external assurance on the company's safety plans. The Board members once again committed to the company's Code of Ethics. All of the Board members continue to sign up to the Code of Ethics, which has been personally endorsed by the Chair and Chief Executive Officer.

The company's Employee Voice group members attend a quarterly company-wide session with members of the Executive and senior leadership team to engage in meaningful conversation and agree key decisions and actions.

In accordance with the UK Corporate Governance Code, and in support of the Board's duty under section 172(1) to consider the interests of the company's workforce as well as part of the Board's role in its monitoring and assessing of culture, a non-executive director has been appointed with the remit of communicating the views of the company's workforce. Our workforce non-executive director Neil Corrigall, attends the sessions and engages with the Employee Voice group, enabling insight into the culture of the organisation and the extent to which the purpose and values are embedded. For further detail see pages 86 and 147 of our annual report.

Board effectiveness

The company has an effective Board with full responsibility for all aspects of the regulated company's business for the long term. In line with the UK Corporate Governance Code and the Ofwat principles, there is an annual evaluation of the Board in terms of its performance and effectiveness.

The Board has worked effectively during the year. It provides a forum in which the views of executive directors, non-executive shareholder directors and independent non-executive directors can debate issues clearly and transparently and come to agreed decisions. Through its committees the Board has a direct view of all aspects of the regulated business and can hold executives to account for different aspects of the company's performance.

During the year we appointed an independent review of the Board's effectiveness. This evaluation was timed to support the succession of the new Chair and provided the new Chair with a framework for how he may set the way forward for the Board. The review found that progress had been made on the previous year's recommendations, with more progress to be made. The report noted the abolition of the ESG Committee had allowed first order issues on the environment and customer to come direct to the Board and that deep dives and the strategy day continue to be a valuable way for the Board to engage in more depth with some of the longer term 'big issues' facing the company. There continued to be a healthy and productive relationship between iNEDs and investor appointed non-executive directors, and with executive and non-executives.

Board transparency and accountability

The Board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions. The Board aims to ensure strong openness and transparency. The Board is there to make sure that the company provides clear, timely and accurate information on its performance to its customers, regulators and other key stakeholders.

The publication of financial statements, the Annual Performance Report and other documents is a core element of ensuring transparency and accountability on the part of the company. These disclosures must be correct and accurate, otherwise they cannot be relied upon by their respective audiences. The Audit Committee plays a key role in this process.

Our approach to Board leadership, transparency and governance cont.

Companies must also be transparent about the market and environment in which they operate, including the risks faced and what risks the company is willing to accept as well as its strategies for mitigation of these.

Accordingly, companies need to clearly understand the risk landscape in which they operate and the Board needs to agree what level and type of risk is acceptable.

The Audit Committee received and reviewed the financial statements, including the key areas of judgment and estimation uncertainty, and the external audit report from Deloitte regarding the year-end financial statements. It considered any items of significant judgment that have been made and any comments on the control environment. There were no new significant issues raised by Deloitte. The company continues to take steps to address the matters raised by Deloitte's audit and the committee will monitor progress.

The company has an external non-financial assurer (Jacobs U.K. Limited) to independently assure its non-financial reporting to Ofwat and that there is a robust system of internal controls in place for non-financial regulatory reporting, such that information in the Annual Performance Report fairly represents the company's progress and delivery of its promises. The assurer reports formally the results of its assurance.

The committee monitors the internal financial controls systems of the company, including progress against the IT and general control deficiencies previously identified, along with other internal control and risk management systems and, accordingly, receives regular reports from both Internal Audit, external audit and any external assurers appointed by the company to review any particular areas of concern. Remediation of these deficiencies in internal control will continue to be an area of key focus in next year. The Committee is monitoring the company's preparations for reporting on recent changes to the UK Corporate Governance Code, and in particular the approach to Provision 29.

During the year the Audit Committee, alongside the Health, Safety and Operational Risk Committee, was responsible for overseeing and challenging the effectiveness of Southern Water's approach to risk management. This included responsibility for monitoring the effectiveness of the company's systems of internal controls and for endorsing an internal audit plan that is informed by principal risk exposures including overseeing targeted reviews of key risk and control areas

Dividend policy

To enable the successful delivery of our plan for 2025–30 and beyond, all stakeholders must share in success: customers benefit through environmental and water resilience improvements and better services, and shareholders earn a fair return on the money they have invested. Therefore, our dividend policy, covering both the appointed and non-appointed activities of the company, will ensure a fair, balanced and sustainable reward between customers, stakeholders and investors as well as complying with the dividend policy condition of our licence.

Dividend payments are designed to ensure that statutory obligations and key financial ratios are not prejudiced, that customer, environmental and other stakeholders are considered, and that the company has adequate resources to carry out its work now, and into the future.

Our shareholders supported substantial investment in the business during 2020–25, significantly over and above regulatory allowances. We do not expect to pay dividends for the next investment period to 2030. No dividends have been paid to external shareholders since 2017.

When proposing payment of a dividend, the directors of Southern Water Services Limited, acting in accordance with their directors' duties and with the company's licence, will consider the following:

- Base level of dividend – financial;
- Base level of dividend – performance; and
- Financial resilience.

This dividend policy is also aligned to our articles of association. These were also updated ahead of the 2025–30 Asset Management Period.

Base level of dividend – financial

The base level of dividend will be determined using an equity return consistent with our most recent final determination and our actual level of gearing. This recognises our management of economic risks and capital employed.

In assessing any adjustment to the base level of dividend, we will take into account all aspects of our performance. This will reflect our overall financial performance as compared to the final business plan as agreed by Ofwat.

Base level of dividend – performance

The Board will consider if the payment or part payment of the dividend reflects, or would be consistent with achievement of, the long-term social, environmental, financial and operational performance commitments made to stakeholders, including customers, employees and members of the Southern Water pension scheme.

In considering this issue, the Board will assess whether the company is significantly underperforming when compared with its final determination and/or has a serious performance issue. In order to determine performance, the directors will consider performance in the round and shall have regard to the suite of Performance Commitments that the company has made which include targets in relation to:

- Performance for customers (including, but not limited, to C-MeX and D-MeX);
- The delivery performance of the large enhancement programme that we have committed to for the 2025–30 business plan period;

Our approach to Board leadership, transparency and governance cont.

- Operational commitments which are of importance to customers (including, but not limited to, Leakage, Per Capita Consumption, Water Quality, Interruptions to Supply, Risk of Low Pressure and Pollutions);
- Wider social and environmental commitments (including, but not limited to, commitments in relation to vulnerable customers, sustainable abstraction, climate change mitigation and adaptation, and community investment);
- This assessment will also consider the previous performance of the company and the relative performance of the company to our industry peers over the period from 2020 to 2030;
- Compliance of the business in line with statutory and regulatory obligations, and
- The base level of dividend yield can be adjusted up or down depending on performance.

The Board also takes into consideration the obligations of the company to its employees including (but not limited to) the obligation to make appropriate investment in health, safety and wellbeing and to ensure that there is appropriate funding of the company's pension scheme.

Financial resilience

The Board will consider our financial resilience ahead of any dividend decision and whether any financial out-performance should be reinvested to benefit customers.

The financial resilience assessment works on the principle that dividends declared reward efficiency and the effective management of risks.

This will consider the interests of our employees, other stakeholders, and our pension schemes. Our dividend policy is intended to support the financial resilience and investment grade credit ratings of the business and ensure continued access to diversified sources of finance. As part of this, we review:

a. Headroom under debt covenants;

b. Reserves, ensuring we have sufficient reserves in place;

c. The impact on the company's credit rating;

d. The liquidity position and ability to fulfil licence conditions;

e. Key areas of business risk; and

f. The requirements of current and future investment needs.

The policy, as reflective of our draft determination response will ensure we restrict the payment of dividends if gearing is above 70%.

Payment and non-payment of dividends

We will be transparent in the payment of dividends and will clearly justify the payment in relation to the factors outlined above.

The dividend policy applies to the payment of any dividend regardless of the purpose of that dividend.

The net benefits of unforeseen inflation will not be taken into consideration if they are not clearly linked to outperformance or the prudent actions of management.

The Board considers that the requirements of the dividend policy licence condition have been met and no dividends were declared or paid in 2025–26 (2025: £nil).

Governance

We will publish our dividend policy annually (in the Annual Report) and highlight any changes. No changes are currently planned to be made to the existing policy ahead of the next investment period (2030–35), but the Board will keep this under review.

Comparison of dividend to the PR24 Final Determination

The Board has resolved that the company will not pay dividends until it is clear that to do so would not be detrimental to the company's financial position. No ordinary dividends were declared or paid in 2025–26 (2025: £nil).

Dividends on the preference shares accrue like interest and from an accounting perspective they are treated as interest, even though they are called dividends. The last payment was made in July 2022 and was our first payment since 2020. These payments were made to a SWS group company and enabled the payment of external interest on loans within the group. None of this money was paid to Southern Water shareholders.

No payments were made in relation to preference share dividends (2025: nil).

An accrual totalling £18.1 million in relation to the cumulative liability of preference share dividends to 31 March 2026 is included within the financial statements as an inter-company creditor.

Board and regulatory statements

Board statement of company direction and performance

In the sections below we, as the Board of Southern Water, describe how we set the direction of the company and ensure it is delivering performance that meets customers' and stakeholders' expectations. We describe how we developed our long term vision and the business plan for the period 2025–30 and how we have continued to engage with our customers in the delivery phase of the plan. We also describe how we, the Board, monitor performance and risk, how we have performed against our business plan objectives during 2024–25 and how performance affects the returns to shareholders and the pay of our executive team.

Our vision and business plan for 2025–30

The purpose of Southern Water is to provide water for life to:

- enhance health and wellbeing;
- protect and improve the environment;
- sustain the economy.

To deliver that purpose, we have set out an ambitious vision to create a resilient water future for customers in the South East.

Our vision and purpose reflect careful consideration and analysis of the key influences on our sector and within our region including:

- The future challenges facing our sector, our region and society;
- The future direction of regulation and Government policy;
- The views of our stakeholders and customers.

Our stakeholders and customers played a key role in shaping our vision and our business plan for the period 2025–30. We have carried out a significant amount of customer research, more than 25,000 customers spent over 8,000 hours from over 190 different reports and millions of data points to tell us what they think to develop our plan. We profiled and engaged our region to speak with representative audiences from our communities.

Our panels of current and future customers, businesses and vulnerable communities gave us informed views at every stage of plan development. Bespoke research engaged on the range of issues in developing our plan, we partnered and shared with other water companies and followed regulatory guidance on testing our plan. Wider sources of insight gathered through analytics of customer data, community events and stakeholder groups brought together a more holistic understanding.

We continuously listen to customers and stakeholders in a wide variety of ways. Over the past year, we have actively gathered direct feedback from more than 75,000 people through independent research, focus groups, surveys, drop-in sessions, stakeholder meetings and many other engagement channels.

This direct listening is complemented by insight drawn from over 10 million data points, such as industry reports, contacts, complaints, social media conversations and demographic information. Our engagement reflects the diversity of our region, reaching households, families, businesses, developers, farmers, councils, young people, vulnerable groups, diverse communities and specialist experts.

To make sure that this broad evidence base is robust, we work closely with independent specialist insight partners who apply best practice approaches to engagement and analysis. Their involvement means that we can be sure that the voices we hear are reliable, balanced and representative of the millions of customers we serve. By combining continuous direct engagement with large-scale, high-quality secondary insight, we can build both depth and breadth in our understanding of what truly matters to customers and stakeholders.

We combine continuous listening with tracking and expert challenge. At the heart of this is our ongoing household panel of 30 to 40 customers who reflect the diversity of our region. They help us explore day-today issues as well as offering feedback on major programmes, sharing views on wider social trends, new pressures and emerging expectations. Each year we use the panel to carry out a structured trends review, and we then draw on a smaller subgroup to test how we have interpreted the findings to make sure that our understanding is accurate and grounded.

We also use a rich set of continuous tracking research and stakeholder engagement, including industry and regulatory insight from organisations such as Ofwat, CCW and other water companies, as well as our own independent tracking programme, which surveys 600 customers every six weeks. We also run a specialist tracker with priority services customers to understand the needs of those who may require additional support. These sources are further informed by input from subject matter experts and independent challenge from our Customer Scrutiny Committee, helping us sense check emerging shifts in expectations.

By continuously triangulating these different streams of evidence, we can spot early signs of changing expectations and adapt our plans in response.

We want feedback to lead to meaningful change so we apply the Voice of the Customer to our business plans, so we can effectively prioritise and improve services. This begins with turning what we hear into actionable findings, whether through deep dives on key topics like incident management and drought communication, or through practical tools such as community profiles and insight maps shared across teams.

These materials are brought to life at roadshows, displayed in offices and made accessible via our intranet so that colleagues at all levels can engage with the evidence.

A key part of our governance is our Independent Customer Scrutiny Committee, which provides external challenge and ensures feedback is acted on transparently. We maintain a formal Action Log that tracks decisions in a clear 'You said, we did' format, making it easy to see both the challenge raised and the action taken. We now publish this on our website so customers, stakeholders and partners can directly see how their input shapes our work.

Board and regulatory statements cont.

The Independent Customer Scrutiny Committee was initiated in together in May 2025 and officially launched in August 2025 with our first live recorded session. It provides visible, credible and independent customer scrutiny of our performance, priorities and long term plans, strengthening trust through accountability and transparency and supporting better outcomes for communities.

The committee is made up of stakeholders from across our region who are experienced in representing customers. Each member is hand selected by the independent chair to have different specialisms and experience to enable the scrutiny to be robust, challenging and constructive. We can then act quickly on any feedback to improve services or outcomes for customers.

The committee meetings are live streamed and uploaded to our website, unedited, for complete openness and transparency. The topics of conversation are selected by the committee so that it is asking the questions that matter to customers. Independent research from our customers is also reviewed by members to make sure that the views of all our customers are represented.

During the year, they held the CEO to account on questions around executive pay and company performance; scrutinised the Board on ownership and commitment to improve our services and challenged our Chief Customer Officer on plans to improve customer service and respond to complaints. In April and June 2026 committee sessions scrutinised the Executive team on wastewater, pollutions and building trust with our customers.

Our Executive team and Board receive regular updates – including summaries, detailed debriefs and reflections from the Customer Scrutiny Committee Chair – to ensure customer insight influences decisions at the highest level.

We have also maintained our Independent Climate and Environment Group (ICEG) group reviews and assesses the company's performance on environment and climate issues. It also advised on the development of the company's new Environment Strategy.

The membership of the group has expanded to include local and national NGOs, government regulators, the CCW, local authorities (including their delivery partnerships) and national parks, along with climate experts and campaign groups. Martin Hurst, Chair of the Southern Regional Flood and Coastal Committee, chairs the group.

Planning for the future

In the next 25 years climate change and population growth is likely to radically alter the world we live in. Water and wastewater services need to be in the vanguard to adapt and to ensure that these essential services continue to deliver for our customers and environment.

The investments we will make will ensure we meet the short-term challenges and allow us to modify our approach, via alternative 'adaptive pathways' should we need to, in response to changing expectations or needs from the environment, stakeholders or our customers.

The 2025–30 regulatory period commenced this year, marking the start of delivery against our latest business plan. We submitted our plan to Ofwat in October 2023, with Final Determinations published in December 2024. In 2025 we sought a redetermination of Ofwat's Final Determination by the Competition and Markets Authority (CMA) to ensure that the plan was supported by an appropriate balance of funding, risk and customer outcomes. The CMA process has now concluded, providing greater certainty over the regulatory framework and enabling us to progress delivery with increased clarity. In 2026 we have instigated a challenge to the recent CMA settlement, via judicial review, to arrive at a more balanced and fair outcome, to support the needs of the company in delivering this plan.

We have continued to operate the business in line with regulatory requirements throughout 2025–26 and are now focused on delivering the outcomes set out in the finalised determination. This includes progressing our delivery plan for 2025–30, mobilising programmes across our asset base, and embedding governance and assurance processes to support effective delivery.

As part of this, we report our progress against the delivery plan to Ofwat, including the submission of an annual, independently assured delivery plan progress report, this is due to be publish by 17 August 2026. This ensures transparency on delivery performance, including progress against commitments, expenditure and milestones, and supports effective regulatory oversight.

We have also engaged with Ofwat through the cost change process to reflect areas where the Final Determination does not fully align with updated delivery requirements. In particular, we have identified a number of areas where additional funding is required to ensure the effective and resilient delivery of services. This includes asset health investment in critical infrastructure such as boreholes and network storage, as well as funding for a water recycling scheme and resilience improvements at key water supply sites.

In addition, we have submitted requests for further allowances in relation to major water resource projects, where updated cost positions and delivery requirements have emerged. These submissions are intended to ensure that the regulatory framework continues to support the timely and efficient delivery of our obligations to customers and the environment. We will continue to work constructively with Ofwat as these submissions are reviewed and as delivery progresses.

Customers want us to be ambitious, show leadership and make the right investments for the future. They want us to invest in nature-based solutions first wherever possible, focus on delivering their priorities and support phasing investment to deliver the biggest benefits first while protecting the most vulnerable.

Alongside our Business Plan, we publish an annual Pollution Incident Reduction Plan, Bathing Water Report and bi-annual Clean Rivers and Seas Task Force update, together with an annual update of our environmental performance data online. We also publish our progress against our turnaround plan and service commitment plan twice a year.

Board and regulatory statements cont.

Figure 1. Our priorities for 2050

Southern Water's Water Resources Management Plan 2024 (WRMP24) has been developed in collaboration with neighbouring water companies through the Water Resources South East (WRSE) regional planning group. This regional approach is intended to ensure that water resources are planned strategically across the South East, delivering resilient water supplies while achieving the best possible value for customers and protecting the environment.

Following consultation on its draft WRMP24, regulators requested revisions to the plan. Southern Water subsequently published a revised draft WRMP24 and undertook a further statutory consultation between 11 September and 4 December 2024. The consultation generated significant engagement, with 1,176 responses received from regulators, local authorities, environmental organisations, community groups, customers and members of the public.

In response to that consultation, Southern Water prepared and published a Statement of Response setting out how representations had been considered and how the plan had been amended. We subsequently published our Final Draft WRMP24 in May 2025 and submitted it to Defra and the Secretary of State for approval. We are currently awaiting approval to publish the Final Draft WRMP24 as our final WRMP.

As a sewerage undertaker we must prepare, publish and maintain a Drainage and Wastewater Management Plan (DWMP) explaining how we will manage and develop our drainage and sewerage systems over the next 25 years, revised on a five-year cycle.

DWMPs are vital to meet current and future pressures from climate change, growth and urban creep. They clearly identify challenges we face now and in the future and describe the costs of addressing these challenges and the pace at which they can be addressed. DWMPs also support effective collaboration and partnership working to identify and deliver effective solutions.

We published our first ever Drainage & Wastewater Management Plan (DWMP) in March 2023 following extensive engagement with customers and stakeholders. This has since become a statutory requirement and our programme to produce the 2028 update (DWMP28) has commenced. Our draft DWMP28 will be published in November 2027, including a 12-week public consultation, with the final DWMP28 published in late 2028.

Outputs are expected to align with the PR29 Business Plan and will be subject to ongoing annual review to track progress of the DWMP. You can find out more about our DWMP23 and DWMP28 on our website here: Our Drainage & Wastewater Management Plans 2028 (DWMP).

What is clear as we look across our long-term plans, including the requirements of the Drinking Water Inspectorate, is that a very significant increase in the level of investment in our infrastructure is required to meet the expectations of our customers, stakeholders and regulators. Our AMP8 plan for 2025–30 included investment of £3.9 billion in the operation, maintenance and improvement of our assets.

We recognise this level of investment has required significant increases in customer bills for 2025–26 and up to 2030. We are working closely with our customers and regulators to ensure that investment is appropriately prioritised between the 2025–30 regulatory period and

Board and regulatory statements cont.

subsequent periods. We are also exploring innovative ways in which we can work with third parties to deliver some of the investment in a way that provides greater value and reduces the immediate impact on bills.

To ensure bills remain affordable, for the most vulnerable of our customers, we are planning to enhance the level of support that we provide and we are examining how more sophisticated pricing might help ensure bills remain affordable for all.

Delivering for our customers

The company is investing more than £6 billion to build new infrastructure before 2030 – our largest capital programme to date – with £1.1 billion of projects already delivered in the first year of the AMP period (2025–30). The Competition and Markets Authority's Final Determination recognised the need for additional funding to support this essential investment while balancing affordability concerns.

In February 2025, we adjusted our bills, increasing them by as much as 46% for some customers. We know that the changes we have made have been worrying, which is why we have made it a priority to offer support to anyone who feels they're struggling or feels they might not be able to make a payment.

We are aware that the scale and complexity of the capital schemes being delivering before 2030 has resulted in increasing customer bills. The company knows that this is unwelcome as the cost-of-living crisis continues to put pressure on household budgets, and the additional 3% increase to future bills announced this year will have added to customers' concerns.

Since the charges increase in the spring of 2026, we have communicated the changes to customers in advance of them receiving a bill, explaining the benefits the extra funding will deliver, and increasing support to those who need it most. We provide more detail on our full range of practical and financial support available, as well as our commitment to industry's shared Principles of Customer Care in our following statement on Licence condition G.

Our business plan for 2025–30 includes some ambitious targets to improve the service that we provide to customers. These include:

- over 70% reduction in our Compliance Risk Index score, alongside a 35% reduction customer contacts about water quality;
- a 30% reduction to our annual leakage figure, with further reductions to per capita consumption and business demand to protect the environment and ensure our customers are kept in supply;
- over 70% reduction to the number of pollution incidents, with 0 serious pollution incidents;
- improving our bathing water score by over 15% by increasing the number of bathing waters at good and excellent;
- increasing the biodiversity of our environment and the level water quality in our rivers.

Details of our performance against our targets for the first year of this business plan period, 2025–26, are provided in the Strategic Report section of our Annual Report and Financial Statements (pages 8 to 126) and are set out in the performance summary on pages 80 to 98.

Our performance over the past year has seen a significant improvement in some areas but we have also seen deterioration in others. Building on the investment and commitment to our AMP7 Turnaround plan, in water supply interruptions, we have learnt from our major incidents in the prior two years, reducing our performance from over two hours down to 00:05:01 thanks to our programme of improvements delivered. We have also had an improvement in our leakage performance by 4.1% from our PR24 three-year rolling average of 105.4Ml/d to 101.1Ml/d, and we have achieved our lowest ever number of external flooding incidents reducing our performance by 18% this year to 2,507 incidents. In total, we have met or outperformed eight of our 20 industry shared performance commitments (excluding BR-MeX, C-MeX, and D-MeX).

However, we have improved our performance in water quality compliance risk index (CRI), contacts about water quality, Per Capita Consumption (PCC), serious and total pollutions, and storm overflows, even though we did not meet the performance commitment level. We know that we need to continue to improve these areas further to meet both our customers and regulators expectations, particularly in respect of internal flooding, discharge permit compliance, greenhouse gas emissions, and sewer collapses where our performance has deteriorated from 2024–25 levels. The number of repairs to burst mains also increased but this reflects the additional efforts helping to drive down leakage levels across the region.

Our performance for this year has resulted in an overall total penalty of -£29.7 million. As part of the FD for AMP8, these penalties will be applied to future revenues and so are reflected in 2027–28 bills.

We know that we need to mirror the improvements seen in external flooding, supply interruptions, and leakage across the rest of our deliverables, and continue to invest in our ambitious plan of improvements to drive performance and service delivery. These plans are based on detailed analysis of the root cause of our performance challenges, customer and stakeholder feedback, and shared learning of industry best practice, and sets out clear outcomes that we are promising to deliver, each with a set of associated performance measures.

The Board closely monitors the delivery of operational improvements and tracks the performance against our regulatory commitments through a performance dashboard which is focused on those performance measures that have the greatest customer, stakeholder and environmental impact. The Board is supported by the Executive Committee, which focuses on tracking performance through leading indicators, identifying corrective actions where necessary and driving our focused performance improvement plans.

Board and regulatory statements cont.

Accessible
Choice of contact channels

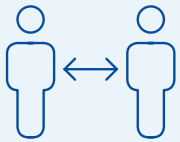
Responsive
Timely, proactive and appropriate

People First
Listening to our customers as people, not numbers on a database

Resolution
Solving issues – doing what we say we will do

Accountable
Empowering staff to take ownership through knowledge and training

Genuine
Transparency and integrity always



Want to help
Caring, flexible and non-scripted

Caring for Customers; meeting our Condition G obligations

Delivering good service to our customers and providing good customer care when things go wrong lie at the core of our organisation. The last year has provided multiple opportunities to work with other water companies, our regulators, and our customers to improve services and support. Throughout the year, we have continued to build on our established approach, drawing on operational performance, customer feedback and external insight, including Ofwat's Billing Journeys research. We have incorporated new and revised guaranteed standards, including the introduction of the Core Priority Services Register (CPSR).

Southern Water has a clear framework in place to make sure we meet the requirements of Licence Condition G. This includes well-defined policies, operational procedures, and governance arrangements that cover customer service, incident response, and support for customers in vulnerable circumstances with key policies and standards being published on our website, including our:

- **Customer Service Code of Practice** where we set out what customers can expect from us. This framework ensures that customers are treated fairly, communications are clear, and services are accessible to all;
- **Incident Response approach** so in the event of an incident, customers can expect quick action, clear updates, and practical support. Our incident management approach is published on our website so customers can see how we respond and what steps we take to keep them informed and we have detailed internal incident procedures that set out rapid response actions, clear communication, and established escalation routes. These include defined protocols for major events and coordination with local authorities and regulators;
- **Guaranteed Standards of Service** so customers know exactly what they can expect from us and how they'll be compensated if we fall below those expectations;
- **Vulnerability Strategy** which sets out a clear framework for how we'll continue to enhance our services and support.

Ongoing reviews and improvements to these and other policies and procedures make sure that we are meeting regulatory expectations, following industry best practice, and meeting customers' evolving needs. This as well as an 'always on' approach to insight and engagement, particularly with our customers in vulnerable circumstances, ensures clear accountability across all levels of our business aligned to our core pillars of customer care.

Board and regulatory statements cont.

Proactive communication

We understand that proactive communication, especially when things go wrong, is important to our customers, and continue to operate a multi-channel communication strategy including SMS, email, website updates, social media and contact centre engagement. This includes having our dedicated Customer Service and Social Media team in place to ensure that we act on customer concerns before they feel the need to contact us.

Proactive communication with our customers even when things are going right helps to build trust and we have continued with our series of regular regionally based news and community email updates. This lets us keep customers updated on what we're doing in their area and progress of improvements to our network, in addition to highlighting local engagement and feedback opportunities.

As well as providing water saving advice and signposting ways to save money and get support if they need it, we have run proactive campaigns on protecting pipes in winter, other season advice to help prevent issues before they happen.

Our FOG and Unflushables team work with customers and business to help make sure that we are preventing blockages, targeting areas where this is a significant root cause of incidents across in person pop ups, email and social media, and schools visits to ensure the next generation are able to help prevent anything but pee, poo, and paper entering pipes, holding 153 separate events across our area in 2025–26.

We continue to build on this engaging with our customers in a wide variety of ways including targeted leafleting for business, to taking our fatberg on tours across Hampshire in 2026 to engage with children in a way that is memorable and meaningful for each group from professional business owners to primary school children.

This is mirrored by the ongoing work of our T100 Water Efficiency team, who's work you can read more about in the performance commentary on Per Capita Consumption (PCC) and Business Demand in Section 3 of this report. This and our Yellow Fish Campaign in Sussex, along with other awareness and education activities will help us and our customer protect the environment and safe secure supplies of water for years to come.

We have also carried out targeted customer research, set up a customer voice council, and are making sure that proactive engagement drives the decisions in our business with customers' needs central to what we do.

Board and regulatory statements cont.

Our customers

North Hampshire
146,192 Total customers

Valued for its countryside setting, village life and sense of calm. A wealthier catchment, locals take pride in the area's landscapes, walking routes and rural character. Together, we care deeply about protecting the calm, green way of life at risk from new developments.

Reputation 6.8 out of 10 | Operations 7.4 out of 10 | Billing 5.8 out of 10

Key commitments:
- Ensuring bills are as low and stable as they can be.
- Ensuring a reliable supply of fresh water for the future which is resilient to climate change.
- Reducing the overall amount of fresh water lost through leaks.

North Sussex
474,899 Total customers

A mix of towns and villages in rural locations, with sense of community/belonging. Strong links with nature and to city's like London and Brighton's coast. Generally, a wealthier than average area with an influx of people and new housing stretching infrastructure.

Reputation 6.3 out of 10 | Operations 7.0 out of 10 | Billing 5.9 out of 10

Key commitments:
- Resilience of supply for the future and protecting from water scarcity.
- Protecting and improving the local environment, especially with extreme flooding.
- Ensuring the right infrastructure investment is there.

Central Kent
645,965 Total customers

With strong links to London, Central Kent is characterised by countryside, villages and a more rural pace of life. Residents value strong schools and community ties, while expressing concerns that growing populations and new developments are putting pressure on roads, services and local infrastructure.

Reputation 5.6 out of 10 | Operations 7.9 out of 10 | Billing 6.0 out of 10

Key commitments:
- Delivering on regulatory commitments that benefit the environment.
- Preventing wastewater polluting or spilling into the environment.
- Providing support and assistance to vulnerable customers.

Medway
625,993 Total customers

Links to London and cheaper housing has led to a more diverse community. Lower than average incomes, in what was once seen as a thriving area but now more deprived. A lack of overall investment is impacting pride in parts of Medway.

Reputation 6.0 out of 10 | Operations 7.1 out of 10 | Billing 6.2 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Ensuring a reliable supply of fresh water for the future.
- Reducing the overall amount of fresh water lost through leaks.

Whitstable
71,933 Total customers

Known for its independent spirit and seaside charm, Whitstable is closely connected to the sea and its oyster farming heritage. Residents enjoy the beach and the local character, while they are worried about sewage entering the water and the impact this has on tourism.

Reputation 3.8 out of 10 | Operations 8.1 out of 10 | Billing N/A

Key commitments:
- Preventing wastewater polluting or spilling into the environment through rivers/seas.
- Ensuring bills are as low and stable as they can be.
- Providing support and assistance to vulnerable customers.

Thanet
140,589 Total customers

Life in Thanet is shaped by the coast, with beaches and seaside towns forming the heart of local identity. Residents take pride in their community spirit and coastline, but worry about sewage pollution and a long term lack of investment. The area has among the highest levels of deprivation across the region.

Reputation 5.0 out of 10 | Operations 7.3 out of 10 | Billing 6.2 out of 10

Key commitments:
- Preventing wastewater polluting or spilling into the environment through rivers/seas.
- Ensuring that rivers, beaches and bathing waters are higher quality.
- Demonstrating change to customers.

Deal
42,570 Total customers

Many are charmed by the quaintness of Deal. The best things about Deal are the coast, beaches and its countryside. There is a slightly older population. There are concerns about infrastructure and the lack of affordable homes being built.

Reputation 5.3 out of 10 | Operations 7.8 out of 10 | Billing 5.8 out of 10

Key commitments:
- Preventing wastewater polluting or spilling into the environment throughs rivers/seas.
- Protecting and improving the local environment.
- Improving bathing water quality.

Winchester
85,032 Total customers

Defined by heritage and charm, Winchester is affluent with a strong sense of identity. People are proud of its history, and students enjoy the local culture and character. There are concerns for high process and new developments.

Reputation 6.2 out of 10 | Operations 5.6 out of 10 | Billing 5.8 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Preventing wastewater polluting or spilling into the environment.
- Using more nature-based solutions to improve the local environments and habitats.

Dover & Folkestone
142,026 Total customers

The white cliffs and coastal location are all key draws to the area as well as being affordable with good transport links. Strong history and heritage are what make people proud. Concerns are about sea water quality, immigration and the impact an uneven spread of development has on infrastructure.

Reputation 5.1 out of 10 | Operations 7.8 out of 10 | Billing 6.0 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Providing support and assistance to vulnerable customers.
- Preventing wastewater polluting or spilling into the environment.
- Ensuring rivers, beaches and bathing waters are cleaner.

Southampton North
145,461 Total customers

An appealing area to live and raise a family, close to shops, amenities and events. With higher affluence and house prices, residents value its sense of community and worry about the impact of population growth on services such as health care.

Reputation 5.4 out of 10 | Operations 6.6 out of 10 | Billing 6.0 out of 10

Key commitments:
- Reducing storm overflow impacts, improve flooding resilience and invest in local infrastructure.
- Keeping bills lows and stable.
- Better support for vulnerable customers.

Bognor Regis
80,120 Total customers

A traditional and affordable seaside town. Bognor Regis is seen to have lost its vibrancy with tourism centred around the one of the UK's sunniest beaches and family-friendly Butlins. Concerns around the loss of blue flag status, locals would like to see more investment to restore the resilient town's vibrancy.

Reputation 5.5 out of 10 | Operations 8.2 out of 10 | Billing 6.4 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Preventing wastewater polluting or spilling into the environment through rivers/seas.
- Ensuring rivers, beaches and bathing waters are higher quality.

Brighton & Hove
380,272 Total customers

The people and the feel of Brighton make it unique. Here, life centres around culture, creativity, and the bustling beach. Famous for the city's openness and energy, there are raising concerns for locals about high prices, homelessness and maintaining its green reputation. Brighton is known for being distinctive and vibrant.

Reputation 5.4 out of 10 | Operations 6.2 out of 10 | Billing 6.2 out of 10

Key commitments:
- Tackling wastewater issues and demonstrating change to customers.
- Affordable bills and looking after the vulnerable community.
- Ensuring bathing water is cleaner and higher quality.

Central East Sussex
317,968 Total customers

Has a balance of rural and accessibility to the towns, villages and coastline. It has a more peaceful pace of life but some areas also attractive to commuters into London. There are concerns around a lack of amenities, need to travel and access to health care.

Reputation 5.3 out of 10 | Operations 7.6 out of 10 | Billing 5.5 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Ensuring a reliable supply of fresh water for the future.
- Preventing wastewater polluting or spilling into the environment through rivers/seas.

Portsmouth
553,847 Total customers

Shaped by its naval heritage and connection to the sea, this is described as an 'island city'. A university city brings a slightly younger population to the waterfront. While lack of investment is seen by locals to hold back its full potential, community spirit and shared pride shines through.

Reputation 5.6 out of 10 | Operations 8.2 out of 10 | Billing 6.4 out of 10

Key commitments:
- Preventing wastewater polluting or spilling into the environment through rivers/seas.
- Ensuring water quality of rivers, beaches and bathing waters is higher and they are cleaner.
- Providing the best overall customer service.

Southampton
469,771 Total customers

There is a feeling of the best of both worlds as they have a large city as well as access to nature and the coast. There is a strong maritime connection. There are some diverse communities within the city as well as a strong student presence. There is a concern about the loss of green space and the impact growth will have on the environment.

Reputation 6.0 out of 10 | Operations 6.8 out of 10 | Billing 6.1 out of 10

Key commitments:
- Protecting future supplies and resources.
- Protecting and restoring the environment, helping customers make lifestyle changes.
- Ensuring local rivers, beaches and bathing waters are clean.

Isle of Wight
140,451 Total customers

Sailing, tourism and a slower pace of life represents self-sufficient islanders. With a strong community feel, the coastline is a source of pride and is full of unique beauty. An older and less affluent demographic have concerns about expensive travel and a lack of opportunities for those who live there.

Reputation 5.6 out of 10 | Operations 7.7 out of 10 | Billing 6.3 out of 10

Key commitments:
- Preventing wastewater polluting or spilling into the sea.
- Ensuring water quality of rivers, beaches and bathing waters is higher and they are cleaner.
- Ensuring sewage does not flood external property.

Chichester
91,379 Total customers

Known for its historic cathedral and natural charm, this calm city still has everything you need. A short distance to beaches, the South Downs and with peaceful harbours, locals worry about the growing population and busy roads.

Reputation 4.3 out of 10 | Operations 8.5 out of 10 | Billing 6.1 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Ensuring a reliable and continuous service of removing wastewater.
- Providing support and assistance to vulnerable customers.

Worthing
220,549 Total customers

More affordable option whilst still being close to Brighton and the coastline. Due to an increase in housing, there is an influx of new homes and businesses. The beach, South Downs and local amenities are what drew people to Worthing. There is a concern that the growth and being 'up and coming' will create price increases.

Reputation 4.9 out of 10 | Operations 6.8 out of 10 | Billing 5.9 out of 10

Key commitments:
- Ensuring bills are as low and stable as possible.
- Ensuring a reliable supply of fresh water for the future.
- Preventing wastewater polluting or spilling into the environment through rivers/seas.

Hastings
171,038 Total customers

The seafront, community feel and the history are the things that make Hastings special. The town is centred around its beach, coastline and tourism. This is one of our most deprived areas with higher levels of poverty. There are concerns about the town being underfunded and damage to the coastline.

Reputation 4.3 out of 10 | Operations 7.0 out of 10 | Billing 6.4 out of 10

Key commitments:
- Ensuring rivers, beaches and bathing waters are cleaner.
- Preventing wastewater polluting or spilling into the environment.
- Ensuring bills are as low and stable as they can be.

1-10 Colour coded scale:

Poor	0 - 3
Average	4 - 6
Good	7 - 10

Southern Water water supply area

Board and regulatory statements cont.

Ease of contact and accessibility

When customers do need to contact us, it needs to be easy, straightforward and in a way that meets their needs. Over the last year we have improved our website to make it easier to navigate and to contact us, and updated our digital assistant as well as continuing to provide a broad range of accessible contact channels, enabling customers to engage with us in a way that meets their needs supported by clear signposting and digital accessibility tools such as Recite Me, and adding a specific option to report plastic beads following the incident at Camber Sands in November 2025.

We are continuing to listen to customers' needs and have already made changes to our contact model in response to increased demand linked to bill increases and wider cost-of-living pressures. We're actively promoting our Extra Help and Support freephone number, which connects customers directly to our Here to Help team — trained to provide specialist support, advice and signposting for those who need additional assistance. We have also added Apple Pay and Google Pay to our payment options.

We have made sure our core customer information is easy to access with a central Help and Support webpage, including how to identify staff, and what to do if a customer is unsure. As we progress into the rest of AMP8, we're looking at how we can communicate with our customers, and how we can make communicating with us as easy and convenient as possible as part of our plan of targeted improvements including looking at ways that new technologies can help an ongoing, intelligence-led improvement of customer experience.

Supporting customers when things go wrong

We know that when things go wrong, our customers value ownership, being kept informed, and that things are put right. Over the last year, we have strengthened and reinforced our approaches to complex and large-scale events, listening to customer feedback and responding to changing customer needs.

When something goes wrong with Southern Water's services the problem needs to be resolved swiftly, so we operate an established tiered response framework for large events, including dedicated incident managers and strategic leads, so cross-functional teams can work together to deliver a coordinated tactical response to get services restored as efficiently as possible. This includes having a documented outcome to close an incident, with a focus on lessons learnt. We recognise that one-to-one communication is not always possible during major incidents, so are taking a dynamic approach to balance communication at scale and targeted, tailored support to make sure customers know what we're doing to get service restored and give clear and realistic timescale.

To keep customers informed consistently, we use a combination of SMS, social media, updates on our webpage and our interactive map, as well as IVR messaging during an incident. We also continue to offer targeted support including bottled water delivery to customers on our Core Priority Services Register (CPSR). We also make sure customers who need bottled water are aware before an incident occurs what timescales they can expect and how to contact us if they're concerned.

Providing alternative water supplies during an incident remains a critical and established component of our response including bottled water stations across impacted areas, and pre-water outage delivery where appropriate. During 2025–26, we have continued to strengthen this through improved communication with customers and delivery partners, ongoing refinement of prioritisation for vulnerable and high-need customers, and enhanced checks. For more information on how we manage and respond to large scale incidents see the case study on page 48 in our Annual Report and Financial Statements.

How we support customers who experience internal or external flooding incidents is a critical part of customer care, and a core component of our wastewater service. In April 2025 we started our partnership with Lanes Group, this new partnership drove a complete end-to-end review of our sewer flooding policies and procedures, including making customer care a priority, so that every customer impacted by flooding is offered appropriate clean-up services, as well as being signposted to appropriate support including the Southern Water Hardship Fund.

We know that flooding is one of the worst things that can happen to customers and understand the impact this has, which is why customer focused flooding reporting is not just reviewed by our operational and office-based wastewater teams, but is included in our executive level and board reporting as standard. This means that there is director level oversight on a weekly and monthly basis of not just any repeat flooding using a 10-year minimum lookback but specifically highlighting our 'worst served' most impacted customers, including formal action plans and

Board and regulatory statements cont.

oversight at a senior level until a tangible effective solution has been delivered. This approach is supported by having dedicated individual county-based customer case managers to investigate and manage repeat flooding, so customers have a named single point of contact managing their issue till it's been fully resolved. All repeats are automatically flagged for review, as well as there being clear escalation routes to the customer case team for complex or sensitive incidents.

Every flooding incident is different, and we want to ensure we prioritise and get to the most severe and distressing incidents first, so we include triage and priority attendance for vulnerable customers using case-based reasoning at the point of contact. Once they arrive, our first response team will look to stop the flood and wherever possible, fix the cause of the flooding then and there. During severe weather we may take a little longer to get to customers, but we will keep them informed about when we will arrive, so no customer is left unsure when someone is coming to help. Ofwat's Sewer Flooding Customer Care Review (published February 2026) highlighted our external sewer flooding response times, where we attend on average within 12 hours, and within 24 at a minimum, we also continue to maintain a four-hour response time for internal flooding during bad weather and reduce this down to two hours at all other times.

From the first point of contact, we make sure customers are given a clear timeline of actions and timescales, including proactively keeping the customer informed when a crew is on the way, and where appropriate text updates as well as follow up calls as part of our 'close the loop' procedure. When crews attend, they will update the customer with any information available on root cause and confirm next steps, as well as providing them with our comprehensive flooding leaflet with details of what happens next. All internal and a significant proportion of external flooding incidents are regularly reviewed to ensure that the appropriate action has been taken and that any additional compensation/financial support has been provided.

This includes arranging a clean up after the incident unless the customer declines one, updating or being added to our Priority Services Register and/or referral to the Southern Water Hardship Fund where appropriate. We have also reinforced our eight-step clean-up process with Lanes Group, so that all customers receive the same high level of service fairly and consistently, and working under a delegated authority of £3,500 to make sure we have removed every possible delay and work can start immediately. The amount is continually reviewed to ensure we're not stopping work to help customers get back to normal as fast as possible.

When a customer contacts us about flooding, unless we are clearly able to establish at the initial point of customer contact that the flooding is private or third-party responsibility, we will respond with the assumption that it's our responsibility until shown otherwise. To protect customers, if we find that the issue is private, we will still take remedial action where we can. If we're in any way unsure and if it is an internal flood, we will also make the appropriate GSS payment. After the flood has been managed and any clean up needed completed, a review panel is held on a regular basis and for incidents where it is a private issue, any payments made are honoured as a gesture of goodwill and in line with our Ex-Gratia Payments Guidance, with the incident marked as private and removed from the total number of reportable incidents but retained on our systems with no negative effect on the customer. These cases are subject to further internal review at

year-end, with a clear policy in place that if we cannot demonstrate the issue was private, the default is that it is Southern Water's responsibility.

We have built on the areas of success highlighted in Ofwat's report on companies initial Condition G submissions in September 2025 and continue to work towards meeting or setting the standard for industry best practices at every stage of the customer journey, as recognised when our customer case team were invited to present best practice advice on flooding by CCW in June 2025. Part of this best practice includes not only identifying where customers have had more than one flooding event in any year, but tracking repeat flooding with network modelling going back 25 years to understand problem areas and as part of weekly compliance meetings reviewing how we are managing the impacts for all our customers and resolve the root cause. This, as well as getting regular feedback from customers both during and after their issue being resolved allows the team to continually improve the service being offered.

We have combined this with streamlining and automating case management to free up more time to focus on customer care and resolution, as well as providing a direct escalation route for any complaints about flooding to the customer case team to get the right person dealing with the customer's issue as soon as possible.

Board and regulatory statements cont.

Part of our offering of support when things go wrong includes the Guaranteed Standards Scheme (GSS) and we maintain a detailed internal policy document in relation to GSS which was significantly overhauled in October 2025 to reflect the new and amended regulations and guidance. This ensures our policies, processes and operational delivery support our compliance in this area. We have also shared this with other water companies to help them have the same level of detailed internal guidance. This is supported by companywide mandatory GSS training and the formal welcome and induction session for everyone joining the organisation on the principles of customer care. This session provides a comprehensive overview of the business, our customer service, commitments, and the regulatory framework in which we operate including a dedicated module covering the services and support available to customers in vulnerable circumstances, an introduction to the Priority Services Register (PSR), associated eligibility criteria, and expectations regarding accurate identification and referral.

Our arrangements for priority services and compensation have been shared with CCW, providing transparency and confidence in how we support customers in practice, particularly those in vulnerable circumstances. We are committed to continue to strengthen delivery through increased systemisation and automation, reducing manual intervention and improving both control and customer outcomes.

Part of putting things right also includes working with communities who have been impacted by flooding or other incidents to restore trust. In November 2025, beads were accidentally released into the sea from our Eastbourne treatment site. Many were washed ashore on Camber Sands, with beads also recovered along the coast, including at Rye Nature Reserve. Working in partnership with Rother District Council, East Sussex County Council, Rother GLE, Adler and Allan, Natural England, the Environment Agency, the Maritime and Coastguard Agency, and microplastic removal experts, Nurdle, as part of a multi-partner approach, along with hundreds of Southern Water staff, contractors and volunteers were dispatched to clear the beads from beaches.

Southern Water have paid for three new specialist microplastic vacuums to be made to support the ongoing effort. These machines are being used by Nurdle and our contractors Adler and Allan. We have also commissioned the build of a large towable beach screener that acts like a giant sieve by removing the top layer of sand to retrieve any beads that may be just under the surface.

Large amounts of other plastics unrelated to the beads are being removed because of this clean-up. As of February 2026, 1.95 tonnes of plastic materials (including nurdles, biobeads and other small fragments) have been collected from the beach. Of this, 1.3 tonnes of the plastic cleared is beads. Although we have recovered a significant number of beads, the beach screener and vacuum will continue to be deployed over the next three years. Spring tides and storms churn and lift more beads buried in the sand to the shore, which requires ongoing monitoring and action. This is why we're continuing to work with key stakeholders to progress our clean-up operation at Camber Sands, Rye Nature Reserve and the surrounding beaches.

Being transparent and honest about what went wrong, and what we are doing to fix it, as well as making sure customers can continue to enjoy the beach including walking dogs and swimming in the sea is helping us rebuild our relationship with our customers and the community by putting things right.

Learning from experience and driving improvement

During 2025–26, we have used the lessons learnt from the major incidents experienced in 2024-25 to develop a simplified incident response structure to streamline coordination, communications and decision making.

A key aspect of this has been the use of WaterNet Pro and the development of a new Event Management system with improved communications between Southern Water and local resilience forums and emergency services, with clearly defined roles. We have put these into action in simulated testing so we can respond appropriately and quickly if we need to.

A dedicated task force has been making strategic and tactical improvements, introducing an Operational Risk Assessment tool, an improved golden hour process, improved strategic spares, a new situational awareness tool to alert of high burst – low flow incidents and customer contacts, and a significant investment to improve the reliance of our five major sites (Sandown, Testwood, Otterbourne, Hardham and Burham Water Supply Works) as well as a significant increase in frontline personnel as part of our new target operating model.

This has meant that issues arising that previously caused major interruptions have been able to be addressed before there is any impact to customers, as reflected in our improved performance in both Water Supply Interruptions and Unplanned Outage.

We have embedded a robust approach to learning from experience, with improvements enacted across our area, including reservoir playbooks, and increased and better deployment of tankering. After each major incident or service failure, we carry out comprehensive reviews, producing lesson learned outputs that are shared with relevant internal teams, key stakeholders and regulators.

Customer insight is a critical component of this process; post incident surveys capture feedback on the overall handling of incidents, including communication, bottled water provision, and delivery arrangements. This feedback then provides a basis for continuous improvement. These insights directly inform our action planning and service enhancements. As a result, we have seen a sustained improvement in customer satisfaction with incident management, demonstrating the effectiveness of our approach to learning and improvement.

We have integrated findings from external feedback, including Ofwat's Billing Journeys research with our own extensive insight programme, including not just structured reviews but direct customer feedback to identify opportunities after incidents and service disruptions to improve

Board and regulatory statements cont.

operational delivery and the overall customer experience as part of creating our customer involvement framework using:

- Feedback from over 75,000 customers through surveys, research and engagement;
- More than 35,000 interaction-level satisfaction surveys;
- Analysis of complaints, contact drivers and customer journeys;
- Millions of operational data points across service performance;
- Cross-functional deep dives involving senior leadership and subject matter experts.

We have used this to create a framework which sets out a clear and practical model for how customer involvement is achieved in practice. It shows how we move from always-on insight and understanding what matters, through assessing materiality and involving the right customers, to decision-making with independent challenge and delivery. Critically, it also demonstrates how we close the loop – using feedback, assurance and transparency to test whether decisions have worked and to continuously improve. By embedding this end-to-end approach across our organisation, we are creating a transparent, evidence-led system where customer voices directly influence decisions, enabling us to lead the way in delivering meaningful and accountable consumer involvement.

Along with our own activities under our customer involvement framework, we actively participate in industry forums and collaborate with other water companies and consumer advocacy groups to share knowledge and best practice.

Key insights are that customers have a need for faster clearer communication, greater consistency in customer experience, improved first-time resolution, and more proactive engagement with customers before issues arise. During the year, we also saw customer call waiting times and complaints increase because of bill increases and changes we made in our contact centres. We know our customers wanted to talk to us about the changes to their bills, and that restructuring our customer service at this time was not the best decision for our customers. We are committed to doing better and are focused on improving services using insights from customer feedback and complaints, internal and external stakeholder feedback, and engagement activities to directly inform our continuous improvement initiatives, including enhancements to alternative water provision, communication approaches, and targeted investment in infrastructure to reduce the risk of future incidents.

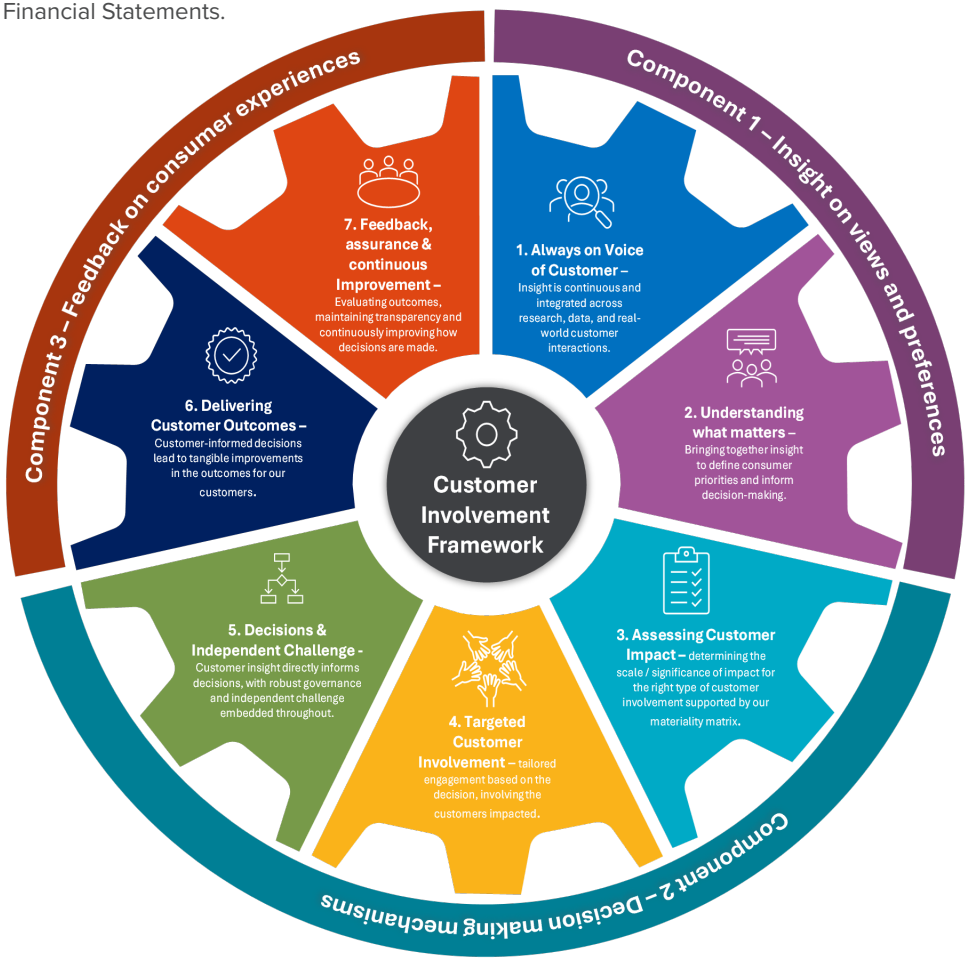
Over the last year, we have developed a prioritised action plan delivering meaningful improvements for customers. Central to this is the introduction of a data-led continuous improvement approach with clear actionable improvements which:

- Uses data to identify root causes of customer issues;
- Prioritises improvements based on customer impact;
- Deploys targeted fixes through dedicated teams;
- Embeds continuous improvement as a core capability.

This approach supports a continuing and structured transition from reactive problem-solving to a proactive, insight-led service model, ensuring improvements are sustainable and scalable over time, including:

- Improving the consistency and clarity of communication;
- Enhancing coordination between operational and customer response teams;
- Strengthening the identification and support of customers in vulnerable circumstances.

You can learn more about this, and how we're using customer feedback and engagement to drive better customer care in our published consumer involvement plan, and our Annual Report and Financial Statements.



Board and regulatory statements cont.

Understanding and supporting customer needs

Our work is underpinned by a structured programme of continuous improvement, using operational insight, customer segmentation and performance data to refine how we communicate and support customers. This ensures the services we deliver evolve in line with changing customer expectations and needs.

We recognise that customer needs are diverse and evolving, influenced by factors such as financial resilience, health, language and household circumstances. We therefore use insight to ensure services are increasingly personalised and targeted where they deliver the greatest benefit. Through our Insight 365 programme, we regularly engage with customers across our region, including those on the Priority Services Register (PSR). Our Your Water Matters programme is another key part of our engagement approach, providing a proactive, face-to-face mechanism to gather customer views and feedback. Through local events, we share updates on our performance and plans, while giving customers the opportunity to ask questions, raise concerns and tell us what matters most to them. By taking engagement into communities, we reach a broader and more diverse range of customers and gather valuable real-time insight, which is used to inform priorities and drive service improvements.

We complement this with targeted research and analysis, including incident reviews that capture the experiences of vulnerable customers, independent PSR satisfaction and awareness tracking, engagement on affordability and cost-of-living impacts, and deep-dive analysis of key customer service journeys such as billing and payment, and improving our customer segmentation data, so we can get the right support to customers at the right time.

The PSR remains central to how we identify and support customers, using automatic enrolment in collaboration with other utilities, active signposting by both customer contact and field staff, in 2025–26, we increased the number of customers on the register 359,733, representing a total growth since 2020 of 339,313 registered customers and 23.9% of customers served.
We provide tailored assistance based on individual needs, including accessible communications and enhanced personal support. During service disruptions, we proactively support customers in vulnerable circumstances, including through bottled water deliveries or alternative accommodation where necessary. Overall awareness of PSR is growing, as shown in CCW's recent Water Matters annual survey that tracks household customer views and experiences.
We strengthened identification and support through targeted outreach and partnerships, but we recognise there is more to do and cannot rely on customers coming to us. We continue to expand our use of internal and third-party data, working closely with local authorities to proactively identify and approach customers in need of support, helping us reach the 'struggling silent'.

As well as including a dedicated module covering the services and support available to customers in vulnerable circumstances, an introduction to the Priority Services Register (PSR), associated eligibility criteria, and expectations regarding accurate identification and referral being delivered to all new starters, frontline colleagues also receive a structured and comprehensive induction programme, with supplementary, role-specific training focused on identifying and supporting vulnerability during face-to-face interactions.

This includes:

- Recognising physical, environmental, and behavioural indicators of vulnerability;
- Managing safety considerations for customers and colleagues when vulnerability is disclosed or observed;
- Practical scenarios and real-life case studies;
- Guidance on effective and sensitive customer conversations, and active listening practice;
- A detailed overview of the full support package available to customers, including internal referral pathways and system markers, and a documented policy with links to external organisations including local adult and social care.

Our Vulnerability and Affordability teams also enable targeted, ad-hoc and thematic training across the organisation to ensure capability remains current and responsive to customer needs including:

- Bespoke sessions on supporting customers with dementia;
- Training on recognising and responding to customers at risk of abuse;
- Awareness training relating to autism and neurodiversity;
- Additional modules delivered in partnership with corporate and charity partners and off-site events focused on strengthening organisational awareness and capability in supporting vulnerable customers.

This commitment to inclusive service delivery is independently recognised through our retention of the BSI Inclusive Service Kitemark.

Board and regulatory statements cont.

Our affordability approach continues to evolve in response to customer needs, with insight from research, engagement and operational data used to refine our support offer, improve accessibility, remove barriers to uptake, and support more customers to maintain sustainable payment arrangements. To maximise customer awareness and use of this and other support available, we have appointed a dedicated Hardship Fund Manager to evolve our support offer and ensure it remains accessible, alongside creating a new Partnership Manager role to expand specialist vulnerability outreach.

We have introduced partnerships with local councils and have been able to auto enrol 20,000 customers via these partnerships, with over 10,000 more customers anticipated during 2026. We continue to provide a comprehensive range of financial support in response to ongoing cost-of-living pressures, and in our PR24 Business Plan committed to increasing funding for our Hardship Fund to £1.25 million per year to support those most in need. This year the Hardship Fund helped over 1,500 customers with white goods, food vouchers, or financial support as needed and will continue to use shareholder funding to maintain this over the rest of the AMP.

This, as well as increasing our local presence and visibility through dedicated regional agents who work closely with charities, local authorities and partner organisations, helps our support to continue to evolve to meet customer needs. We know that bills for some customers increased by as much as 46%, so we have made it a priority to offer financial support including:

- Essentials Tariff, reducing customer bills by between 45-90%;
- WaterSure Tariff, capping measured charges for families and/or high use related to a medical need;
- Flexible payment arrangements, including Water Direct;
- Debt support schemes and hardship funding.

As well as offering flexible payment arrangements and debt support, we have been able to offer enhanced support alongside the government ‘breathing space’ scheme, where customers have a 60-day window before we contact them about their bill and offer them financial assistance, so we’re using our Hardship Fund to ensure a customer’s debt does not increase while they are seeking debt respite.

2025–26 saw social tariff support increase by 13% with much of this growth driven by proactive auto-enrolment. This means that our combined offering of support is helping nearly 200,000 customers, with plans to expand this support in 2026–27. This includes a pilot expansion of our social tariff eligibility based on water poverty analysis following CCW's recommendation, which defines water poverty as a household spending more than 5% of its income on water and wastewater charges. Under this measure, any customer with a bill-to-income ratio exceeding 5% is in water poverty and will be eligible for Essentials. We have also actively engaged with Ofwat, Defra, CCW and industry partners on social tariff and WaterSure reform and are preparing for implementation of WaterSure reforms from April 2027 through updates to our processes, systems and communications.

Our vulnerability strategy also includes creating ambassadors across the business from 2026 onwards so that staff at every level of the organisation are able to signpost customers in need of support and help ensure that taking care of customers is embedded into our overall business culture. We continue to look at ways we can offer support to customers as part of our monthly tariff meetings. These meetings include customer insights and feedback via our Customer Involvement Framework. We continue to work collaboratively with other water companies, CCW, Ofwat and other key stakeholders including charitable organisations to understand and evolve both our affordability schemes and our working practices to meet changing customer needs.

We recognise that vulnerable circumstances include several things such as age, health conditions, financial difficulties and social isolation. Across our region we use statistical data

Board and regulatory statements cont.

to highlight where our communities may need the most support. Working with key stakeholder partners such as Citizen's Advice, Housing Associations and local charities, we are able to tailor and widen our support as we progress through AMP8.

We also engage directly with those in need through our outreach work, attending community events, support surgeries, and local drop-in centres. We want to make our services as accessible as possible so our Vulnerability Liaison Officers, as part of our dedicated Here To Help team, work to build trusted relationships within their local communities. Each officer has developed their own strategy using customer insight, national statistics, and the support and knowledge of our stakeholders to deliver targeted outreach campaigns.

You can read more about this, and the over 2,400 hours of volunteering in local communities by Southern Water staff in our Annual Report and Financial Statement.

Aligning performance and rewards

Ofwat has put in place mechanisms that provide both financial and reputational incentives for us to deliver more of what our customers want for less. We have 20 industry shared performance commitments, agreed as part of the price review process for AMP8 (2025–23), in addition to the three measures of customer experience that we report on annually (see Section 3 of this report).

Of these shared performance commitments, 19 include financial penalties and rewards associated with delivering for our customers. If we achieve our targets, delivering more of what customers want, we can earn rewards, which means shareholders receive higher returns. If we fall short of our performance targets, we can incur penalties, meaning shareholders receive a lower return. These incentive mechanisms provide a strong alignment between the interests of our shareholders and our customers with as noted, an overall penalty for the 2025–26 reporting year of £29.7 million. Reporting our performance in this way to stakeholders also provides a reputational incentive to meet our commitments.

We are also strongly incentivised to deliver fully, efficiently and on time. At PR24 Ofwat introduced price control deliverables (PCDs) these are customer protection mechanisms, where if we do not deliver the project or scheme we will return the funding to our customers. These also include potential timing rewards or penalties which drive us to deliver on or ahead of schedule. We have 27 PCDs and our performance on these are reported as part of our delivery plan. Our 2025–26 progress against this delivery plan will be published in August. Further, at each price review Ofwat assesses the efficient costs for delivering our business plan. If we are able to deliver for less, we share the benefits of that outperformance with our customers.

During the year our employees were incentivised to deliver for customers through a company-wide bonus scheme, 'yourBonus'. The bonus scheme is based on company performance against seven metrics, five of which related to delivering excellent service to our customers and improving our environmental performance. The remaining two measures are based on the efficient delivery of our services and the delivery of our health and safety transformation plan. The bonus earned by each employee was dependent on the delivery of these company-wide objectives as well as their individual performance rating. The scheme aims to align the incentives for all employees with the interests of our customers.

We are committed to fully complying with Ofwat's code of practice for executive remuneration. Our executive remuneration policy closely links executive remuneration with overall company performance for customers, stakeholders and communities. For 2025–26, XX% of the measures used to determine variable annual pay were directly linked to customer outcomes, based on performance against four of our ODIs – pollution, leakage, internal sewer flooding and C-MeX. The remaining four measures focus on health, safety and wellbeing, specific water quality improvements, efficient operating expenditure and personal objectives.

Long term incentive plan objectives also focus on delivery for our customers and the environment, being based on ODI performance, environmental performance (two measures), financial performance and outcomes related to the price review, PR24.

Full details of our executive remuneration policy and details of its application in respect of 2025–26 are set out in our annual report southernwater.co.uk/our-performance/reports/annual-reporting.

As well as ensuring the right incentives are in place, it is important that we strike the right balance between providing a fair return to shareholders and investing for customers. Our dividend policy for the period to 2030 incorporates a wide range of measures, including financial and customer performance measures. It also explicitly considers the financial resilience of the company and whether any financial outperformance should be re-invested to benefit our customers.

No dividends have been received by Southern Water's external shareholders since 2017, supporting the operational and investment focus the recently completed Turnaround Plan. The focus now is on the delivery of the AMP8 programme and no dividends are expected before 2030.

Other regulatory statements

The following regulatory accounting statements and required regulatory information are provided to comply with Condition F of our Licence, which requires that regulatory accounts are prepared in accordance with the Regulatory Accounting Guidelines issued by Ofwat.

There are differences between statutory accounting reporting frameworks, International Financial Reporting Standards and the Regulatory Accounting Guidelines. Where different treatments are specified under each, the Regulatory Accounting Guidelines take precedence.

A particular point of definition is worth noting. Southern Water Services Limited is appointed by the Secretary of State to be a water and wastewater undertaker – the activities covered by the appointment are the 'Appointed Business'. Southern Water Services Limited has other functions and activities which are not covered by the appointment as a water and wastewater undertaker. These activities are termed the 'Non-Appointed Business'.

Board and regulatory statements cont.

Annual risk and compliance statement

The annual risk and compliance statement describes the steps we have taken to understand and meet our customers' expectations and to ensure we meet our statutory and regulatory obligations, as well as the expectations of our key regulators, Ofwat, the Environment Agency and the Drinking Water Inspectorate. It also sets out how we manage and mitigate any compliance risks identified.

Customer expectations

Listening to our customers is part of what we do every day. This includes activities such as customer research, analysis of data (e.g. contact data, complaints of social media monitoring), sharing insight with other companies and tracking of customers priorities and their expectations. Our insight work allows us to have a deep understand of what our customers want and help to drive improvements in what we deliver.

In 2025–26 we engaged with over 75,000 customers for direct feedback and views on our service and future plans, representing over 10,000 hours of engagement. We have analysed millions of data points including social listening, complaints, demographic data and externally produced reports.

Our Customer Voice Panel (household customers) consumer group continues to be central to our engagement with customers in the last year. The panel is supported by a regular survey tracking the impact of some key challenges felt by customers today, including the rising cost of living and perceptions of water scarcity. Our Independent Customer Scrutiny Committee, made up of experts, helped review, challenge and improve our plans – and scrutinise the action we take from our insight. The groups follow best practice guidance, as set out by the Consumer Council for Water (CCW), to provide a continuous dialogue on both our current delivery and future planning. This insight is further strengthened by the introduction of the CCW Consumer Panels and Accountability sessions – which provide further platforms to challenge the company to push further with consumers at the heart of decision making. Increased public scrutiny of the sector and increasing investment plans for the future has placed greater emphasis on our need for continued engagement. Therefore our insight programme must go even further in tracking major events through looking at the media impact, importance of priorities, running continuous social listening and analysing consumer trends.

As we enter 2026–27, data is showing the greatest concern today is affordability of all household bills. Customers have felt that the costs have increased above income levels, and they are making choices about how best to spend their money – and more are struggling to make ends meet. With water bills, our customers want to be able to understand that investment in the infrastructure puts them first by protecting their local environment and ensuring reliable services for future generations. Those that are struggling most need access to the right level of support to help. Customers want to see what is happening in their own local community and our detailed insight helps personalise our engagement to provide the most relevant information that want to see.

Our focus for the next year is on how we demonstrate to customers the decisions we are making based on their preferences and feedback. We have evolved our Challenge Group to have a more transparent group of experts, where their recommendations and actions taken by Southern Water can be seen by our customers. Our continuous insight programme is trialling the use of new technology in AI to provide greater access within Southern Water. This means our decision makers will have more data and insight available when making the right choices for our customers.

Being open, honest and transparent is key to building and maintaining trust and legitimacy. As well as reporting openly, this means setting out commitments to our stakeholders and delivering on them.

For our 2025–30 business plan we have done a significant amount of customer research. More than 25,000 customers spent over 8,000 hours from over 190 different reports and millions of data points to tell us what they think to develop our plan. We profiled and engaged our region to speak with representative audiences from our communities. Our panels of current and future customers, businesses and vulnerable communities gave us informed views at every stage of plan development. Bespoke research engaged on the range of issues in developing our plan, we partnered and shared with other water companies and followed regulatory guidance on testing our plan. Wider sources of insight gathered through analytics of customer data, community events and stakeholder groups brought together a more holistic understanding.

Statutory and regulatory obligations

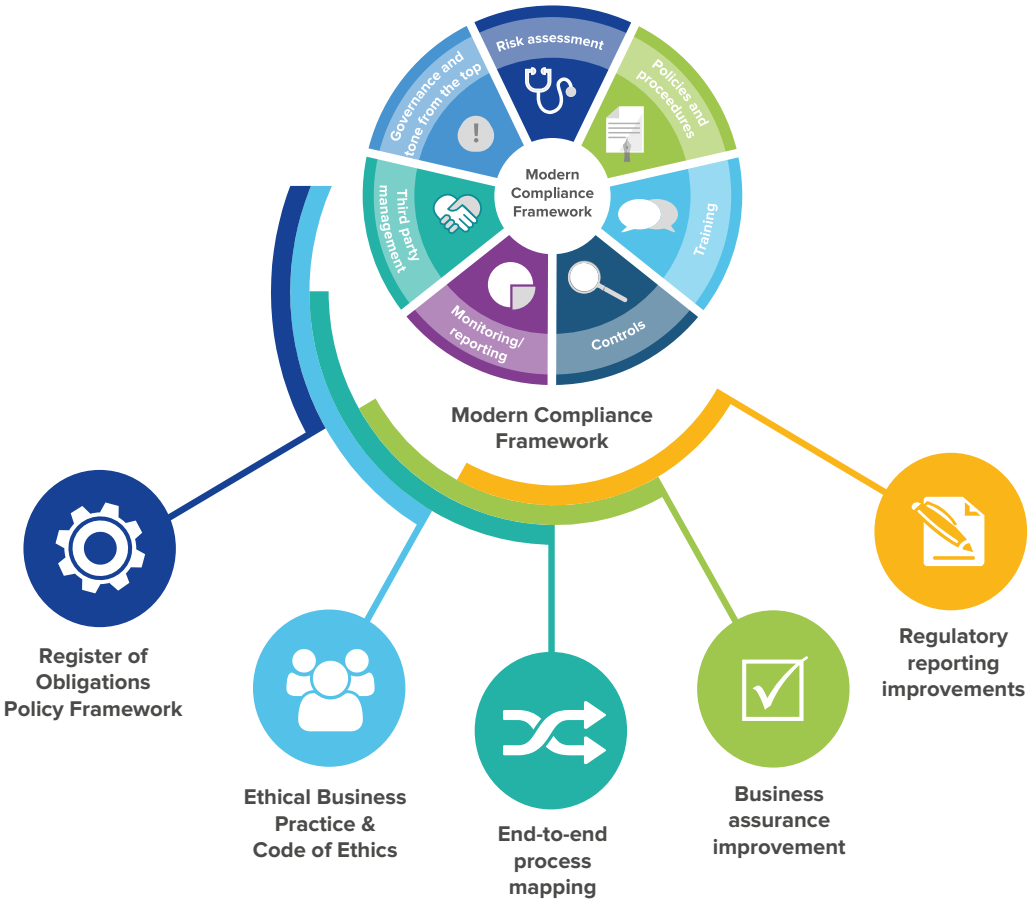
Our purpose is to deliver water for life to enhance health and wellbeing, protect and improve the environment and sustain the economy. In order to achieve this, we must deliver on our customers' expectations. As a regulated service provider, our primary obligations and duties are set out in the Water Industry Act 1991, the Drinking Water Regulations and our Instrument of Appointment (the Licence). These set the standards under which we must provide our services.

At Southern Water we align our compliance and assurance to the 'three lines of defence' framework for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control. We are committed to driving continuous improvement to support the embedment of a modern, transparent, and ethical compliance framework under our Modern Compliance Framework. We continue to significantly strengthen our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the information we publish.

We are committed to driving structural and cultural change to support the development of a transparent and ethical compliance framework. We operate our Modern Compliance Framework (MCF) which was introduced nine years ago and has become our 'Business as Usual' approach to managing compliance. The work is supported by strong governance in key areas of our operation (most notably in our monitoring and reporting programmes) backed up with strong training programmes to ensure good practice is embedded in all areas of the company.

Board and regulatory statements cont.

Figure 1. Modern Compliance Framework



Our dedicated audit and assurance, water quality and environment compliance teams have a clear role and responsibility to provide a separation of duties in monitoring key performance metrics of drinking water quality and wastewater performance. These teams also provide ‘second-line’ internal assurance of our front-line teams, and also manage key 'third-line' internal and external assurance of key aspects of our front-line performance.

We apply internal controls and have improved processes in place to mitigate the risk of supplying incorrect or inaccurate information on all our non-financial regulatory reporting. Ultimately, all assurance activity has oversight from the Audit Committee and Board.

The Audit Committee monitors the integrity of our non-financial information reported by the company in fulfilment of its regulatory, legal, and environmental obligations. This includes information required by Ofwat, the DWI and the EA. The assurance plans are approved by the Audit Committee, which is responsible for overseeing and challenging the effectiveness of our approach.

We continue to work with our regulators, Ofwat, the Drinking Water Inspectorate (DWI) and the Environment Agency (EA) to continually implement improvements to our performance. This is supported by mature controls around our performance reporting that ensure our customers and regulators can have confidence in the performance information we report.

Ofwat

As reported previously, Ofwat undertook an investigation into our wastewater reporting that led to a decision to impose a financial penalty of £3 million. In addition, we agreed to make significant customer bill rebates, totalling £122.9 million (in 2017–18 prices), between 2020 and 2025. On 8 October 2019 we signed formal Undertakings pursuant to Section 19 of the Water Industry Act 1991 relating to the numerous changes we have put in place to ensure that the issues identified in the investigation have been stopped and cannot be repeated.

Ofwat reviewed the available evidence and concluded that Southern Water has engaged positively with the 2019 Undertakings and has taken significant steps over the last six years towards securing compliance. In their review of the Undertakings Ofwat identified that Southern Water has developed a compliance framework and wastewater management processes to secure compliance with permits. Ofwat also acknowledged that Southern Water's performance on flow compliance at WWTW is now generally better than the sector average and it has fewer spills than the sector average. On 5 February 2026 Ofwat formally confirmed the official closure of the set of Undertakings.

However, Ofwat have indicated that there are some areas where we are not fully compliant. As a result we have proposed and Ofwat have accepted section 19 undertakings that will require Southern Water to take all the steps that at this time appear to be appropriate to bring itself into compliance with its obligations under Regulation 4 UWWTR, section 94 WIA91 and Licence Condition P12. Ofwat has set out similar requirements in the final decisions for our wastewater investigations against other companies, either through an enforcement order or through the terms of section 19 undertakings. The second round of Ofwat Section 19 Undertakings were signed on 5 February 2026.

Compliance with the second round of Section 19 Undertakings will be subject to a formal assurance regime reported to the Southern Water Board and Ofwat on a regular basis. The details of this assurance are being confirmed in a detailed management action plan that is due to submitted to Ofwat on 5 August 2026.

Board and regulatory statements cont.

The Environment Agency (EA)

The Environment Agency (EA) has yet to publish its 'Water and Sewerage Companies in England: environmental performance report 2025, which will confirm our Environmental Performance Assessment (EPA) rating, due to be published October 2026. Until it is published, we are unable to confirm our assessed performance on EPA ratings and have instead presented a forecast of our position based on current draft EA data. 2025 has been a difficult year, with a tightening of metric thresholds and operational difficulties, Southern Water's performance has not met the challenge for a number of EPA performance metrics this year. The overall forecast for 2025 is that we will be rated at 1-Star. As a company committed to protecting the environment and serving our customers, we continue to work hard to drive improvements through our strategic plans.

For 2025, Total Pollutions, Serious Pollution Incidents, Discharge Permit Compliance with Numeric Conditions and WINEP delivery are forecast as red EPA status. Pollution self-reporting and Satisfactory Sludge Use and Disposal metric are expected to be green, which maintains last year's performance.

In 2025 the number of both total pollution incidents (category 1–3) and serious pollution incidents (category 1 and 2) decreased slightly compared to the previous year but remain above our ambition for pollution performance. To reduce the number and severity of pollution incidents further we continue to develop and implement our Pollution Incident Reduction Plan (PIRP), a detailed plan which is updated annually and has been running since 2020.

In 2025, we made progress in improving pollution performance; however, the level of improvement achieved fell short of our ambition. While the trajectory is positive, it is clear that a step change in approach is required to deliver the reductions expected by regulators, stakeholders, and our customers.

Our analysis of serious pollution incidents provides a clear mandate for action. A small number of failure modes continue to drive the majority of impact, with burst rising mains accounting for approximately 70% of incidents and sewer blockages a further 15%. This concentration of risk has enabled us to sharpen our focus and target the areas where intervention will have the greatest effect.

Through our PIRP 2025, we began to build the foundations for a more proactive approach, including investment in pressure monitoring across our rising mains network. In 2026, we are transitioning from data collection to active control – using this intelligence to manage and reduce operational pressures in real time, directly lowering the likelihood of asset failure.

Alongside this operational shift, we are accelerating targeted capital investment. A £26 million programme, including an additional £5 million through PIRP 2026, will expand our rising main replacement programme by 21km, bringing total planned coverage to 41km. This represents a significant increase in our ability to address one of our highest-risk asset groups at scale.

PIRP 2026 has been developed from the ground up, rooted in detailed root cause analysis of 2025 incidents and informed by the practical experience of our operational teams. This ensures that the plan is both evidence-led and operationally grounded. It is designed to convert insight into action, with a clear objective to reduce serious pollution incidents to a range of 50–89.

The strategy centres on a more comprehensive approach to managing rising main risk. This includes not only asset replacement, but also proactive pressure management, enhanced preventative maintenance of critical components such as air valves, and the increased use of operational 'calming' measures to reduce stress on the network.

At the same time, we are strengthening our operational capability to intervene earlier and respond faster. New roles within our Operational Control Centres (OCCs) are providing focused oversight of our highest-risk sites, using predictive insight and real-time monitoring tools to act ahead of failure wherever possible. Where incidents do occur, we are placing greater emphasis on rapid containment to minimise environmental impact. We are embedding new processes, technologies, and ways of working within our frontline teams to accelerate response times and improve the effectiveness of containment on the ground

In 2024 we achieved an amber EPA Status for the self-reported pollution incidents metric, we have improved this to green EPA status for 2025.

In 2026 the Recording and Reporting of Water Company Pollution Incidents under the EPA methodology was expanded to include category 4 'No Impact' incidents and included changes for the recording of incidents historically attributed to third parties. These changes will significantly increase reported pollution incidents, suggesting a deterioration in Total Pollution performance both for Southern Water and across the industry, driven by a change in reporting methodology. We will continue to report a like for like performance in our Annual Performance report to demonstrate our underlying performance.

For the discharge numeric permit compliance metric, in 2025 there were 11 failed works recorded in the EPA, which equated to 96.7% compliance and red EPA status. Treatment compliance pressures were due to higher nutrient loads from an unusually dry Q1 and Q2 in 2025 coupled with over 50 new tighter phosphorus permits coming into force. We have developed a eight-point action plan based on the observed root causes of failure in 2025 to radically improve our visibility of risk, responsiveness to issues and focus on embedding changes to operational processes to improve our compliance performance in 2026.

In terms of Satisfactory Sludge Use and Disposal we are forecasting to achieve green EPA status.

As part of the EA's reform of EPA for the next five-year period 2026–30, the EA suspended the Supply Demand Balance Index (SDBI) water supply resilience measure for the current 2025 data reporting year. In March 2026 SDBI was replaced with the Water Environment & Security of Supply Delivery (WESSD), as a shadow metric for 2025. For the 2025 shadow year we are forecasting red EPA status, which does not affect the overall EPA performance rating.

Board and regulatory statements cont.

We are aligned with and supportive of the ambitions set out by the Government and regulators to reduce storm overflows and improve water quality across our region. We have prioritised reducing the use of storm overflows in line with these government and regulatory targets to reduce impact on shellfish waters, environmentally sensitive sites and bathing waters.
Our dedicated Clean Rivers and Seas Task Force has now completed the Pathfinder programme, which served its purpose to determine the most effective ways to sustainably reduce storm overflows, using nature-based and innovative solutions. This work was used to build our storm overflow reduction programme between 2025–50.

We have scaled our storm overflow reduction programme considerably, expanding the team, coverage and supply chain rolling out the most effective solutions proven from our pilots, including:

- **Optimisation:** working with the Environment Agency to reconfigure our permits and existing sites to optimise operation to reduce the use of storm overflows;
- **Surface water separation:** redirecting surface water that is connected into the foul/ combined sewer, which causes the system to become overwhelmed leading to storm overflows;
- **Sewer sealing:** in areas of acute ground water pressure we are sealing private and public sewers to prevent inundation though joints in pipework and inspection chambers;
- **Sustainable Drainage Systems (SuDS):** targeting roof areas and car parks with sustainable 'slow the flow' measures to significantly reduce surface water run-off (e.g. raingardens, planters);
- **Highway schemes:** large amounts of surface water come from public highways, so we are working with local authorities to install SuDS where possible, to reduce their impact. Early results have been positive and we exceeded our 2024 storm overflow reduction target sustainably preventing or treating 623 storm overflow releases.

An example of this early success can be seen in the dual-approach optimisation and upgrade of our Terminus Road site in Cowes on the Isle of Wight, which reduced storm overflows on site by 95%. Another site not too far away in Ryde also underwent a complex engineering optimisation, resulting in a 63% drop in releases. We disconnected a surface water connection to the combined sewer in Tankerton Circus, Kent, which reduced storm overflow releases by 39%. We have since installed a smart sewer gate which will use rainfall data to optimise storage in the sewer system ahead of a rainfall event. This will further reduce releases from the storm overflow.

Other highlights include:

- Sealing nearly 16,000m of pipework;
- Installing three AI smart sewer gates;
- Adding 500+ rain planters to schools and community buildings;
- Installing 5,000+ slow-drain water butts on homes and businesses;
- Managing over 117 million litres of surface water by installing free SuDS in Schools;
- Providing five community groups with funding for sustainability projects;
- Over 140,000m^2 of roofs, roads, pavements and car parks has been disconnected from combined sewers and connected into newer surface water sewers;
- We now have Memorandums of Understanding (MoU) with nine different councils to work in partnership, exploring sustainable drainage in communities to manage rainwater run-off;
- We have worked with the Wildheart Animal Sanctuary on the Isle of Wight to install the UK's first SuDS Safari. Holding back up to 475,000 litres of rainwater a year from the sewers, reducing storm overflows and flooding. This project is a finalist for Sustainability Project of the Year in the Water Industry Awards 2026.

Out of a total of almost 1,000 storm overflows in our region, 50% of these are already hitting the Government's 2050 target, for example releasing 10 times or less a year. We set out how we'll tackle the remaining storm overflows in our region that need attention, in our Clean Rivers and Seas Plan, with £1.5 billion of investment between 2025 and 2035. We are focusing on delivering long-term solutions that get to the root cause of these storm overflows, deploying a range of solutions into our communities to prevent or slow the flow of rainwater and/or groundwater entering the network. This will include natural solutions alongside improvements to assets. Collaboration is key, and we must work with local authorities, communities and partners across our region to establish the right solution, in the right place and at the right time. By 2035, 75% of our high priority overflows will meet the Government's 2050 target, therefore reducing storm overflow releases by an average of 8,000 a year. This represents an 81% reduction in releases in bathing water areas and an 80% reduction in releases in shellfish areas by 2035. In the meantime, we have overhauled our storm overflow monitoring service so customers can stay informed of any coastal and inland storm overflow releases across our region and their impact to bathing waters.

Rivers and Seas Watch was informed by an independent review of our previous service, Beachbuoy, and was built alongside customers, councils, campaign groups and bathing water users to ensure user needs were met, and to create the most useful and comprehensive service possible. Rivers and Seas Watch feature a host of usability improvements as well as enhanced tidal modelling and area impact mapping to give accurate, near real-time information about storm overflow releases to our community so users can make informed decisions about what watercourses to use. Rivers and Seas Watch display all our storm overflows, whereas the previous version Beachbuoy, only showed the coastal overflows. In addition to addressing storm overflows,

Board and regulatory statements cont.

we are working with partners, local authorities, Environment Agency and customers to investigate and address the other sources of poor water quality including road and farm run-off, sea bird and animal waste, illegal connections and improper disposal of waste. By working together to address all aspects of water quality, we can make a much bigger difference in a shorter space of time. Read more in our Bathing Water Report.

Like other wastewater operators, in the normal course of operations, we occasionally face investigations by the Environment Agency (EA) following operational incidents. We continue to deliver change programmes to address historic failures. On 18 November 2021 the EA and Ofwat announced that they had launched investigations into the operation of wastewater treatment works across the industry. We have been and will continue to be open and transparent and are committed to working with the EA and Ofwat constructively throughout the course of their investigations. Ofwat has now concluded its part of the investigation into Southern Water and we have agreed a new set of undertakings in relation to this (as mentioned above).

The company has continued to assist the Environment Agency (EA) in its investigation into legacy issues relating to wastewater sampling compliance for the period 2013 to 2017. The investigation stage has now concluded, and charges against the company are in train. Court proceedings are not anticipated to conclude for several years. At this time, it is not possible to reliably predict how the company will plead to charges, nor how the court would eventually deal with the environmental sentencing criteria including culpability, harm, mitigating and aggravating factors, and the company's financial position, especially as the subject matter is unique and does not relate to categorised pollution events, so there is a lack of similar precedents. Further, as the company is a Very Large Organisation (as defined in the Sentencing Council's Guidelines), there is a requirement for the court to examine the financial circumstances of the organisation in the round. The matter would likely take several years to get to a final hearing. In the circumstances, the Board, supported by external legal advice, has concluded that it is not yet possible to make a reliable estimate for the obligations that will arise from this matter.

In November 2021 the Environment Agency and Ofwat launched an investigation into sewage treatment works belonging to all combined water and wastewater companies in England and Wales. Ofwat has now concluded its investigation into Southern Water and we have agreed a new set of undertakings in relation to this. No financial penalty was imposed.

All combined water and wastewater companies remain subject to the ongoing EA investigation.

As the EA investigation is ongoing, and as the EA has not stated what its intentions are so far as the next steps in the investigation as it relates to the company are concerned, the Board has concluded that it is not yet possible to make a reliable estimate of any financial obligation that may arise from this investigation, nor its timing (which could be several months or years), but will keep the situation under review.

The Drinking Water Inspectorate

We continue to progress the transformation of our drinking water quality performance.

Our Compliance Risk Index (CRI) for 2025 improved compared to 2024. Over half our CRI score was due to a coliform detection at a large surface water work, a through investigation was undertaken and no root cause could be found.

Our Event Risk Index (ERI) metric was slightly worse than last year but was significantly better than the average for the industry. 95% of our score was due to four events at Water Service Reservoirs (WSR) where, for operational reasons, there were delays to taking remedial action. We have now completed our DWI Notice to improve our inspection, testing and maintenance of WSR and will be inspecting all of our WSR during this AMP period.

We continue to work closely with the DWI on our transformation programme, holding regular liaison meetings to review progress on improvement schemes as well as ad hoc communications. We completed the work required in three of our FEOs for Timsbury WSW, Twyford WSW and Yew Hill and West Hill WSR; the DWI have closed Timsbury and the other two are in a 12 month benefit of use period. We have also completed our AMP7 catchment schemes and catchment work is now embedded as a business as usual activity.

Reporting our performance

We provide a significant amount of data to the Environment Agency and Ofwat about the performance of our assets, and any wastewater or sewage discharges we make into the 'water environment' such as rivers, streams and coastal waters. We are committed to transparent reporting of high-quality data that can be trusted by our customers, stakeholders and regulators.

Following historic failings in the quality of our reporting to our regulators, we have implemented a robust programme of reporting and assurance to ensure our regulators and other stakeholders can trust the data that we report. This programme has been led by our Risk Audit and Assurance, Water Quality and Environment teams to ensure compliance reporting to our regulators is subject to sustained internal review and assurance. The programme has been in place since AMP7 and continues to ensure our reporting is of the standard expected by our regulators, stakeholders and customers.

We regularly review performance information against a wide range of measures. Reporting to the Board and the Executive Committee (ExCom) focuses on delivery of our regulatory and statutory obligations. For the business plan period 2025–30, this information is provided to the Board by way of a detailed performance dashboard, including a selection of our business plan performance commitments and additional regulatory targets.

The Audit Committee has monitored the completion of a risk-based programme of assurance activities during the year, covering the practices, procedures and systems used to secure compliance with our statutory obligations. This included a review of our compliance with our Instrument of Appointment which was presented to the Audit Committee in March 2026.

Board and regulatory statements cont.

In response to guidance from Ofwat in November 2020 we published, as part of our Annual Performance Report, a board assurance statement, stating that the data and information provided is accurate and complete and setting out any exceptions to this. This continues to be embedded in our approach, and our latest statement is included on page 41.

Senior managers and Executive Committee members are accountable for the provision and sign-off of non-financial information from their business areas. This includes ensuring adequate procedures and processes are in place for data collection and reporting. Data providers are accountable for submitting accurate data to set timescales. Subject matter experts within the relevant business areas are accountable for ensuring that this data, and the processes and procedures used in collating it, comply with Ofwat's reporting requirements. This process is managed through our Ofwat Reporting Framework (ORF) which replaces our AMP7 framework. This is a system of controls that has been rolled out for data capture, collation and reporting within the business to make sure information used to measure compliance is complete, accurate and reliable.

All members of the Executive team are required, every six months, to provide a declaration that they and their teams are fully compliant with our procedures and controls for areas of the business for which they are accountable. An action plan is required to address any areas of non-compliance.

The Statement of Compliance is now in its 17th edition and is a key input into our on-going reporting and control improvement plans.

As required by Ofwat, an audit was also performed on sections 1 and 2 of the Annual Performance Report, (excluding elements of table 1F as set out in the audit opinion on page 77) by our auditor, Deloitte LLP together with agreed upon procedures in relation to sections 4 to 9.

In approving the Annual Report and Financial Statements, each director has confirmed that he or she has taken all the steps that he or she ought to have taken as a director in order to be aware of any relevant audit information and to establish that our auditor is aware of the information. So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware.

Assurance Strategy for AMP8

We published our Assurance Strategy and Draft Assurance Plan for AMP8 for consultation in November 2025. We set out our initial assessment of where assurance will be most important in the five-year cycle and welcomed views on this and in particular: what regulatory information is most important to our customers; the level of risk associated with that information; and whether our proposed assurance plans are appropriate to mitigate those risks. In March 2026 we published our Final Assurance Plan for performance reporting for the entire five-year Asset Management Period (AMP8) 2025–30. We will review this document annually to ensure it remains accurate; if changes are required, we will publish an updated version.

We align our assurance to the 'three lines of defence' framework for our reporting governance and assurance activity. This helps to assure performance information by applying multiple levels of control. We continue to significantly strengthen our performance monitoring capability which underpins the completeness and accuracy of our performance data and provides more confidence in the information we publish. Ultimately, all assurance and audit activity has oversight from the Board and Audit Committee. The assurance and audit plans are approved by the Audit Committee, which is responsible for overseeing and challenging the effectiveness of our approach. Our assurance strategy, and the resource and capability of the relevant teams have been reviewed and re-set to ensure that our assurance strategies are fit for purpose in AMP8. Our refreshed approach and revised structure enable us to better support our ambitious AMP8 plans, providing the business, our Board, and our regulators, confidence in the quality of the work being delivered in AMP8.

Ofwat specifies which elements are subject to third-party assurance. We apply this guidance in our approach to providing third-party assurance. For assurance outside of this we apply a risk-based approach; in general, any high/critical risk reporting is also subject to third-party assurance, and low/medium risk reporting subject to internal assurance.

Ofwat have set out specific requirements regarding conflicts of interest in their PR24 Final Determination guidance. Prior to a new engagement for third-party assurance commencing, we investigate any actual, potential or perceived conflicts of interest with the assurance provider, including the individuals to undertake the work as well as the company. Third-party assurers are required to sign a 'No Conflict-of-Interest Declaration', prior to the commencement of assurance activity. If a third-party assurer is unable to sign a 'No Conflict-of-Interest Declaration', we will seek an alternative assurer from our framework agreement.

Board and regulatory statements cont.

Ofwat expect all independent third-party assurance providers to be suitably qualified and independent in the relevant field. Assurance providers will have a named lead assurer with appropriate experience and qualifications to be able to approve all assurance reports. The lead assurer will be a senior individual (equivalent to Senior Director or Partner level) with appropriate experience and qualifications. They will be:

- Responsible for overall assurance sign-off
- Instructed to provide an objective, unbiased opinion on matters within their expertise and to consider all material facts, including those which might detract from Southern Water's opinion
- Required to provide a specific statement that they understand that they are appointed, at Southern Water's cost, to accurately assess and assure our performance, possess sufficient experience to do so, and have a duty to help Ofwat in that regard; and
- Required to provide their 'curriculum vitae' in an appendix to their overall assurance reports.

Our technical assurance framework agreement in place for our five-year Business Plan Period (AMP8) allows us to appoint the most suitable provider to different technical projects. Jacobs U.K. Limited (Jacobs), as our independent non-financial data assurer, completed the limited assurance under ISAE (UK) 3000 of selected Performance Commitments and Outcome Delivery Incentives (ODIs). Jacobs provided Southern Water with an unqualified ISAE (UK) 3000 report for 2025–26 over the selected Performance Commitments reported in Section 3 of the Annual Performance. Jacobs have worked with us as technical assurance partner for the duration of AMP7 and supported our Annual Performance Reporting in 2022–23, 2023–24 and 2024–25. This is the second year that Jacobs has issued an unqualified ISAE (UK) 3000 report over certain Performance Commitments and ODIs.

Data assurance

We take full responsibility for the information we publish on our performance. We seek to provide confidence to customers and stakeholders through a transparent approach to data assurance. This assurance provides confidence in our reported performance and the delivery of performance commitments made in our 2025–30 business plan.

While assurance is rarely able to provide absolute certainty over the quality of reported information, we aim for the assurance that we perform and commission to provide our internal and external stakeholders with sufficient comfort over the robustness and quality of the information that we report.

The assurance activity we undertake around the information that we provide is one of the critical elements we have put in place to build and secure the trust and confidence of our regulators, stakeholders and customers.

The primary assurance areas for the annual reports are:

Significant areas for assurance	Assurance results
The Annual Report including the Statutory and Regulatory Accounts, cost allocation and segmental reporting	The Annual Report and Financial Statements were audited by Deloitte LLP. Their opinion is included on page 234 of that report. The Annual Performance Report (APR), sections 1 and 2, excluding table 1F, were audited by Deloitte LLP. Their assurance statement is included on page 77. Deloitte LLP also performed assurance activities agreed with us on the financial information presented in table 1F and sections 4 to 9 of the APR and the financial information published in the cost assessment tables alongside this report. No issues were identified.
Ofwat Performance Commitments and Outcome Delivery Incentives (ODIs)	Our independent assurer Jacobs U.K. Limited have issued an unqualified limited assurance ISAE (UK) 3000 report over the reported performance against selected Performance Commitments for the Business Plan period 2025–30 in Section 3 of the APR.

Board and regulatory statements cont.

Managing risks

The Board confirms that the company has appropriate systems and processes in place to identify, manage and mitigate its material risks.

Risk management is a core component of our wider governance and internal control framework, which provides the overarching structure through which the company conducts its business.

Risk is inherent in our business and we face a diverse range of risks and uncertainties that cannot be completely eliminated. The purpose of our approach to risk management is to support better decisions through an improved understanding of risk. Those risks that have the potential to have a material impact on our company and our ability to deliver on our strategic objectives are our Principal Risks. Our risk governance model ensures that we can manage, monitor and report on our Principal Risks to maintain a resilient business.

Southern Water's approach to risk management is designed to provide a clear and consistent framework for managing and reporting risks associated with our operations, to executive management and to the Southern Water Board.

The framework seeks to promote better decision making, avoid incidents and encourage the best outcome for the company and our customers by allowing us to:

1. understand the risk environment, identify the specific risks we face and assess the potential exposure for Southern Water.
2. determine how best to manage identified risks to balance overall potential exposure.
3. take action to manage the risks we are exposed to, ensuring our resources are effectively and efficiently prioritised and used.
4. report to the Audit Committee and to the Board on a periodic basis on how significant risks are being managed, monitored, assured and the improvements that are being made.
5. use our analysis to help the Board to define the company's appetite for the range of risks and monitor and report risks against the desired risk appetite.

Across the company our risk management approach is embedded within the business units and their business processes. We have established a risk management approach that provides a consistent basis for measuring risk to:

- establish a common understanding of risks on a like-for-like basis, considering potential impact and likelihood;
- report risks and their management to the appropriate levels of the company; and
- inform prioritisation of specific risk management activities and resource allocation.

All areas of the company review significant risks and business processes to help inform and enable risk-based decision making. As part of Southern Water's annual planning process, the Executive Team and Board review the business' principal risks, emerging risks and high impact low likelihood events.

Southern Water's approach to risk management adopts the 'three lines of defence' model in which risk ownership responsibilities are functionally independent from oversight and assurance.

- Primary responsibility for risk management lies with the business. The risk owner is the first line of defence. An important part of the role of all staff throughout Southern Water is to ensure they manage risks appropriately.
- The Risk Management function forms the second line of defence and provides independent and objective review and challenge, oversight, monitoring and reporting in relation to Southern Water's material risks.
- Independent external assurance and the Internal Audit function act as the third line and provide independent assurance on the business control environment and the effectiveness of the wider system of internal control.

Our approach to risk management is also a key element of our ability to meet our obligations as part of Provision 29 of the UK Corporate Governance Code. Our work on material controls is led by our enterprise risk team, ensuring alignment between two key streams of work.

For further information on our risk management framework and approach, including oversight, governance, roles and responsibilities, see our Annual Report pages 107 to 122.

Board risk and compliance statement

In making the risk and compliance statement, the Board confirms that the company:

- considers that it has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- has satisfied itself that it has sufficient processes and internal systems of control to fully meet its obligations; and
- has appropriate systems and processes in place to allow it to identify, manage, mitigate, and review its risks.

Signed on behalf of the Board

Stuart Ledger
Chief Financial Officer

15 July 2026

Board and regulatory statements cont.

Condition P14 – Assets, rights and resources

Under paragraph 14 of Condition P of the Licence, the company is at all times required to ensure, so far as is reasonably practicable, that if a special administration order were made, the company would have available to it sufficient rights and resources (other than financial resources) to enable the special administrator to manage the affairs, business and property of the company. In the opinion of the directors, the company was in compliance with that requirement as at 31 March 2026.

Ring-fencing Certificate and statement

To meet the Licence Condition P Certificate requirements, the Board needs to be able to clearly evidence the level of diligent enquiry that it has undertaken. To support this process the Southern Water Board signs off Condition P Assurance Statements demonstrating it has discharged its responsibilities and takes accountability for its diligent enquiry into the principal risks facing the business.

These statements were signed off by the Board as part of approval process for the Annual Performance Report to Ofwat. Key inputs into this statement are subject to external assurance from our external auditor.

To provide the Ring-fencing Certificate required by Licence Condition P30 the Southern Water Board needs to be able to clearly evidence the level of diligent enquiry that the Board has undertaken. This is outlined in detail in the Board Assurance statement (see below).

In the Board Assurance Statement, the directors declare that, in their opinion:

i) The company will have available to it sufficient financial resources and facilities to enable it to carry out its regulated activities (including the investment programme necessary to fulfil its obligations under its appointments)

ii) The company will have available to it:

a) financial resources and facilities
b) management resources; and
c) methods of planning and internal control
which are sufficient to enable it to carry out those functions for a period of at least twelve months.

A specific paper on the Condition P statement is presented for sign off by the Southern Water Board and includes the finalised Board Assurance Statements as detailed below. This sign-off process happens in parallel with the Board sign-off of an assurance statement on the accuracy and completeness of the data and information (financial and non-financial) submitted to Ofwat as part of our Annual Report and Annual Performance Report submission.

Condition P – Ring-fencing Certificate – Board assurance statement

This is to certify that at their meeting on 1 July 2026, the Board of Directors ('Board') of Southern Water Services Limited ('the Appointee') carefully considered the requirements of the Condition P Certificates and undertook reasonable diligent enquiry and challenge to confirm the statements made below. The Board considers that these arrangements are in place for at least the next 12 months, subject to material uncertainties, issues and circumstances disclosed below. The final statement was approved, along with the APR on 10 July 2026.

The Board notes that the latest Ofwat guidance set out in IN20/01 for completion of Ring-fencing Certificates requires the Board to state its opinion on whether the Appointee has 'sufficient' resources to deliver its regulated activities. Condition P of the Licence of Appointment requires that the company has 'adequate' resources in place. In this certificate the Board adopts the language of sufficiency, which it considers also meets the requirement of adequacy.

The Board has agreed an execution plan for the next four years which has the requisite funding and support required. The plan specifically requires sufficient further allowances to be released through Ofwat's Large Scheme Gated process.

We have instigated a challenge to the recent CMA settlement, to arrive at a more balanced and fair outcome, to support the needs of the company in delivering this plan.

As a company coming out turnaround operating with one of the largest capital investment programmes in the sector relative to its asset base, Southern Water has a greater level of uncertainty in delivery and would prevail on the relevant regulatory support as needed to address such uncertainties. We also recognise the need for greater progress on asset health and need for future funding. To support this we are engaging in Ofwat's asset health re-opener process.

The current plan will take us toward an industrial normal for the sector across our key KPIs. But we recognise this is not the end goal for SWS or the industry. Meeting the public's expectations and/or accelerating works to achieve better outcomes will require further funding (within this AMP or in future AMPs), which we will address as operational capabilities allow.

Financial resources and facilities:

Between September 2021 and March 2025, funds managed by Macquarie Asset Management (MAM) invested equity of c. £1.65 billion into the Southern Water group, supporting Southern Water in investing more than £3 billion in its asset base during the 2020–25 regulatory period and in delivering its turnaround plan.

On 22 June 2026, Southern Water issued a press release confirming the latest equity commitments from funds managed by MAM supported more recently by funds provided by Asterion Investment Partners (AIP). These, together with equity provided from funds managed by MAM since April 2025, will bring the total equity invested since 2021 to over £2.8 billion.

Board and regulatory statements cont.

These recent investments and equity injections help support the significant investment programme for the 2025–30 regulatory period.

As a consequence of the scale of Southern Water's investment programme, the company is required to maintain significant levels of liquidity and forward funding to support delivery and to satisfy the expectations of lenders, debt investors, credit rating agencies and other stakeholders. The company has proactively secured a substantial proportion of this funding requirement over the last 18 months through a combination of equity injections and financing activities, providing confidence in the company's ability to deliver its AMP8 programme and meet its obligations under Condition P.

The Board notes that this pre-funding requirement carries a material economic cost, including the cost of holding equity and debt capital in advance of expenditure being incurred. Given the scale of Southern Water's investment programme relative to the sector, these costs are materially higher than for companies with lower levels of capital expenditure and are not fully reflected within current regulatory allowances.

SWS will significantly expand its enhancement investment programme by spending £4.6 billion during the 2025 and 2030 regulatory period, including expenditure funded through applicable uncertainty mechanisms. This represents a substantial increase on AMP7 levels and supports the extensive programme of work required to improve services to customers and the environment, whilst enabling the company to satisfy its Condition P obligations.

No dividends have been received by Southern Water's external shareholders since 2017, supporting the operational and investment focus of the recently completed Turnaround Plan. The focus now is on the delivery of the AMP8 programme.

The Board has reviewed the company's going concern for at least 12 months from signing the accounts. This included the company's liquidity position, headroom against the financial covenants, credit ratings and financial risk assessment against a number of downside scenarios.

The Directors believe, after due and careful consideration, that the company has adequate resources, for a period of at least 12 months from the date of approval of the financial statements, to continue operations and discharge its obligations as they fall due. The full detail of the going concern is detailed in the company's annual report (pages 196 to 198).

The Board reviewed the assurance outputs regarding the financial performance and prospects, reported in the 2025–26 Annual Performance Report, from Deloitte relating to the statutory and regulatory accounts. Deloitte presented their views on the progress of the financial audit to the Audit Committee on 22 June 2026 and provided an updated report for the Board approval meeting on 1 July 2026.

The Board reviewed and endorsed the turnaround plan that were presented to them in the updated Southern Water Execution Plan (EP26) for the period up to the end of this business plan period and concluded that they are aligned to meeting the needs of the company's customers, the environment and stakeholders.

EP26 supports the delivery of the company's statutory and regulatory obligations and allows it to demonstrate compliance with Condition P of the Licence of Appointment for at least the next 12 months.

The Board receives updates on the financial status of the company including cash flow forecasts and monitoring. The Board also receives updates on the company's credit ratings and meetings with the credit rating agencies.

The Board is regularly updated and aware of potential litigation including in relation to investigations by the Environment Agency and has approved related financial disclosures within the financial accounts.

Management resources:

The Board continues to strongly support the executive management. EP26 continues our turnaround to lead our delivery of the AMP8 programme of work taking place over this current business plan period.

The company has continued to evolve its management structure in the financial year, bringing in key resource at executive level to support the further development of the company. This includes making a number of key appointments to the executive team including a new Chief Transformation Officer in April 2026, and a new General Counsel in June 2026. In addition, there have been some internal moves within the executive structure with the appointment of a new Chief Operating Officer and a new Managing Director – Capital Delivery, both of whom were appointed in June 2026.

The Chief Financial Officer and General Counsel and their teams have acted as the second- and third-line teams and provide the check and challenge on the rest of the company. This delivers a compliance and risk-based programme (structured around the company's obligations) to ensure that the company is meeting its regulatory and statutory obligations.

The Board was subject to an external review of its own capability through a Board evaluation review. This took place in February and March 2026, the results of which were communicated to the Board in early June 2026.

The Board also looks to ensure that its membership has the appropriate balance of skills and a diversity of perspectives to enable it to discharge it duties. The Nomination Committee will continue to review this area within the context of recent appointments.

The Board therefore confirms that the company has sufficient management resources.

Systems of planning and internal control:

The company has adopted the 'three lines of defence' framework for reporting governance and assurance activity. In relation to non-financial reporting, this has been in place since 2017. The company has (for its non-financial reporting) a mature internal system of control and monitoring helps to assure performance information by applying multiple levels of control. The framework is

Board and regulatory statements cont.

delivered and reviewed as part of the Annual Assurance Cycle and the Internal Audit Annual plan (both of which are signed off by the Board Audit Committee).

The Audit Committee has monitored the completion of a risk-based programme of audit and assurance activities during the year and Deloitte reports to the Audit Committee of the Board on the control environment as part of the financial statement audit.

The Board is aware of the new obligations around internal systems of control, inherent in the UK Corporate Governance Code from 2027 onwards. The company is preparing for these requirements and is actively reporting this activity to the Audit Committee.

The Board and Audit Committee regularly receive and review information and reports on non-financial performance that support the efficient delivery of services to customers, the environment and other stakeholders. These include progress of non-financial reporting and thematic assurance. The Board reviewed the assurance outputs regarding the non-financial performance, reported in the 2025–26 Annual Performance Report from Jacobs U.K. Limited.

The Board reviews the monthly KPI reports, including performance against budgets. This also includes updates on performance in regard to Performance Commitments, Outcome Delivery Incentives, AMP8 Price Control Deliverables (PCDs) and AMP8 transformation plans.

The Board, through its Audit Committee, received an internal assurance report in March 2026 (produced by the Risk Audit and Assurance Team), which reviewed and confirmed Southern Water's compliance with its Licence of Appointment.

The Board, via the Audit Committee also receive regular updates on the operating compliance of the wider company led by the second line regulatory compliance teams (Environment and Water Quality).

The Board has visibility of the high-level financial governance and controls that are in place relating to the company's financial reporting, including external audit and internal audit reports looking at financial controls and updates on the implementation of new accounting standards. There is a Schedule of Matters Reserved to the Board.

The Board has overall responsibility for risk management and is supported in this role by the Audit Committee (which monitors Enterprise Risk) and the Health and Safety and Operational Risk Committee. Both committees are a key element of the Risk Management process. Both committees review key areas of risk for the company in regular reports and 'deep-dive' reviews.

The Board is involved in the approval of key milestones on the company's work on its major projects including submissions to RAPID. Given the technical, commercial and regulatory complexity of these projects, the Major Projects and WRMP Committee was formed in 2025 to provide further oversight of these projects and the delivery of the Water Resources Management Plan (WRMP).

The Board has approved updates in the Annual Report, Interim Accounts and Annual Performance Report that detail improvements in governance and controls.

The Board therefore confirms that the company has appropriate governance policies and procedures in place to maintain an effective control environment.

Resources other than financial or management resources:

In agreeing EP26 the Board has considered the non-financial resources required to deliver the plans implicit in the annual budget. This includes ensuring the company has the right people resources in place to support the delivery of the company's plans.

One of the Board members has a role as lead for Employee Engagement, regularly meeting with the wider Southern Water employee base.

The Board has continued to support the embedment of the Southern Water values.

The company values developed in 2019 continue to be embedded and the Board continues to support and sign up to the Code of Ethics. The Board were presented and approved the Code of Ethics in November 2025. The company's Speak Up procedures continue to be monitored and reviewed.

The Audit Committee receives detailed reports on Speak Up cases and discusses progress on resolution.

The company continues to remain focused on Health and Safety. This has been actively supported and challenged by the work of the Health and Safety and Operational Risk Committee. The Chief Executive Officer is the key sponsor.

The Board therefore confirms that the company has sufficient programmes on culture and employee engagement to support non-financial resources and facilities.

Contracting:

The Board has reviewed some of the company's key AMP8 contracts, including the company's AMP8 fleet tender, the AMP8 security framework and the specialty chemical contract.

The company does have active Associated Companies, but these are used for financing purposes and do not have any operational contracts or transactions with the Operating Company.

The Board therefore confirms that the company has adequate contractual relationships in place and is active in its review of key contracts. The Board also confirms that whilst it does have Associated Companies in place it can confirm that these do not have any operational contracts or transactions with the Operating Company.

Material issues or circumstances:

Following its approval, the Board receives regular updates on the progress of the EP26, and the ongoing AMP8 programme, through monthly updates on key aspects of performance. This includes work on pollutions, internal flooding, leakage, water quality and C-MeX, all of which

Board and regulatory statements cont.

are part of our continuing turnaround plans and continue to be a focus for the company as we progress through AMP8.

In February 2026, Ofwat confirmed closure of the previous set of S19 Undertakings in relation to the operation of the Wastewater business and the Board, through the Audit Committee, is reviewing the programme of work to discharge our obligations on the new set of S19 Undertakings that the Company signed in February 2026. The new Undertakings relate to activity across the Wastewater business and are due to run into the next five-year business plan period (2030–35). An updated set of action plans will be submitted to Ofwat in August 2026; these support the discharge of our duties in relation to environmental compliance (including environmental permits, the UWWTR and section 94 WIA91 obligations).

The Board acknowledges that as the company enters into AMP8, the size and scale of the programme of work inherent in the company's Business Plan for the period 2025–30 will require a step change in how the company expands its programme of delivery. This brings with it a number of risks related to capital delivery, supply chain, wider resources and people resources; all at a time when all other water companies and infrastructure providers in other sectors are also expanding their programmes.

The Board is also aware that some of the key schemes in the AMP8 delivery programme are heavily dependent on the work and support of third parties over which Southern Water's management has limited influence. This includes, for example, power issues at our Otterbourne site in Hampshire, and challenges to planning applications on our work at Sandown on the Isle of Wight.

As noted at the beginning of this Certificate, the company has secured the requisite funding for its recently approved turnaround plan. To seek to mitigate delivery risks in the plan and to ensure that the Company's business can be managed on a sustainable footing, in addition to the challenge to the CMA's settlement, the company will engage with Ofwat for further support to our AMP8 programme through:

The Delivery Mechanism;

The Asset Health re-opener process; and

The Large Scheme Gated process.

and the Board assumes an adequate outcome from this process.

The Board has also considered its wider Water Resources obligations, including those under the Section 20, Water Industry Act 1991 and under the company's Water Resources Management Plan, which is subject to ongoing regulatory scrutiny. The Board has been provided with regular updates on these matters and is engaged in supporting the company to meet its obligations in this area.

The Board also recognises that there remains significant uncertainty across the sector arising from ongoing regulatory and legislative reforms, including the implementation of future regulatory frameworks and the outcomes of wider policy developments. There is also uncertainty regarding how credit rating agencies, debt investors and wider financial markets will respond to these developments and to the increased capital requirements facing the sector. Accordingly, whilst the Board has concluded that the company has sufficient resources to satisfy Condition P for the period covered by this Certificate, future financing requirements and financing costs remain subject to factors that are outside the company's direct control.

Conclusion:

The Board confirms as at the date hereof the company has sufficient financial resources, non-financial resources and facilities noting always the material issues and circumstances highlighted above.

Stuart Ledger
Chief Financial Officer

Keith Lough
Chair

15 July 2026

Board and regulatory statements cont.

Board statement on accuracy and completeness of data and information

The Board confirms that the data and information provided to Ofwat during the reporting year, or published by the company in its role as a water and sewerage undertaker, was accurate and complete and is reflected in our Board Assurance Statement (below).

The assurance statement includes a description of the activities which the Board has carried out to allow it to make the statement. The Board believe that our stakeholders deserve to have trust and confidence in the integrity of the information we provide in our annual reports. To achieve this, our performance reporting is subject to a system of checks to ensure that we meet the highest quality of reported information.

The Board is aware of historic issues with the non-financial control environment of the company and has, in the last three years worked with the Executive Management team to ensure rebuilt capability has been maintained. This work has ensured that the company has a strong control environment and that this is enduring capability as part of our Business-as-Usual way of working.

The Board has actively engaged and challenge the assurance processes that has been adopted by the company. This covers assurance on both the financial and non-financial reporting. The Board has, over recent years, taken action to ensure that exceptions and weaknesses identified in the non-financial assurance have been addressed. This has included challenge and support of the updated AMP8 assurance strategy. The Board is satisfied that the assurance approaches have appropriately identified and addressed the risks to the provision of accurate and complete data and information. This has been discharged through the Southern Water Services Board and its relevant committees (most notably the Audit Committee).

The Board Assurance Statement does not identify any specific exceptions.

Board statement

We, the Board of Southern Water (SWS), have carefully considered the requirements of the Board statement on the accuracy and completeness of the data and information (financial and non-financial). The Board is pleased to provide the following Board Statements.

We believe that our stakeholders deserve to have trust and confidence in the integrity of the information we provide in our annual reports. To achieve this, our performance reporting is subject to a system of checks to ensure that we meet the highest quality of reported information.

The company has adopted the ‘three lines of defence’ framework for reporting governance and assurance activity. In relation to non-financial reporting, this has been in place since 2017. The company has a mature internal system of control and helps to assure performance information by applying multiple levels of control. The framework is delivered and reviewed as part of the Final Assurance Plan and the Internal Audit Annual plan (both of which are signed off by the Audit Committee). This work is fully embedded on-going and is on track and is now supporting our operational turnaround plans.

In this context, the Board has actively engaged and challenged the assurance processes that have been adopted by the company. This covers assurance on both the financial and non-financial reporting and assessment of applicable confidence grades. The Board has, over recent years, taken action to ensure that exceptions and weaknesses in the assurance approaches have been addressed. The Board is satisfied that the approaches have appropriately identified and addressed any risks to the provision of accurate and complete data and information. This has been discharged through the SWS Board and its relevant Committees (most notably the Audit Committee). All of this work has also been carried out within the context of new Provision 29 obligations that the company (and its Board) are required to meet as part of the updated Corporate Governance Code.

Board and regulatory statements cont.

Detail of this activity is included below:

Financial Reporting

- The Board reviewed the assurance outputs regarding the financial performance and prospects, reported in the 2025–26 Annual Performance Report, from Deloitte relating to the statutory and regulatory accounts. Deloitte presented their views to the Audit Committee on 22 June 2026 and to the final sign-off meeting on 10 July 2026.
- The Board has visibility of the high-level financial governance and controls that are in place around our financial reporting, and this is captured as part of the annual external audit, internal audit reports looking at financial controls and updates on the implementation of new accounting standards as reflected in the Schedule of Matters Reserved to the Board.
- The Board reviews the monthly KPI reports, including performance against budgets.
- The Board, via its committees, monitors the Southern Water internal control framework and if necessary, how weaknesses are being addressed. This applies to both Financial and Non-Financial controls.
- The Board has approved updates in the Annual Report, Mid-Year Accounts, Annual Performance Report and AMP8 Assurance strategy that detail improvements in governance and controls and has included specific caveats where capability has been improving.

Non-Financial Reporting

- The Board continues to support the company to ensure it maintains the standards required by our regulators and ourselves – for example, data reporting and assurance – work continues to materially improve processes and systems, underpinned by values-based ethical business practice, to ensure the mistakes of the past are not repeated.
- The company has adopted the ‘three lines of defence’ framework for reporting governance and assurance activity. This has been in place since 2017 and has supported the continued maturity of the internal system of control and helps to assure performance information by applying multiple levels of control. The framework is delivered and reviewed as part of the AMP8 Assurance Plan and the Internal Audit Annual plan (both of which are signed off by the Audit Committee).
- Internal controls are applied and robust processes are in place to mitigate the risk of supplying incorrect or inaccurate information in all the company’s non-financial regulatory reporting.
- The Board and Audit Committee regularly receive and reviews information and reports on non-financial resources and performance that support the efficient delivery of services to our customers and other stakeholders.
- The Audit Committee reviews progress of non-financial reporting improvement plans.
- The Board reviewed the assurance outputs regarding the non-financial performance, reported in the 2025–26 Annual Performance Report from Jacobs U.K. Limited.
- The Board, via its Audit Committee has received an internal assurance report in March 2026, which reported Southern Water’s compliance with its Licence of Appointment.
- The Board, via its committees, monitors the Southern Water internal control framework and if necessary, how weaknesses are being addressed. This applies to both Financial and Non-Financial controls.
- The Audit Committee has monitored the completion of a risk-based programme of risk audit and assurance activities during the year.
- Then Audit Committee monitor the progress of the work to prepare for our obligations in relation to Provision 29 of the Corporate Governance Code.

Stuart Ledger
Chief Financial Officer

Keith Lough
Chair

15 July 2026

Board and regulatory statements cont.

Directors' responsibilities for the preparation of the supplementary regulatory accounting statements and disclosure of information to auditors

In addition to their responsibilities to prepare accounts in accordance with the Companies Act 2006 and to disclose all relevant information to the auditor, described in the Corporate Governance section of the statutory accounts, the directors are also responsible under Condition F of the Licence for:

a) ensuring that proper accounting records are maintained by the company to enable compliance with the requirements of Condition F

b) preparing a set of regulatory accounting statements, in respect of the twelve- month period ending on 31 March in each year, which are in accordance with the Regulatory Accounting Guidelines published by Ofwat

c) complying with all other requirements that are set out in the Regulatory Accounting Guidelines published by Ofwat.

The directors approved the regulatory accounting statements (on pages 45 to 123) on 15 July 2026.

RAG 3.16 requirements

The detailed requirements for regulatory reporting are set out by Ofwat in RAG 3.16. We have provided a table in appendix 3 of this document to assist users of this report in finding each of the required disclosures.

Directors' remuneration

The company is required under RAG 3.16 to provide statements and disclosures in relation to executive director remuneration and, under section 35A of the Water Industry Act 1991 to provide a statement that the remuneration paid to executive directors is linked to standards of performance. These statements are provided within the Directors' Remuneration Report section of the Annual Report and Financial Statements.

Long-term viability statement

In accordance with provision 31 of the UK Corporate Governance Code, the Board has assessed the prospects of the business over a longer period than the 12 months required by the 'Going Concern' provision.

The Board has elected to conduct this review to 31 March 2033 and full details of the assessment and the viability statement are set out within the Strategic Report section on page 123 of the Annual Report and Financial Statements.

This included the company's liquidity position, headroom against the financial covenants, credit ratings and financial risk assessment against a number of downside scenarios.

Statement of disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that:

1. so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware
2. he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 Section 418 of the Companies Act 2006.

Board statement

Save for those matters mentioned above where the company has identified shortcomings or potential shortcomings and where the company has set out the steps it is taking or will take to manage, mitigate and/or improve those), the Board confirms, that having taken all the steps that they ought to have taken as directors to make themselves aware of any relevant information, the company has:

1. a full understanding of, and is meeting, its obligations and has taken steps to understand and meet customer expectations
2. sufficient processes and internal systems of control to fully meet its obligations
3. appropriate systems and processes in place to allow it to identify, manage and review its risks.

Stuart Ledger
Chief Financial Officer

Keith Lough
Chair

15 July 2026

Board and regulatory statements cont.

Cost allocations

This section sets out the methodology adopted by Southern Water Services for the production of the operating cost, revenue and fixed asset disclosure within the Annual Performance Report (APR), as required under RAG 3.16.

Cost allocation principles

Costs have been allocated following the six principles found in RAG 2.10 (listed below):

Transparency – the attribution methods applied need to be transparent. This requires that the costs and revenues apportioned to each service and business unit should be clearly identifiable. The cost and revenue drivers used should also be clearly explained to establish if they are fit for purpose.

Causality – cost causality requires that costs (and revenues) are allocated to those activities and services that cause the cost (or revenue) to be incurred. This requires that the attribution of costs and revenues to activities and services should be performed at as granular a level as possible.

Non-discrimination – the attribution of costs and revenues should not favour any business unit within the regulated company and it should be possible to demonstrate that internal transfer charges are consistent with the prices charged to external third parties.

No cross subsidy between price controls – there should be no transfer of costs between the price control units, in the setting of prices and preparing the accounts. This will ensure all revenue and related costs are aligned to the appropriate price control unit. As such, any transfer prices between price control units will be at market value, unless it relates to internal services, in which case cost will be used.

Objectivity – the cost and revenue attribution criteria need to be objective and should not intend to benefit any business unit or service.

Consistency – the cost and revenue attribution criteria should be consistent from year to year to enable meaningful comparison of information over time. Changes to the attribution methodology from year to year should be clearly justified and documented.

Application of cost allocation principles

To ensure transparency, this section sets out the drivers and allocation methods used within our reporting process. Each of these is separately identifiable within the process used to produce the Annual Performance Report.

Wherever possible, costs relating to a specific business unit have been coded or directly attributed. Where the costs relate to activities that straddle business units, such as in the case of operational teams who cover a particular geographic area or the costs of support functions, a relevant cost driver has been established and an allocation method applied.

The allocation methods we have used are consistent with the those used in the prior year. More granular descriptions of these can therefore be found in our methodology statement from 2024–25, published on our website at methodology-statement.pdf.

Costs associated with retail have been allocated in accordance with the guidance set out in RAG 2.10, Table 1. For those costs that are not dealt with as fully retail or allocated through direct attribution to wholesale or retail the allocations approach is set out in the table below.

Cost heading in table 2C	Cost type	Allocation method
Other operating expenditure	IT&T (business support)	Based on the IT support contracts for specific systems, for shared systems and other costs based on headcount
	HR, training, Finance, Regulation, payroll and other support functions	Based on FTE
	Executive and non-executive director remuneration	Based on FTE
	Property management	Floor space
	Insurance	Analysis of contracts, then FTE
	Other support functions	Based on FTE

Within the wholesale function, power costs are generally allocated directly to site and therefore business unit. Where sites span more than one business unit costs are generally allocated based on submetering data in wastewater and based on pumping head allocations in water. Overall, in wastewater 86.2% of power costs are directly attributed, 13.5% is allocated based on sub-metering and 0.3% based on asset power ratings. In water, 90.5% of power costs are directly allocated with 9.5% based on pumping head information.

General and support costs are allocated as set out below.

General and support costs	Water Resources	Water Network +	Wastewater Network +	Bioresources	Retail
Allocation by price control	5%	40%	43%	5%	7%

Details of the proportions of costs allocated within other operating expenditure by price control are shown below.

Other operating expenditure	Water Resources	Water Network +	Wastewater Network +	Bioresources	Retail
Directly attributed	65%	43%	50%	68%	90%
Wholesale support allocations	21%	32%	34%	23%	0%
General support allocations	14%	25%	16%	9%	10%

Details of the overall proportions of costs directly attributed and allocated within each business unit are shown in the table below.

Other operating expenditure	Water Resources	Water Network +	Wastewater Network +	Bioresources	Retail
Directly attributed	62%	52%	65%	67%	94%
Wholesale support allocations	22%	21%	31%	12%	0%
General support allocations	16%	27%	4%	21%	6%

Regulatory financial reporting

1A – Income statement for the 12 months ended 31 March 2026

	Note	Statutory £m	Adjustments: Differences between statutory and RAG definitions £m	Adjustments: Non-appointed £m	Adjustments: Total adjustments £m	Total appointed activities £m
Revenue		1,443.226	(29.523)	10.525	(40.048)	**1,403.178**
Operating costs		(1,140.574)	9.576	(7.890)	17.466	**(1,123.108)**
Other operating income		1.662	–	–	–	**1.662**
Operating (loss)/profit		**304.314**	**(19.947)**	**2.635**	**(22.582)**	**281.732**
Other income		1.583	22.029	–	22.029	**23.612**
Interest income	3	36.573	–	–	–	**36.573**
Interest expense	3	(340.720)	(84.338)	–	(84.338)	**(425.058)**
Other interest expense	3	(2.800)	–	–	–	**(2.800)**
Profit before tax and fair value movements		**(1.050)**	**(82.256)**	**2.635**	**(84.891)**	**(85.941)**
Fair value gains/(losses) on financial instruments		(138.393)	–	–	–	**(138.393)**
Profit before tax		**(139.443)**	**(82.256)**	**2.635**	**(84.891)**	**(224.334)**
UK Corporation tax	4	–	–	–	–	**–**
Deferred tax		11.092	20.564	–	20.564	**31.656**
(Loss)/profit for the year		**(128.351)**	**(61.692)**	**2.635**	**(64.327)**	**(192.678)**
Dividends		–	–	–	–	**–**
Tax analysis						
Current year		–	–	–	–	**–**
Adjustments in respect of prior years		–	–	–	–	**–**
UK Corporation Tax		**–**	**–**	**–**	**–**	**–**

Analysis of non-appointed revenue	
Imported sludge	–
Tankered waste	6.517
Other non-appointed revenue	4.008
Revenue	**10.525**

Note: The signage convention for presentation of this table follows Ofwat guidance. Total adjustments comprise the difference between statutory and regulatory accounting definitions less the non-appointed activity.

Regulatory financial reporting cont.

1B – Statement of comprehensive income for the 12 months ended 31 March 2026

		Adjustments			
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
(Loss)/profit for the year	(128.351)	(61.692)	2.635	(64.327)	**(192.678)**
Actuarial losses on post-employment plans	59.100	–	–	–	**59.100**
Other comprehensive income	(14.775)	–	–	–	**(14.775)**
Total comprehensive (loss)/income for the year	**(84.026)**	**(61.692)**	**2.635**	**(64.327)**	**(148.353)**

Income statement – differences between statutory and RAG definitions

	Revenue £m	Operating costs £m	Other income £m	Interest expense £m
i) CHP income	(4.2)	4.2	–	–
ii) Grants and contributions	(25.3)	–	25.3	–
iii) Borrowing costs	–	21.0	–	(84.3)
iv) Innovation costs	–	4.6	(3.3)	–
v) Havant Thicket payments	–	(20.2)	–	–
Total	(29.5)	9.6	22.0	(84.3)

i) Income generated from Combined Heat and Power (CHP) processes, which convert methane into electricity, is recorded as revenue within the statutory accounts. For regulatory reporting this income is reported as a negative operating cost. As a result, £4.2 million of revenue has been re-classified as a negative operating cost.

ii) As required by RAG 1.10 section 4.10, grants and contributions received and recognised in the income statement are reported under other income in the Annual Performance Report financial tables. As a result, £25.3 million has been transferred from revenue to other income in the income statement. See tables 2E and 2R for further information.

iii) For statutory reporting, borrowing costs associated with capital expenditure are capitalised. Regulatory reporting does not permit interest to be capitalised. As a result, operating costs are reduced by £21.0 million, reflecting the removal of depreciation on interest capitalised and the interest charge has been increased by £84.3 million reversing the element of interest capitalised in the year.

iv) As required by Ofwat we have removed the costs paid and accrued in relation to the innovation fund from our operating costs. The value paid into the fund and for administration of the fund of £3.3 million has been reclassified within other income to reflect this transaction through reserves and the movement on the accrual of £1.3 million has been reversed in accordance with IN-2201 Expectations for monopoly company annual performance reporting 2021–22 as published by Ofwat.

v) We are funding the construction of a new reservoir by Portsmouth Water at Havant Thicket in Hampshire, from which we will receive water to supply our customers. Payments to Portsmouth Water are being held on the Statement of Financial Position as long-term prepayments in the statutory accounts. For regulatory purposes, to match these payments with our enhancement totex allowance, we have reclassified the payments of £20.2 million made during the year as operating expenditure.

Regulatory financial reporting cont.

1C – Statement of financial position for the 12 months ended 31 March 2026

		Adjustments			
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Non-current assets					
Fixed assets	8,986.828	(432.519)	0.401	(432.920)	**8,553.908**
Intangible assets	74.291	(1.887)	–	(1.887)	**72.404**
Investments – other	44.971	(20.192)	–	(20.192)	**24.779**
Financial instruments	133.660	–	–	–	**133.660**
Retirement benefit assets	7.400	–	–	–	**7.400**
Total non-current assets	9,247.150	(454.598)	0.401	(454.999)	**8,792.151**
Current assets					
Inventories	25.536	–	–	–	**25.536**
Trade and other receivables	675.921	(125.000)	11.765	(136.765)	**539.156**
Cash and cash equivalents	1,158.793	125.000	–	125.000	**1,283.793**
Total current assets	1,860.250	–	11.765	(11.765)	**1,848.485**
Current liabilities					
Trade and other payables	(404.448)	10.557	–	10.557	**(393.891)**
Capex creditor	(274.823)	–	–	–	**(274.823)**
Borrowings	(322.705)	–	–	–	**(322.705)**
Current tax liabilities	(15.512)	–	–	–	**(15.512)**
Provisions	(5.349)	–	–	–	**(5.349)**
Total current liabilities	(1,022.837)	10.557	–	10.557	**(1,012.280)**
Net current assets	**837.413**	**10.557**	**11.765**	**(1.208)**	**836.205**
Non-current liabilities					
Trade and other payables	(10.865)	–	–	–	**(10.865)**
Borrowings	(6,653.143)	–	–	–	**(6,653.143)**
Financial instruments	(1,299.029)	–	–	–	**(1,299.029)**
Retirement benefit obligations	–	–	–	–	**–**
Provisions	(2.039)	–	–	–	**(2.039)**
Deferred income	(50.934)	(3.996)	–	(3.996)	**(54.930)**
Preference share capital	(64.665)	–	–	–	**(64.665)**
Deferred tax	(394.144)	112.010	–	112.010	**(282.134)**
Total non-current liabilities	**(8,474.819)**	**108.014**	**–**	**108.014**	**(8,366.805)**
Net assets	**1,609.744**	**(336.027)**	**12.166**	**(348.193)**	**1,261.551**
Equity					
Called up share capital	37.912	–	–	–	**37.912**
Retained earnings and other reserves	1,571.832	(336.027)	12.166	(348.193)	**1,223.639**
Total equity	**1,609.744**	**(336.027)**	**12.166**	**(348.193)**	**1,261.551**

Regulatory financial reporting cont.

Statement of cash flows – differences between statutory and RAG definitions

	Fixed assets £m	Intangible assets £m	Investment – other £m	Trade and other receivables £m	Cash £m	Current trade and other payables £m	Deferred income £m
i) Borrowing costs	(432.5)	(1.9)	–	–	–	–	–
ii) Grants and contributions	–	–	–	–	–	4.0	(4.0)
iii) Innovation costs	–	–	–	–	–	6.6	–
iv) Short-term deposits	–	–	–	(125.0)	125.0	–	–
v) Havant Thicket payments	–	–	(20.2)	–	–	–	–
Total	(432.5)	(1.9)	(20.2)	(125.0)	125.0	10.6	(4.0)

i) As borrowing costs cannot be capitalised under regulatory reporting, fixed and intangible assets have been reduced by £432.5 million and £1.9 million respectively, reflecting the removal of cumulative borrowing costs capitalised. There is a corresponding reduction to retained earnings.

ii) Grants and contributions relating to requisitions of £4.0 million classified within current trade and other payables in the statutory accounts have been transferred to deferred income for regulatory reporting.

iii) Removal of the innovation cost accrual made at March 2026 of £6.6 million as referenced in note (iv) to the income statement above.

iv) At 31 March 2025 there was £125.0 million held on short-term deposit and reported in the statutory accounts as a current investment. Short-term deposits are reclassified to cash and cash equivalents for the regulatory accounts.

v) We are funding the construction of a new reservoir by Portsmouth Water at Havant Thicket in Hampshire, from which we will receive water to supply our customers. Payments to Portsmouth Water are being held on the Statement of Financial Position as long-term prepayments in the statutory accounts. For regulatory purposes, to match these payments with our enhancement totex allowance, we have reclassified the payments of £20.2 million made during the year as operating expenditure.

Regulatory financial reporting cont.

1D – Statement of cash flows for the 12 months ended 31 March 2026

		Adjustments			
	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Operating activities					
Operating profit	304.314	(19.947)	2.635	(22.582)	**281.732**
Other income	1.583	22.029	–	22.029	**23.612**
Depreciation	396.269	(20.975)	0.005	(20.980)	**375.289**
Amortisation – developer services and diversions income	13.608	(14.932)	–	(14.932)	**(1.324)**
Changes in working capital	(123.362)	18.892	(2.640)	21.532	**(101.830)**
Pension contributions	–	–	–	–	**–**
Movement in provisions	(0.732)	–	–	–	**(0.732)**
Profit on sale of fixed assets	(1.662)	–	–	–	**(1.662)**
Cash generated from operations	590.018	(14.933)	–	(14.933)	**575.085**
Net interest paid	(727.687)	–	–	–	**(727.687)**
Tax paid	–	–	–	–	**–**
Net cash generated from operating activities	**(137.669)**	**(14.933)**	**–**	**(14.933)**	**(152.602)**
Investing activities					
Capital expenditure	(1,105.547)	–	–	–	**(1,105.547)**
Developer services and diversion income	–	14.932	–	14.932	**14.932**
Disposal of fixed assets	1.318	–	–	–	**1.318**
Other	(174.960)	125.000	–	125.000	**(49.960)**
Net cash used in investing activities	**(1,279.189)**	**139.932**	**–**	**139.932**	**(1,139.257)**
Net cash generated before financing activities	(1,416.858)	124.999	–	124.999	**(1,291.859)**
Cashflows from financing activities					
Equity dividends paid	–	–	–	–	**–**
Net loans received	1,193.913	–	–	–	**1,193.913**
Cash inflow from equity financing	824.743	–	–	–	**824.743**
Net cash generated from financing activities	2,018.656	–	–	–	**2,018.656**
Increase in net cash	**601.798**	**124.999**	**–**	**124.999**	**726.797**

Regulatory financial reporting cont.

Statement of cash flows – differences between statutory and RAG definitions

	Operating profit £m	Other income £m	Depreciation £m	Amortisation – developer services and diversions £m	Changes in working capital £m	Grants and contributions £m	Investing activities – other £m
i) Grants and contributions – income statement	(25.3)	25.3	–	–	–	–	–
ii) Depreciation	21.0	–	(21.0)	–	–	–	–
iii) Grants and contributions – cash	–	–	–	(14.9)	–	14.9	–
iv) Innovation fund	4.6	(3.3)	–	–	(1.3)	–	–
v) Short-term deposits	–	–	–	–	–	–	125.0
vi) Havant Thicket payments	(20.2)	–	–	–	20.2	–	–
Total	(19.9)	22.0	(21.0)	(14.9)	18.9	14.9	125.0

i) The re-classification of grants and contributions received in the income statement of £25.3 million from operating profit to other income.

ii) There is a £21.0 million adjustment made to both operating profit and depreciation relating to the removal of capitalised borrowing costs.

iii) In the statutory accounts for 2025–26, cash contributions received and held on the Balance Sheet have been presented as operating cashflows. These have been included within the statutory amortisation of grants and contributions row of table 1D. For regulatory purposes £14.9 million, reflecting the cash received for specific capital assets, has been reclassified to grants and contributions within investing activities.

iv) Innovation fund – reclassification of payments made from operating costs to other income of £3.3 million and removal of the movement on the accrual made in the statutory accounts of £1.3 million.

v) Short-term deposits – reclassification of the movement of short-term deposits from current investments to cash and cash equivalents in the prior year.

vi) We are funding the construction of a new reservoir by Portsmouth Water at Havant Thicket in Hampshire, from which we will receive water to supply our customers. Payments to Portsmouth Water are being held on the Statement of Financial Position as long-term prepayments in the statutory accounts. For regulatory purposes, to match these payments with our enhancement totex allowance, we have reclassified the payments of £20.2 million made during the year as operating expenditure.

Regulatory financial reporting cont.

1E – Net debt analysis at 31 March 2026

	Interest rate risk profile				
	Fixed rate £m	Floating rate £m	Index linked RPI £m	Index linked CPI/CPIH £m	Total £m
Interest rate risk profile					
Borrowings (excluding preference shares)	3,729.593	12.976	2,595.692	752.793	**7,091.054**
Preference share capital	64.665				**64.665**
Total borrowings	**3,794.258**	**12.976**	**2,595.692**	**752.793**	**7,155.719**
Cash					**(1,158.793)**
Short term deposits					**(125.000)**
Net debt					**5,871.926**
Gearing					
Gearing					**69.974%**
Adjusted gearing					**69.204%**
Interest	£m	£m	£m	£m	**£m**
Full year equivalent nominal interest cost	173.597	0.870	201.800	28.231	**404.498**
Full year equivalent cash interest payment	173.597	0.870	96.081	3.413	**273.961**
Indicative interest rates					
Indicative weighted average nominal interest rate	4.575%	6.705%	7.774%	3.750%	**5.653%**
Indicative weighted average cash interest rate	4.575%	6.705%	3.702%	0.453%	**3.829%**
Time to maturity	Nr	Nr	Nr	Nr	**Nr**
Weighted average years to maturity	9.202	–	7.029	17.000	**9.033**

Adjusted gearing excludes preference shares and includes debt at nominal values along with any unpaid accretion and the accrued accretion on our financial instruments.

The borrowings and full year equivalent interest cost reflect the impact of our financial derivatives, excluding fair value movements.

The calculation of the weighted average years to maturity is based on the designation of the underlying debt instruments and excludes the impact of swaps that we have in place.

Regulatory financial reporting cont.

Reconciliation of borrowings between table 1C and tables 1E and 4B

A reconciliation between the borrowings reported in tables 1C and 1E is shown below, along with a reconciliation to the principal sum outstanding reported in table 4B, which is published separately alongside this report.

	£m
1C – Current liabilities borrowings	332.705
1C – Non-current liabilities borrowings	6,653.143
Total borrowings (table 1C)	**6,975.848**
Debt issue costs	2.660
Bond premium deferred	(4.264)
Bond discount deferred	6.383
Deferred gilt lock proceeds	(3.883)
Difference between amortised cost and nominal value	71.428
Accrued swap accretion	42.882
Borrowings (table 1E)	**7,091.054**
Preference shares	64.665
Principal sum outstanding (table 4B)	**7,155.719**

The debt issue costs, bond premium, deferred gilt lock proceeds and deferred proceeds are amortised to the income statement and details are presented in note 20 to our statutory accounts.

The accrued swap accretion is an increase in the liability of the swap financial instruments, which is presented within the financial instruments balance for statutory accounting purposes but included in borrowings as per table 1E guidance. This figure is also shown in table 4I.

Regulatory financial reporting cont.

1F – Financial flows for the 12 months ended 31 March 2026 (2022–23 financial year average CPIH) and average for 2025–30

	12 months ended 31 March 2026/Average 2025–30					
	%			£m		
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity						
Regulatory equity				3169.936	3169.936	1853.643
Return on regulatory equity						
Return on regulatory equity	6.04%	3.53%	6.04%	191.464	111.960	111.960
Financing						
Impact of movement from notional gearing		2.51%	2.39%		79.504	44.359
Variance in corporation tax		0.00%	0.00%		–	–
Group relief		0.00%	0.00%		–	–
Cost of debt		0.38%	-0.11%		11.901	(2.092)
Hedging instruments		-1.67%	-2.86%		(53.089)	(53.089)
Return on regulatory equity including financing adjustments	**6.04%**	**4.74%**	**5.46%**	**191.464**	**150.276**	**101.138**
Operational performance						
Totex out / (under) performance		-5.63%	-9.63%		(178.523)	(178.523)
ODI out / (under) performance		-0.25%	-0.43%		(7.980)	(7.980)
C-Mex out / (under) performance		0.00%	0.00%		–	–
D-Mex out / (under) performance		0.00%	0.00%		–	–
BR-Mex out / (under) performance		0.00%	0.00%		–	–
Retail out / (under) performance		-1.73%	-2.96%		(54.843)	(54.843)
PCD – time incentives		-0.12%	-0.21%		(3.861)	(3.861)
Return adjustment mechanisms		0.00%	0.00%		–	–
Other exceptional items		-0.21%	-0.36%		(6.661)	(6.661)
Operational performance total		**-7.95%**	**-13.59%**		**(251.868)**	**(251.868)**
RoRE (return on regulatory equity) – real	**6.04%**	**-3.20%**	**-8.13%**	**191.464**	**(101.592)**	**(150.730)**
RCV Indexation	**3.45%**	**3.45%**	**3.45%**	**109.363**	**109.363**	**63.951**
Voluntary sharing arrangements		0.00%	0.00%		–	–
Total shareholder return	**9.49%**	**0.25%**	**-4.68%**	**300.827**	**7.771**	**(87.779)**
Dividends						
Gross dividend	4.04%	0.00%	0.00%	128.065	–	–
Interest receivable on Intercompany loans		0.00%	0.00%		–	–
Retained value	**5.45%**	**0.25%**	**-4.68%**	**172.762**	**7.771**	**(86.779)**

The figures presented above may not cast due to rounding issues.

Regulatory financial reporting cont.

Commentary regarding table 1F – Financial Flows

Table 1F Financial Flows aims to improve transparency and explain the elements that have the most significance on the financial flows to investors. As the analysis is designed to estimate the impact on equity return due to actual performance and capital structure, it includes some high-level approaches to estimate the impact of regulatory mechanisms. This results in regulatory rewards and penalties, earned in the current price review period 2025–30 but not realised by shareholders until the next price review period 2030–35, being included in the table. A simplified approach is also adopted for the cost of debt and replicated in hedging instruments in order to ensure consistency of approach.

The above table provides information in a three-column format:

- 'notional returns and notional regulatory equity' (column 1) – equivalent to our allowance in the Final Determination for 2025–30
- 'actual returns and notional regulatory equity' (column 2) – provides a representation of the variance in financial performance between the return allowed in the PR24 Final Determination and actual results.
- 'actual returns and actual regulatory equity' (column 3) – an extension of column 2, designed to show the impact on shareholder returns where their investment in the company is smaller or larger than the regulatory assumption (with debt being correspondingly larger or smaller, respectively).

Base return

The base return on regulatory equity of 6.04%, plus inflation of 3.45% on the regulated equity, results in a total shareholder return of 9.49%. This is based on Ofwat's price review approach to determining returns, reflecting an efficient company with the regulatory notional gearing of 55.00%. The equivalent actual total shareholder return, reflecting our average gearing in 2025–26 of 73.69% and actual performance, was -4.68%.

Our actual return of -4.68% differed from the notional return of 9.49% due to financing under-performance of 0.58% and operational under-performance of 13.59%.

Financing performance

Our average actual gearing of 73.69% is higher than the regulatory assumption of 55.00% and has the effect of amplifying percentage returns to shareholders. This is partly because the same value of return is applied to a smaller shareholder equity base, representing a greater proportion. This increases the volatility of returns, in both out-performance and under-performance scenarios, with the risk being borne entirely by shareholders.

The price setting process also allows us a return on equity between the notional gearing of 55.00% and our actual average gearing of 73.69%, rather than the lower cost of debt. The impact of this relative cost of debt versus equity is estimated in the 'Impact of movement from notional gearing' returns adjustment of 2.39%.

Our 'Comparison between tax charge and allowance in price limits' (see page 61) provides a detailed narrative on our corporation tax charge. In summary, our PR24 determination includes no funding from customers for corporation tax and we incurred no current tax charge in 2025–26. The net impact on shareholder returns of corporation tax and group relief is 0.0%.

Our cost of debt (excluding the impact of swap instruments), measured by reference to an implied real rate of interest, was higher than the amount allowed in our PR24 determination (updated for the cost of debt reconciliation mechanism) reducing returns by 0.11%.

We have a portfolio of inflation linked swaps that match the cost we pay under our debt instruments to the cash flow we receive from customer bills. We have calculated the impact of these hedging instruments in a manner consistent with the prescribed calculation for cost of debt, by deflating to an implied real rate of net interest. This creates a negative impact for the year of 2.86%.

Operational performance

For AMP8 the approach for sharing wholesale totex out-performance and under-performance with customers has become more complex. The company retains a proportion of the difference and shares the remainder with customers. Different sharing rates are applied for different categories of expenditure, comprising standard base expenditure (50%), standard enhancement expenditure (40%), and alternative sharing rates for other cost areas where risk is weighted differently. Some types of wholesale totex are not subject to any customer sharing, with any out-performance or under-performance remaining entirely with the company. Table 4C shows these sharing rates in detail and reports our performance for the year. In 2025–26, we experienced a retained overspend of £178.5 million, equivalent to a decrease of 9.63% in returns. To account for any timing differences in our totex delivery, such as slippage or acceleration in our capital programme, we adjust for this in Table 4C.

The company share of retail cost under-performance represents the amount by which we are overspending against the PR24 price determination. There is no sharing with customers of the retail expenditure variance, with the result that the £54.8 million over-spend for 2025–26 reduces returns by 2.96%.

The impact of our performance on Outcome Delivery Incentives (ODIs) is £8.0 million for 2025–26, decreasing returns by 0.43%. Penalties or rewards are included even if they are not payable or receivable until the next AMP. Table 3A provides further details.

The Measures of Experience (MeX) incentives use independently assured industry-wide survey and performance data and are reported on a one-year lagged basis. We therefore report a £0.0 million penalty for the Customer Measure of Experience (C-MeX) ODI in our Retail business, a £0.0 million penalty for the Developer Measure of Experience (D-MeX) ODI in Developer Services, and a £0.0 million penalty for the Business Customer and Retailer Measure of Experience (BR-MeX). These are equivalent to a 0.00%, 0.00% and 0.00% reduction to returns, respectively. The results for 2024–25 C-MeX and D-MeX are included within the other exceptional items line. As BR-MeX is a new measure for AMP8 there are no results for 2024–25.

Regulatory financial reporting cont.

Price Control Deliverables are a new incentive mechanism for AMP8. For some elements of our enhancement programme there are rewards or penalties for delivering ahead or behind schedule. We estimate a £3.9 million penalty for 2025–26, equivalent to -0.21%, £3.2 million of which is driven by delays in delivering our PR19 WINEP carryover programme.

The Returns Adjustment Mechanisms, comprising the Output Adjustment Mechanism (OAM) and Aggregate Sharing Mechanism (ASM), is new for AMP8 and shows nil entries for 2025–26. The OAM operates on a one-year lagged basis and so will not show entries until 2026–27. The ASM is an end-of-AMP mechanism.

The exceptional item entry of £6.7 million, equivalent to a 0.36% decrease in returns comprises the 2024–25 results for the Measures of Experience (MeX): a £4.5 million penalty for Customer Measure of Experience (C-MeX), and a £2.5 million penalty for Developer Measure of Experience (D-MeX), offset by the company share of land sales. The items are not reported as exceptional items elsewhere in the financial statements.

Other

The inflationary RCV return of 3.45% is long-term in nature and cannot be immediately realised.

No ordinary dividends were paid in 2025–26.

AMP8 annual average returns

2025–26 is the first year of the new AMP8 regulatory price control period and, therefore, the average performance in the AMP is equal to the performance in the year.

Notes to the regulatory financial statements For the year ended 31 March 2026

1 Accounting policies

a) Basis of preparation

The regulatory accounting statements have been prepared in accordance with Condition F of the Appointment and the Regulatory Accounting Guidelines (RAGs) published by Ofwat, the accounting policies set out in the statement of accounting policies and under the historical cost convention. They have been prepared on a going concern basis. The directors have undertaken a detailed review of the company's liquidity requirements compared with the cash and facilities available, which includes cash on hand of £1,158.8 million (2025: £557.0 million), cash on deposit of £125.0 million (2025: £nil) and committed undrawn bank facilities of £422.0 million (2025: £72.0 million) totalling £1,705.8 million at 31 March 2026 (2025: £629.0 million), the financial covenant position including projections based on future forecasts, the current credit ratings and financial risk.

When determining whether it is appropriate to adopt the going concern basis, the directors also consider whether there is a material uncertainty regarding whether the company has sufficient resources for its present requirements.

In the interim report for the six months ended 30 September 2025, the company concluded that there was a material uncertainty in respect of going concern which existed, relating to the possibility of a future downgrade to a second sub investment grade credit rating. Since then, the assumptions driving this material uncertainty have been significantly addressed as follows:

- Equity funding of £0.9 billion has been received with a further £0.3 billion commitment received on 22 June 2026.
- A simplification of the corporate holding structure through reduced holding company debt.
- A reduction of the derivative portfolio's mark to market valuation.
- After moving into the new regulatory period with new revenue allowances, further supplemented by the redetermination from the Competition and Markets Authority, which was published on 10 March 2026, there is significantly higher headroom to the company's forecast debt covenants than previously.
- The company's debt documentation was amended during the year to remove an Event of Default if two investment grade ratings are not held.
- Finally, since the half-year-end, the company has issued an additional £1.5 billion in debt funding, with terms ranging from five to eight-and-a-half years, further supplementing the company's liquidity profile.

The company has a significant level of planned expenditure to improve operational performance, the resilience of its assets, and reduce the impact on the environment from the treatment and processing of water and wastewater as part of continuing to deliver its plans for the 2025–30 investment period. As a result, the company has forecast net cash outflows (pre financing) for every month throughout the going concern assessment period of 18 months to December 2027.

On the basis of their assessment of the company's financial position, and the Board-approved latest cash flow forecast, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the approval of these financial statements. This assessment includes consideration of the forecast cash flows over the 18 months to December 2027, and the capital structure of the company and financing needs for the period. For this reason, they continue to adopt the going concern basis of accounting in preparing the annual financial statements, further details can be found on pages 196 to 198 of our Annual Report and Financial Statements.

The accounting policies used in the regulatory accounting statements are the same as those adopted in the statutory financial statements, except as set out below. The regulatory accounting statements are separate from the statutory financial statements of the company. The statutory financial statements are prepared under FRS 101 'Reduced Disclosure Framework'. There are differences between International Financial Reporting Standards under FRS 101 and the basis of preparation of information provided in the regulatory accounts because the Regulatory Accounting Guidelines specify alternative treatment or disclosure in respect of:

- revenue recognition
- capitalisation of borrowing costs.

Where the Regulatory Accounting Guidelines do not specifically address an accounting issue, then they require the company's statutory accounting framework to be followed. Financial information other than that prepared wholly on the basis of IFRS, FRS 101 or FRS 102 may not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in financial statements prepared in accordance with the Companies Act 2006.

b) Fixed assets

Interest – To meet the requirements of RAG 1.10 the interest capitalised within the statutory accounts under IAS 23 'Borrowing Costs' has been reversed and charged through the income statement.

Capitalisation policy – Costs that are either directly attributable to bringing an asset into working condition or subsequent expenditure that provides an enhancement of the economic benefits of a fixed asset are treated as capital expenditure. In order to aid classification of expenditure the following rules are applied:

Non-infrastructure assets – Expenditure on a single item of equipment, including installation costs, exceeding £3,000 is treated as capital expenditure. Individual items purchased for less than £3,000 are charged to operating costs unless they form part of a capital scheme.

- All repairs, replacements and improvements to non-infrastructure fixed assets costing over £3,000 and which extend the life of the asset are charged to capital.

Infrastructure assets – Maintenance to infrastructure assets will generally be treated as operating expenditure.

- Repairs, involving the replacement of a length of pipe, are treated as capital expenditure after review with the Finance Team.
- Planned renewals to replace significant lengths of pipe in relation to a specific asset are treated as capital expenditure.

Private sewers – The ownership of and responsibility for private sewers in Southern Water's region were transferred to the company on 1 October 2011.

Following the adoption of FRS 101, expenditure in relation to private sewers has been treated as an expense and charged to the income statement.

c) Revenue recognition

Revenue represents the income receivable in the ordinary course of business (excluding value added tax) for goods and services provided in the year by the regulated activities of the business.

Revenue relates to charges due in the year and includes charges billed to customers for water and sewerage services, which are recognised in the period in which they are earned, and an accrual in respect of unbilled charges. Revenue excludes payments received in advance which are recorded as deferred revenue.

Notes to the regulatory financial statements For the year ended 31 March 2026 cont.

Unmetered bills for water and wastewater services are based on either the rateable value of the property, an assessed volume of water supplied or on a Fixed Licence Fee.

Metered bills for water and wastewater services are based on actual or estimated water consumption. Metered revenue is dependent upon the volumes supplied and includes an estimate of the consumption between the date of the last meter reading and the period end.

Meters are read on a cyclical basis, and the company recognises revenue for unbilled amounts based on estimated usage from the last meter reading date through to the end of the reporting period. The accrual is estimated using a defined methodology based upon historical billing and consumption information and the applicable tariff. Where there is insufficient historical information, estimation is based on average consumption for defined levels of occupancy.

Within the accrual, adjustments to billing are made for changes to occupancy dates and where consumption levels are above certain tolerances. No other amendments are made between revenue and billing.

Charges on income arising from court, solicitors and debt recovery agency fees are credited to operating costs and added to the relevant customer account. They are not recognised within revenue.

In the statutory accounts, reported under IFRS 15 – 'Revenue from Contracts with Customers', revenue is only recognised when it is probable that economic benefits will result to the company. RAG 1.10 requires that no judgment is applied to the probability of collection. Following a review of the collectability of revenue for the bad debt provision charge for 2019–20, revenue has been recognised in full in the statutory accounts and therefore there is no difference this year between the revenues reported for statutory and regulatory purposes.

Charging policy

Water and sewerage charges fall into the following three categories:

1) Charges which are payable in full

2) Charges which are payable in part

3) Not chargeable (void properties).

The circumstances in which each of the above applies are set out below. All of the charges covered in categories one and two are included in revenue.

Charges payable in full

Charges are payable in full in the following circumstances:

i) Occupied and furnished

Water (and sewerage) charges are payable in full from the date of connection or change of customer on all properties which are recorded as occupied and furnished.

ii) Unoccupied and furnished

Water (and sewerage) charges are payable in full on unoccupied, furnished premises. These include properties:

- left with bedding, a desk or other furniture
- used for multiple occupation with shared facilities
- used as holiday, student, hostel or other accommodation
- used for short-term occupation or letting where the occupation or terms of tenancy is less than six months.

Exceptions to this, where water (and sewerage) charges are not payable, include where the customer is:

- in a care home
- in long-term hospitalisation
- in prison
- overseas long term
- deceased.

iii) Unoccupied and unfurnished

Water (and sewerage) charges are payable in full on unoccupied, unfurnished premises where water is being consumed. This includes:

- premises where renovation, redecoration or building work is being undertaken
- premises being used as storage
- premises not normally regarded as being occupied such as cattle troughs and car parks
- non-household agricultural properties.

Charges payable in part

The following charges only are payable in certain circumstances:

- Metered standing charges – Payable on unoccupied, metered properties which are still connected.
- Surface water charge – Payable on unmeasured properties which are temporarily disconnected.
- Sewerage unmeasured tariff – Payable on unmeasured, occupied properties where the water supply is disconnected but sewerage is still provided.
- Surface water and highway drainage – Payable on furnished properties where the water supply is disconnected.

Not chargeable

Properties which are unoccupied, unfurnished and disconnected are not chargeable for water and sewerage therefore no billing is raised, and no revenue recognised in respect of these properties.

Definition and treatment of properties

Occupied properties

The occupier is any person who owns a premises or who has agreed with us to pay water and sewerage services in respect of the premises. The property management process is followed to identify whether the property is occupied or not and, if occupied, to identify the chargeable person and raise a bill.

The property management process may comprise some or all the following:

- Physical inspection
- Mailings
- Customer contacts
- Meter readings for metered properties
- Checks with third parties, e.g. credit agencies.

Notes to the regulatory financial statements For the year ended 31 March 2026 cont.

When a new customer is identified, the company process aims to establish the date that they became responsible for water and sewerage charges at the property. This is normally the date at which they moved into the property. The new customer will be charged retrospectively from the date at which they became responsible for water and sewerage charges of the premises.

Where evidence exists that a property is occupied the property management process is followed until occupancy details are obtained. Bills are not issued in the name of 'The Occupier' to try to generate confirmation of occupancy and therefore there is no billing in the name of 'The Occupier' within revenue.

Unoccupied properties

A property is deemed to be unoccupied when the company has completed the property management process and not identified the property as occupied. To be classified as unoccupied a property must meet at least one of the following criteria:

- A new property has been connected but is empty and unfurnished.
- The company has been informed that the customer has left the property, it is unfurnished and not expected to be reoccupied immediately.
- It has been disconnected following a customer request.
- The identity of the customer is unknown.
- The company has been informed that the customer is in a care home, long-term hospitalisation, prison, overseas long term or deceased.

If the property management process confirms that the property is unoccupied, the property may be declared void and the supply turned off.

New properties

All new properties are metered. Charges accrue from the date at which the new connection is assessed as being made and/or when the meter is installed. The developer is billed between the date of connection and first occupancy and this is recognised as revenue.

If the developer is no longer responsible for the property and no new occupier has been identified, the property management process referred to above is followed to identify the new occupier. Until the new occupier has been identified the property is treated as unoccupied and is not billed.

d) Revenue disclosures

In accordance with RAG 3.16 we highlight the following comments in respect of turnover for the year:

(i) The value of household billings raised in the year ended 31 March 2026 for consumption in prior years was £295.8 million. The value of these billings was greater than the metered income accrual made at 31 March 2025. The estimation difference was £9.5 million, and this has been recognised in the current year's turnover.

(ii) No changes have been made to the overall accrual methodology in the year although we have taken into consideration the experience from March 2025.

e) Social tariffs

We provide a number of schemes and tariffs to improve affordability and accessibility for vulnerable customers. These include:

- **Essentials** – for customers whose household income is less than £22,020 with savings less than £16,000, or, for those households where everyone is eligible for Pension Credit.
- **WaterSure** – for those who are in receipt of means tested benefits and use a large amount of water either as a result of large families, or because of a particular medical condition.
- **Water Direct** – where bills may be paid from a customer's existing benefit schemes directly to us.
- **NewStart** – a debt matching scheme for those with outstanding debt but have not been able to make a payment for a while.

Further details can be found in our Annual Report and on our website at: southernwater.co.uk/help-and-support/what-if-i-cant-pay-my-bill.

f) Bad and doubtful debts

The bad debt provision is calculated by applying estimated recovery rates, based on the past collection experience of other customers who share similar characteristics.

Higher provisioning percentages are applied to customers which are, based on their characteristics, considered to be of greater risk. These include those with a poor payment history as well as to those with older debts. Bad debt provisioning rates are updated annually to reflect the latest collection performance data from the company's billing system. Actual amounts recovered may differ from the estimated levels of recovery, which could impact on operating results.

The company operates a comprehensive debt recovery process and bad debt is only written off when the recovery of such debt has been exhausted through routine collection, debt recovery or litigation processes or where it would be uneconomical to undertake further recovery action.

Situations where this may arise and where debt may be written off are as follows:

Where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted,

- Where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted,
- Where the customer has died without leaving an estate or has left an insufficient estate from which to recover the debt,
- Where the age and/or value of the debt makes it uneconomical to pursue,
- Where county court proceedings and attempts to recover the debt using debt collection agencies have proved unsuccessful,
- Where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order and no dividend has been or is likely to be received.

Notes to the regulatory financial statements For the year ended 31 March 2026 cont.

Write-off rules apply primarily to customers to whom the company has ceased to supply a service. Only in exceptional circumstance or as part of specific debt recovery assistance programmes is debt relating to continuing customers considered for write-off.

For debt to be written off there must be a legitimate charge against the debtor. If it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note.

The company's bad debt provisioning and write-off policies have remained unchanged and have been consistently applied during the year. The value of debt written off over the past year has remained low due to the continuation of projects aimed at reducing bad debt before the point of write-off.

The value of trade and other receivables of the appointed business increased to £539.2 million (2025: £413.9 million). This increase largely relates to the impact of inflation on our main trade debtors and accruals of £45.6 million, payments of £21.4 million into a Reservoir Trust, in lieu of pension deficit contributions, while the latest triennial valuation and revised deficit recovery plan was being assessed and an increase in the inter-company debtor with SW (Finance) I plc of £50.0 million. The cash transferred to SW (Finance) I plc is held and used to make interest payments on our loans.

g) Price control units

The notes to the regulatory accounting statements analysing revenues, operating costs and fixed assets by price control segment have been drawn up in accordance with the guidance provided by Ofwat in RAG 2.10 and further details are provided on page 44 of this report.

The methods for undertaking cost allocations to produce this information are summarised below and there were no significant changes made to the underlying systems or allocation methods in the year:

Operating expenditure

Most direct costs are specific either to water, wastewater or retail services. Where costs cannot be directly attributed to a sub-function an apportionment has been made on an appropriate basis, using the most accurate allocation method available. Examples of allocation methods include the use of time recording devices, headcount, operational site data and management estimates.

The allocation methods adopted have been agreed following review meetings held across the business with management and technical experts.

The information relating to non-appointed business, including an allocation of overhead cost, has been excluded in line with the guidance.

Fixed assets

The fixed asset data has predominantly been directly attributed to the price control segments based on an assessment of the overall nature of each scheme.

Where a scheme relates to more than one price control segment it has been allocated to the price control unit where the principal use occurs. For corporate assets, the price control of principal use is wholesale wastewater as this is our largest price control and recharges to the other price control units are made for the use of these assets.

New expenditure incurred during the year is allocated to business units within each price control based on an analysis of the scheme design.

Revenues

Revenue streams have been directly attributed to price control segments where they have been recorded as such in our systems. Classification of household and non-household revenues has been made in line with the classifications in place when the business plan was completed in accordance with the guidance from Ofwat.

Revenues that could not be directly attributed to a price control segment have been assessed and allocated to the appropriate price control segment based on the nature of the income.

h) Provisions and contingencies

Environment Agency – wastewater sites

The company has continued to assist the Environment Agency (EA) in its investigation into legacy issues relating to wastewater sampling compliance for the period 2013 to 2017. The investigation stage has now concluded, and charges against the company are expected, probably sometime later this year. Any court proceedings are not anticipated to conclude for several years. At this time, it is not possible to reliably predict when any court case will commence, how the company will plead to the charges when received, nor how the court would eventually deal with the environmental sentencing criteria including culpability, harm, mitigating and aggravating factors, and the company's financial position, especially as the subject matter is unique and does not relate to categorised pollution events, so there is a lack of similar precedents. Further, as the company is a Very Large Organisation (as defined in the Sentencing Council's Guidelines), there is a requirement for the court to examine the financial circumstances of the organisation in the round. The matter would likely take several years to get to a final hearing. In the circumstances, the Board, supported by external legal advice, has concluded that it is not yet possible to make a reliable estimate for the obligations that will arise from this matter.

i) Havant Thicket

In February 2021 the company entered into a contractual arrangement with Portsmouth Water, under which Portsmouth Water will obtain planning permission, design, build, finance, and operate a reservoir in Havant. Once the construction is complete, Portsmouth Water will supply water from the reservoir to Southern Water so that we can provide this to our customers.

Following a detailed review of the complex contractual arrangement which require both parties to complete certain activities to enable the water to be provided, we have formed the judgment that this contract should be accounted for as an executory contract until such time that both parties have fulfilled their obligations and the right to water can be met.

As a result, payments made during the phase before water supply commences are included within totex in the year they are incurred and are classified within prepayments in the Statement of Financial Position.

Notes to the regulatory financial statements For the year ended 31 March 2026 cont.

2 Interest

Further details of the interest income and expenses charged to the income statement are provided below:

	£m
Interest income	
Deposit income on short-term bank deposits	36.6
	36.6
Interest expense	
Interest payable on other loans	(22.6)
Interest paid to group companies	(339.4)
Indexation	(55.8)
Amortisation of issue costs	(1.5)
Amortisation of gilt lock proceeds	0.1
Amortisation of bond premium	0.7
Amortisation of bond discount	(0.4)
Finance lease interest	(1.6)
Dividends on preference shares	(4.5)
	(425.0)
Other interest expense	
Pension financing charge	(2.8)
	(2.8)

3 Corporation tax reconciliation

The tax assessed for the year is different to the standard rate of corporation tax in the UK and the reconciliation is shown in the table below.

	Appointed £m	Non-appointed £m
Profit before tax and fair value movement	(65.7)	2.6
Tax at the UK corporation tax rate of 25%	(16.4)	0.7
Permanent differences	12.9	–
Fixed asset timing differences	10.7	(0.7)
Other short-term timing differences	(21.3)	–
Pension cost relief in excess of pension charge	14.1	–
Group relief received for nil payment	–	–
Adjustment in respect of prior years – current tax	–	–
Tax charge for year	–	–

Details of factors affecting future tax charges:

The Spring Finance Bill 2024 confirmed that the main rate of corporation tax remains at 25% and therefore all of our deferred assets and liabilities have been calculated at 25% rate.

Based on current capital investment plans, the company expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

Taxation policy and strategy

We manage our tax affairs in an open and transparent way and contribute materially to the Exchequer each year.

Our tax policy is consistent with the overall values and strategy of the company and will consider financial risk, reputational risk, and social responsibilities. Our approach to tax planning is to align to business decisions made in the best interests of customers and stakeholders rather than using tax planning to drive or determine business decisions. Our focus is therefore on compliance, and our tax planning is always aligned with our commercial and economic activity. The very nature of our business means we take a long-term view on all the activities we undertake and as a result we also ensure our tax strategy is sustainable.

Our approach to tax management is compliant with tax laws, rules, regulations and reporting requirements in all of its operations. A culture of doing the right thing is embedded in our core values and our approach to tax embodies this by ensuring we pay the right amount of tax, in the right place at the right time. Management of our tax affairs is carried out by an experienced internal tax team with the support of professional tax advisers and specialist tax support. Professional tax advisers are used in circumstances when additional advice is deemed appropriate (for example, to ensure compliance with new legislation and tax planning). We use specialist tax support in the preparation of our capital allowances.

Risk is managed by ensuring there are sufficient processes, systems, governance and appropriate controls in place. Internal assurance for the company is carried out by our Internal Audit team and we have also used the services of professional tax advisers to assist us with our tax compliance. Our tax policy extends to the wider group and ensures all companies within the Southern Water and Greensands groups are subject to UK tax, and all companies are UK tax resident irrespective of their place of incorporation.

We meet all statutory and legislative requirements, and we manage our tax affairs in an open and transparent way. This extends to us sharing information with HMRC, which goes beyond the normal filing of statutory returns, such as the sharing of internal process manuals and other documents so that we can be open and transparent in our approach to managing tax risk. HMRC shares our view of our low-risk approach to the management of our tax affairs, with the last HMRC assessment as part of the annual conversation with HMRC, in September 2025, being that we were deemed to be a ‘low-risk’ company.

Further information is available in our Annual Report and Financial Statements page 98.

Notes to the regulatory financial statements For the year ended 31 March 2026 cont.

Comparison between tax charge and allowance in final determination

A comparison of the current appointed tax charge with the allowance in price limits is shown in the table and associated notes below:

	Current tax charge £m
i) Final Determination allowance	–
ii) Price determination – tax not charged on forecast tax losses	(177.5)
iii) Earnings before interest and tax	17.5
iv) Net finance costs, including taxable fair value movements	(49.3)
v) Depreciation and capital allowances claimed	186.3
vi) Pensions	6.8
vii) Group relief claimed	–
viii) Change in tax rate	–
ix) Other	16.0
Current tax before payments for group relief and prior year adjustments	–
xi) Payments for group relief	–
Appointed current tax charge	–

i) In the price review process for the current regulatory period, 2025–30, there was no corporation tax forecast to be paid in the wholesale business and therefore there is no allowance for corporation tax in customer bills.

ii) For 2025–26 the price determination included tax losses of £177.5 million, see v) below.

iii) Actual earnings before interest and tax are lower than those in the Final Determination. This is mainly driven by additional operating expenditure in both the wholesale and retail businesses.

iv) Net finance costs increased, reducing our tax charge, due to higher interest costs, higher inflation on index-linked debt instruments, and taxable fair value losses relating to debt indexation. This is partially offset by the interest receivable on our derivative financial instruments.

v) Significantly lower capital allowances were claimed compared to the final determination as a result of lower taxable profits, corporate interest restriction (CIR) is explained below and this was also due to a decision to defer remaining capital allowances to future periods rather than generating taxable losses.

vi) There were no pension deficit contributions made to the scheme in year 2025–26.

vii) In 2025-26 Southern Water has not claimed any available group relief losses and has instead utilised the available capital allowances to reduce its taxable profits to nil.

viii) The Final Determination assumed that corporation tax would be payable at a rate of 25% same as the current corporation tax rate. For 2025–26 the rate change impact is therefore nil.

ix) Historically, under the CIR regime, the group had spare interest capacity for tax purposes and the CIR did not apply. This is no longer the case as SWS Ltd is not making sufficient taxable profits. As a result, at a group level interest deductions are restricted. The CIR is allocated to SWS Ltd. In 2025–26, the application of CIR increased taxable profit by £64 million (£16 million tax).

x) As described above at (vii), we claimed no group relief in the year and have therefore made no payments.

4 Innovation Fund

For the period from 2025–30 Ofwat is again running a series of innovation competitions. We are collecting monies from customers through our revenue across this regulatory period to fund these innovation competition activities. During 2025–26 we have paid administration fees and contributions totalling £3.2 million. Of this, the award made of £2.9 million related to the final payment for the AMP7 innovation competitions. These payments have been re-classified through other income in the regulatory financial statements to exclude them from operating costs, as required by Ofwat, and ensure that they are reflected in retained earnings.

An accrual of £6.6 million (2025: £5.2 million), made for the liability associated with innovation fund income collected from customers but not yet paid out in awards, has been removed from the regulatory accounting statements in accordance with Ofwat guidance. This accrual, made in the statutory accounts reflects the liability we have associated with the operation of the Fund and ensures that income collected from customers is not used to fund other activities through totex.

Given the timing of cash receipts from customers and the fact that the collection of this revenue is not separately identifiable through billing, it is not possible to break down the cash balance to show an element relating to the innovation competition.

Receipts in advance for awards made in relation to projects we are leading on or contributing to with other companies of £1.4 million is held within the cash balance on table 1C.

Price control and other segmental reporting

2A – Segmental income statement for the 12 months ended 31 March 2026

	Retail		Wholesale				
	Retail household £m	Retail non household £m	Water resources £m	Water network + £m	Wastewater network + £m	Bioresources £m	Total £m
Revenue – price control	74.593	–	51.661	316.124	866.792	76.661	**1,385.831**
Revenue – non-price control (principal services)	–	–	–	–	–	–	**–**
Revenue – non-price control (third-party services)	–	–	7.147	0.972	9.193	0.035	**17.347**
Operating expenditure – excluding PU recharge impact	(127.357)	–	(49.381)	(186.384)	(348.969)	(35.728)	**(747.819)**
PU opex recharge	(1.578)	–	(3.542)	(18.615)	27.522	(3.787)	**–**
Operating expenditure – including PU recharge impact	**(128.935)**	**–**	**(52.923)**	**(204.999)**	**(321.447)**	**(39.515)**	**(747.819)**
Depreciation – tangible fixed assets	(1.283)	–	(8.516)	(66.836)	(248.150)	(25.684)	**(350.469)**
Amortisation – intangible fixed assets	(5.152)	–	(0.022)	(0.077)	(19.569)	–	**(24.820)**
Other operating income	–	–	–	0.106	1.556	–	**1,662**
Operating (loss)/profit	**(60.777)**	**–**	**(2.653)**	**45.290**	**288.375**	**11.497**	**281.732**

Price control and other segmental reporting cont.

2B – Totex analysis for the 12 months ended 31 March 2026 – by wholesale price controls

	Water resources £m	Water network + £m	Wastewater network + £m	Bioresources £m	Total £m
Gross operating expenditure					
Operating expenditure – total wholesale	**52.923**	**204.999**	**321.447**	**39.515**	**618.884**
Developer services and diversions income (opex)					
Developer services income (opex)	–	8.067	12.160	–	**20.227**
Diversions income (opex)	–	0.895	1.430	–	**2.325**
Net operating expenditure					
Operating expenditure – total wholesale (net)	**52.963**	**196.037**	**307.857**	**39.515**	**596.332**
Gross capital expenditure					
Capital expenditure – total wholesale	71.020	341.853	585.137	66.424	**1,064.434**
Developer services and diversions income (capex)					
Developer services income (capex)	–	(1.118)	1.229	–	**0.111**
Diversions income (capex)	–	–	–	–	**–**
Net capital expenditure					
Capital expenditure – total wholesale (net)	**71.020**	**342.971**	**583.908**	**66.424**	**1,064.323**
Net total expenditure					
Net totex	**123.943**	**539.008**	**891.765**	**105.939**	**1,660.655**
Cash expenditure					
Pension deficit recovery payments	–	–	–	–	**–**
Equity issuance costs	–	18.210	48.257	–	**66.467**
Other cash items	–	–	–	–	**–**
Totex including cash items	**123.943**	**557.218**	**940.022**	**105.939**	**1,727.122**

Price control and other segmental reporting

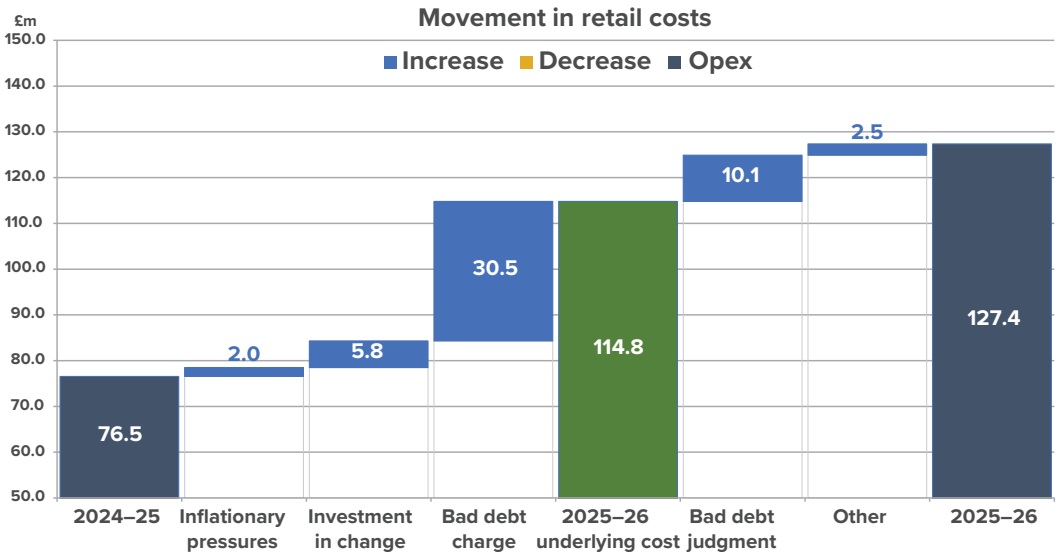
2C – Cost analysis for the 12 months ended 31 March 2026 – Retail

	Household £m	Total £m
Operating expenditure		
Customer services	32.134	**32.134**
Debt management	17.977	**17.977**
Doubtful debts	65.279	**65.279**
Meter reading	4.865	**4.865**
Other operating expenditure	7.062	**7.062**
Local authority and Cumulo rates	0.040	**0.040**
Total operating expenditure excluding third party services	**127.357**	**127.357**
Depreciation		
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.053	**0.053**
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	1.230	**1.230**
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	–	**–**
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	5.152	**5.152**
Recharges		
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.060	**0.060**
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	–	**–**
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	1.518	**1.518**
Income from wholesale assets acquired after 1 April 2015 principally used by retail	–	**–**
Net recharges costs	**1.578**	**1.578**
Total retail costs excluding third party and pension deficit repair costs	**135.370**	**135.370**
Third party services operating expenditure	–	**–**
Pension deficit repair costs	–	**–**
Total retail costs including third party and pension deficit repair costs	**135.370**	**135.370**
Debt written off		
Debt written off	**75.463**	**75.463**
Capital expenditure		
Capital expenditure	**0.624**	**0.624**
Comparison of actual and allowed expenditure		
Cumulative actual retail expenditure to reporting year end		135.370
Cumulative allowed expenditure to reporting year end		73.360
Total allowed expenditure – current AMP		417.540

Price control and other segmental reporting cont.

Movement in costs from 2024–25 to 2025–26

Household retail operating expenditure increased by £50.9 million to £127.4 million (2025: £76.5 million).



Excluding inflationary pressures, the principal reasons for the increase were:

Investment in change

- We have been preparing for the next investment period during the year, undertaking transformation activities to make sure that we're ready to deliver the business plan to 2030. These activities include additional headcount and improvements and changes to our billing and collection processes. These added £5.8 million to our retail operating costs.

Bad debt charge

- The significant increase in revenue has proportionately increased the provision charge for bad debt by £11 million. We also experienced some reductions and delays in cash collection from customers following the increase in bills. Collections improved in the second half of the year and continue to improve in 2026–27. Overall, the underlying bad debt charge increased by £30.5 million in the year.

Bad debt judgment

- The bad debt provision includes elements of judgment, with increased rates applied for the bill impact in the year adding £7.1 million to the charge and the potential impact of the current global economic pressures on collections for which we have included an additional £3.0 million.

Comparison to the final determination

Household

Total household retail costs of £135.4 million were £62.0 million higher than allowed in the Final Determination (£73.4 million). The increase is due to the following factors:

Actual inflation from 2022–23 prices was £4.2 million greater than the inflation allowed within the determination.

The remainder of the variance was predominantly driven by increases in debt management costs and the provision for doubtful debt. Together these were £55.9 million higher than the determination allowance for the reasons set out above in our year-on-year commentary.

Meter reading costs were £1.6 million more than the determination due to additional costs incurred because of increasing volumes of failing automatic reads. We expect this position to improve over the course of AMP8 as we progress our smart metering programme.

Non-household

On 1 April 2017 we exited the non-household retail business and our customers transferred to a specialist retail company, Business Stream.

Price control and other segmental reporting cont.

2D – Historic cost analysis of tangible fixed assets by price control at 31 March 2026

	Wholesale				Retail	
	Water resources £m	Water network + £m	Wastewater network + £m	Bioresources £m	Household £m	Total £m
Cost						
At 1 April 2025	423.079	2,758.476	8,199.418	719.953	36.436	**12,137.362**
Disposals	(0.828)	(10.234)	(45.909)	(0.128)	(0.001)	**(57.100)**
Additions	74.998	352.450	574.197	66.424	0.469	**1,068.538**
Adjustments	–	–	–	–	–	**–**
Assets adopted at nil cost	–	–	2.717	–	–	**2.717**
At 31 March 2026	**497.249**	**3,100.692**	**8,730.423**	**786.249**	**36.904**	**13,151.517**
Depreciation						
At 1 April 2025	(105.148)	(861.177)	(2,923.812)	(379.343)	(34.733)	**(4,304.213)**
Disposals	0.828	10.201	45.916	0.128	–	**57.073**
Adjustments	–	–	–	–	–	**–**
Charge for year	(8.516)	(66.836)	(248.150)	(25.684)	(1.283)	**(350.469)**
At 31 March 2026	**(112.836)**	**(917.812)**	**(3,126.046)**	**(404.899)**	**(36.016)**	**(4,597.609)**
Net book amount at 31 March 2026	**384.413**	**2,182.880**	**5,604.377**	**381.350**	**0.888**	**8,553.908**
Net book amount at 1 April 2025	317.931	1,897.299	5,275.606	340.610	1.703	**7,833.149**
Amortisation for year						
Third party services	(0.164)	(0.208)	(0.258)	(0.006)	–	**(0.636)**

We have no tangible fixed assets whose sole purpose is to supply third-party activities.

The net book value of tangible assets includes £1,288.9 million in respect of assets in the course of construction.

In order to present the intangible asset information alongside the fixed asset information Table 2O is presented here.

Price control and other segmental reporting cont.

20 – Historic cost analysis of intangible assets – Wholesale and retail

	Wholesale				Retail	
	Water resources £m	Water network + £m	Wastewater network + £m	Bioresources £m	Household £m	Total £m
Cost						
At 1 April 2025	11.133	4.137	218.873	0.094	48.671	**282.908**
Additions	0.036	0.322	10.940	–	0.155	**11.453**
At 31 March 2026	**11.169**	**4.459**	**229.813**	**0.094**	**48.826**	**294.361**
Amortisation						
At 1 April 2025	(11.115)	(3.946)	(151.622)	(0.094)	(30.360)	**(197.137)**
Charge for year	(0.022)	(0.077)	(19.569)	–	(5.152)	**(24.820)**
At 31 March 2026	**(11.137)**	**(4.023)**	**(171.191)**	**(0.094)**	**(35.512)**	**(221.957)**
Net book amount at 31 March 2026	**0.032**	**0.436**	**58.622**	**–**	**13.314**	**72.404**
Net book amount at 1 April 2025	0.018	0.191	67.251	–	18.311	**85.771**
Amortisation charge for year						
Third party services	–	–	–	–	–	**–**
Total	**–**	**–**	**–**	**–**	**–**	**–**

We have no intangible assets whose sole purpose is to supply third-party activities.

The net book value of intangible assets includes £1.4 million in respect of assets in the course of construction.

Price control and other segmental reporting cont.

2E – Analysis of Developer services income by price control for the 12 months ended 31 March 2026

	Fully recognised in income statement £m	Capitalised and amortised (in the income statement) £m	Total £m
Developer services income – water network+ (price control)			
Infrastructure charge receipts – water	3.374	–	**3.374**
Income offset – water	0.192	–	**0.192**
Environmental incentives for more water efficient developments – water	(0.090)	–	**(0.090)**
Environmental component for more water efficient developments – water	0.042	–	**0.042**
Infrastructure charge receipts – after impact of income offset and environmental incentives (water)	3.134	–	**3.134**
Other developer services income – water network+ (price control)	–	–	**–**
Total developer services income – water network+ (price control)	**3.134**	**–**	**3.134**
Developer services income – water network+ (non-price control)			
Connection charges – water	3.664	–	**3.664**
Requisitioned mains	1.269	(1.118)	**0.151**
Other developer services income – water network+ (non-price control)	–	–	**–**
Total developer services income – water network+ (non-price control)	**4.933**	**(1.118)**	**3.815**
Developer services income – wastewater network+ (price control)			
Infrastructure charge receipts – wastewater	9.451	–	**9.451**
Income offset – wastewater	0.678	–	**0.678**
Environmental incentives for more water efficient developments – wastewater	(0.025)	–	**(0.025)**
Environmental component for more water efficient developments – wastewater	0.032	–	**0.032**
Infrastructure charge receipts – after impact of income offset and environmental incentives (wastewater)	8.780	–	**8.780**
Other developer services income – wastewater network+ (price control)	0.440	–	**0.440**
Total developer services income – wastewater network+ (price control)	**9.220**	**–**	**9.220**
Developer services income – wastewater network+ (non-price control)			
Receipts for on-site work	2.940	1.229	**4.169**
Other developer services income – wastewater network+ (non-price control)	–	–	**–**
Total developer services income – wastewater network+ (non-price control)	**2.940**	**1.229**	**4.169**

IFRS 15'Revenue from Contracts with Customers' became effective for financial period commencing on or after 1 January 2018.

The effect of applying IFRS 15 results in the immediate recognition, on completion of the performance obligation, of developer related revenue relating to diversions, requisitions and adoptions, previously treated as deferred revenue. Until the performance obligation is completed the revenue for these activities will be deferred on the Balance Sheet.

Grants and contributions recognised in the statutory income statement as revenue have been reclassified to other income for regulatory purposes in table 1A. These include the amounts of £8.1 million and £12.2 million disclosed in table 2E for water and wastewater respectively together with £2.7 million of adopted assets and diversion income of £2.3 million from table 2R.

Price control and other segmental reporting cont.

2F – Residential retail for the 12 months ended 31 March 2026

	Revenue £m	Number of customers 000's	Average residential revenues £
Residential revenue			
Wholesale charges	1,059.015		
Retail revenue	74.593		
Total residential revenue	**1,133.608**		
Retail revenue			
Revenue Recovered ('RR')	74.592		
Revenue sacrifice	–		
Actual revenue (net)	**74.592**		
Customer information			
Actual customers ('AC')		2,025.299	
Reforecast customers		2,025.538	
Adjustment			
Allowed revenue ('R')	78.672		
Net adjustment	**4.080**		
Other residential information			
Average residential retail revenue per customer			36.830

As we have exited the retail market and in accordance with the guidance in RAG 4.14, we are not required to report table 2G.

Price control and other segmental reporting cont.

2H – Cash collection performance rates – residential retail

	% Revenue collected				
Billing year	2025–26	2026–27	2027–28	2028–29	2029–30
All customers					
Collection rates for bills raised in 2025–26 – all customers	88.2%	3.7%	1.2%	0.6%	0.5%
Collection rates for bills raised in 2026–27 – all customers		92.1%	1.7%	1.2%	0.6%
Collection rates for bills raised in 2027–28 – all customers			92.4%	1.7%	1.2%
Collection rates for bills raised in 2028–29 – all customers				92.6%	1.7%
Collection rates for bills raised in 2029–30 – all customers					92.6%
Measured customers					
Collection rates for bills raised in 2025–26 – measured customers	88.3%	3.8%	1.2%	0.6%	0.5%
Collection rates for bills raised in 2026–27 – measured customers		92.0%	2.1%	1.2%	0.6%
Collection rates for bills raised in 2027–28 – measured customers			92.3%	2.1%	1.2%
Collection rates for bills raised in 2028–29 – measured customers				92.5%	2.1%
Collection rates for bills raised in 2029–30 – measured customers					92.5%
Non-measured customers					
Collection rates for bills raised in 2025–26 – non-measured customers	88.0%	2.9%	1.2%	0.6%	0.4%
Collection rates for bills raised in 2026–27 – non-measured customers		92.6%	1.2%	1.2%	0.6%
Collection rates for bills raised in 2027–28 – non-measured customers			92.9%	1.2%	1.2%
Collection rates for bills raised in 2028–29 – non-measured customers				93.1%	1.2%
Collection rates for bills raised in 2029–30 – non-measured customers					93.1%

This table shows the actual cash collection performance for bills raised in 2025–26 along with forecast projections for collections in future years.

Price control and other segmental reporting cont.

2I – Revenue analysis for the 12 months ended 31 March 2026

	Household £m	Non-household £m	Total £m	Water resources £m	Water network+ £m	Total £m
Wholesale charge – water						
Unmeasured	30.821	1.789	**32.610**	4.598	28.012	**32.610**
Measured	251.350	82.435	**333.785**	47.063	286.722	**333.785**
Third party revenue	–	1.390	**1.390**	–	1.390	**1.390**
Total wholesale water revenue	**282.171**	**85.614**	**367.785**	**51.661**	**316.124**	**367.785**

	Household £m	Non-household £m	Total £m	Wastewater network+ £m	Bioresources £m	Total £m
Wholesale charge – wastewater						
Unmeasured – foul charges	141.651	4.462	**146.113**	132.743	13.370	**146.113**
Unmeasured – surface water charges	9.663	0.214	**9.877**	9.877	–	**9.877**
Unmeasured – highway drainage charges	5.613	0.114	**5.727**	5.727	–	**5.727**
Measured – foul charges	539.054	152.596	**691.650**	628.359	63.291	**691.650**
Measured – surface water charges	48.865	7.173	**56.038**	56.038	–	**56.038**
Measured – highway drainage charges	31.998	1.375	**33.373**	33.373	–	**33.373**
Third party revenue	–	0.675	**0.675**	0.675	–	**0.675**
Total wholesale wastewater revenue	**776.844**	**166.609**	**943.453**	**866.792**	**76.661**	**943.453**
Wholesale total	**1,059.015**	**252.223**	**1,311.238**			
Retail revenue (price control)						
Unmeasured	6.987	–	**6.987**			
Measured	67.606	–	**67.606**			
Other third party revenue	–	–	**–**			
Retail total	**74.593**	**–**	**74.593**			

As per RAG 4.14, table 2J is no longer used.

Price control and other segmental reporting cont.

2K – New connections – infrastructure charges reconciliation for the 12 months ended 31 March 2026

	Water £m	Wastewater £m	Total £m
Comparison of revenue and costs			
Variance brought forward	–	–	**–**
Revenue	3.374	9.451	**12.825**
Costs	–	(7.577)	**(7.577)**
Variance carried forward	**3.374**	**1.874**	**5.248**
Analysis of variance movement in year			
Revenue impact of charge element which corrects previous years variance	–	–	**–**
Difference in billable developer activity against forecast in year	(2.256)	(4.069)	**(6.325)**
Difference in infrastructure reinforcement activity against forecast in year	5.630	5.493	**11.173**
Variance movement in year	**3.374**	**1.874**	**5.248**

Infrastructure charges are received when new connections are made to the network and represent a contribution to the incremental impact additional connections have on the overall network. Network reinforcement costs represent the capital expenditure undertaken generally on our network to allow for the increased flows because of new connections/developments.

To be able to make and accept flows, before new connections are made, it is sometimes necessary to complete infrastructure enhancement in advance of the new connections being made. As a result, there are timing differences between construction costs and income receipts.

The table above compares infrastructure charges received in the year with the level of general network reinforcement work. The variance in the year relates to the timing difference of completing these activities and is expected to even out over time.

2L – Analysis of land sales for the 12 months ended 31 March 2026

	Water resources £m	Water Network+ £m	Wastewater Network+ £m	Total £m
Land sales – proceeds from disposals of protected land	–	–	0.763	**0.763**

There were no disposals of land above the threshold for reporting to Ofwat in the year. Disposal proceeds in the year related to an overage charge on a previous land disposal.

Price control and other segmental reporting cont.

2M – Revenue reconciliation for the 12 months ended 31 March 2026 – wholesale

	Water resources £m	Water network+ £m	Wastewater network+ £m	Bioresources £m	Total £m
Revenue recognised					
Wholesale revenue governed by price control	51.661	316.124	866.792	76.661	**1,311.238**
Developer services income (price control)		3.134	9.220		**12.354**
Diversions income (price control)	–	0.895	0.288		**1.183**
Total revenue governed by wholesale price control	**51.661**	**320.153**	**876.300**	**76.661**	**1,324.775**
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	48.488	311.443	855.919	79.114	**1,294.964**
Allowed developer services income before adjustments (or modified by CMA)	–	15.100	16.279	–	**31.379**
Allowed diversions income before adjustments (or modified by CMA)	–	1.416	2.713	–	**4.129**
Revenue adjustment	–	–	–	–	**–**
Other adjustments	–	–	–	–	**–**
Revenue cap	**48.488**	**327.959**	**874.911**	**79.114**	**1,330.472**
Calculation of the revenue imbalance					
Revenue imbalance	(3.173)	7.806	(1.389)	2.453	**5.697**
AMP8 revenue adjustments					
Uninvoiced revenue due from retailers	–	–	–	–	**–**
Competitively Appointed Provider charges	–	–	–	–	**–**

Overall wholesale price control revenue was £5.7 million (0.4%) lower than allowed in the final determination.

We over-recovered by £3.2 million (6.5%) in Water Resources and in Water Network+ we under-recovered by £7.8 million (2.4%). This under-recovery reflects lower revenue from infrastructure charges due to lower new connections which was partially offset by higher household consumption than forecast.

In Wastewater Network+ we over-recovered by £1.4 million (0.2%). This variance also reflects lower revenue from new connections charges offset by slightly higher than forecast household consumption.

In Bioresources the allowed wholesale revenue is as set out in Ofwat's final determination; the revenue imbalance of £2.5 million (3.1%) is due to the actual volume of sludge being lower than forecast in our business plan and reflected in the Final Determination from Ofwat. The revenue imbalance will be reconciled through a revenue adjustment to bills in year 2027–28.

Overall, our wholesale water variance is 1.2% above our allowance and our wholesale wastewater variance is 0.2% above. These variances are both below the RFI penalty threshold of +/-2%.

Price control and other segmental reporting cont.

2N – Household affordability support and debt

Section A – social tariffs	Revenue £000s	Number of customers	Average amount per customer £
Number of residential customers on social tariffs			
Residential water only social tariffs		3,293	
Residential wastewater only social tariffs		91,893	
Residential dual service social tariffs		76,939	
Number of residential customers not on social tariffs			
Residential water only no social tariffs		88,923	
Residential wastewater only no social tariffs		857,415	
Residential dual service no social tariffs		906,836	
Social tariff discount			
Average discount per water only social tariffs customer			135.25
Average discount per wastewater only social tariffs customer			191.08
Average discount per dual service social tariffs customer			29.61
Social tariff cross-subsidy – residential customers			
Total/average customer funded cross-subsidies for water only social tariffs customers	445.390		4.83
Total/average customer funded cross-subsidies for wastewater only social tariffs customers	17,559.109		18.50
Total/average customer funded cross-subsidies for dual service social tariffs customers	22,784.259		23.16
Funding from shareholders to support social tariffs			
Total/average funding from shareholders to support water only social tariffs	–		–
Total/average funding from shareholders to support wastewater only social tariffs	–		–
Total/average funding from shareholders to support dual service social tariffs	–		–
Social tariff support – willingness to pay			
Maximum amount customers are willing to pay to support social tariffs.			28.100
Shareholder contribution			
Total funding from shareholders to support household debt matching schemes	321.493		
Number of unique household customers that benefitted from the funding from shareholders to support debt matching schemes		1,404	
Total funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching	850.856		
Number of unique household customers that benefitted from the funding from shareholders to support all other household affordability schemes, excluding social tariffs and debt matching		1,243	
Total funding from shareholders to support all affordability schemes			1,172.35
Section B – WaterSure tariffs			
WaterSure tariffs			
Number of unique customers on WaterSure		18,480	
Total reduction in bills for all WaterSure customers who paid the average household bill	12,791.528		
Average reduction in bills for all WaterSure customers who paid the average household bill			692.18

Price control and other segmental reporting cont.

2P – Third party services revenue for the 12 months ended 31 March 2026

	Water resources £m	Water network + £m	Wastewater network + £m	Bioresources £m	Total £m
Third-party services – price control					
Non potable water (which are not bulk supplies) revenue	–	–			**–**
Rechargeable revenue – Fluoridation	–	–			**–**
Rechargeable revenue – Fire hydrant install & repair		0.402			**0.402**
Rechargeable revenue – third party damage	–	0.210	1.066	–	**1.276**
Rechargeable revenue – build over	–	–	–	–	**–**
Other rechargeable revenue	–	–	–	–	**–**
Total third-party revenue (price control)	–	0.612	1.066	–	**1.678**
Third-party services – non-price control					
Bulk supplies revenue	6.594	–	7.525	–	**14.119**
Reservoir operating agreements revenue	–	–			**–**
Other excluded charge revenue	0.553	0.360	0.602	0.035	**1.550**
Total third-party revenue (non-price control)	7.147	0.360	8.127	0.035	**15.669**
Third-party services					
Total third-party services revenue	**7.147**	**0.972**	**9.193**	**0.035**	**17.347**

Price control and other segmental reporting cont.

2R – Analysis of diversions income by price control for the 12 months ended 31 March 2026

	Income relating to opex spend £m	Income relating to capex spend £m	Total £m
Diversion income – water resources (price control)			
s185 diversions income – water resources	–	–	**–**
NRSWA diversions income – water resources	–	–	**–**
Non-s185 diversions income – water resources	–	–	**–**
Total diversions income – water resources	–	–	**–**
Diversion income – water network+ (price control)			
s185 diversions income – water network+	0.428	–	**0.428**
NRSWA diversions income – water network+	0.467	–	**0.467**
Non-s185 diversions income – water network+	–	–	**–**
Total diversions income – water network+	0.895	–	**0.895**
Diversions income – wastewater network+ (price control)			
NRSWA diversions income – wastewater network+	0.288	–	**0.288**
Non-s185 diversions income – wastewater network+	–	–	**–**
Total diversions income – wastewater network+	0.288	–	**0.288**
Diversions income – wastewater network+ (non-price control)			
s185 diversions income – wastewater network+	1.142	–	**1.142**

IFRS 15'Revenue from Contracts with Customers' became effective for financial period commencing on or after 1 January 2018.

The effect of applying IFRS 15 results in the immediate recognition, on completion of the performance obligation, of developer related revenue relating to diversions, requisitions and adoptions, previously treated as deferred revenue. Until the performance obligation is completed the revenue for these activities will be deferred on the Balance Sheet.

Grants and contributions recognised in the statutory income statement as revenue have been reclassified to other income for regulatory purposes in table 1A. These include the amounts of £0.9 million and £1.4 million disclosed in table 2R for water and wastewater respectively together with £2.7 million of adopted assets and diversion income of £20.3 million from table 2E.

Independent Auditor's report to the Water Services Regulation Authority (the WSRA) and the Directors of Southern Water Services Limited

Deloitte.

Opinion

We have audited the sections of Southern Water Services Limited's ("the Company") Annual Performance Report for the year ended 31 March 2026 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D),the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis - wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of developer services income for wholesale (table 2E), the household water revenues by customer type (table 2F), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), household affordability support and debt (table 2N) and historical cost analysis of intangible assets (table 2O), Third party services revenue (table 2P), Analysis of diversions (table 2R) and the related notes.

We have not audited the Outcome performance tables 3A to 3J) and the additional regulatory information in tables 4A to 4AB, 5A, 6A to 6I, 7A to 7L, 8A to 8D, 9A and 11A to 11B.

In our opinion, Southern Water Services Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.10, RAG 2.10, RAG 3.16, RAG 4.14 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2), set out on page 56.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF (Revised) 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Regulatory Accounting Statements, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our 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.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly, we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 45 to 76 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusion relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

The Company's assessment supports the use of the going concern basis of accounting and no material uncertainty has been identified. At the half year, the company had previously concluded there was a material uncertainty in respect of going concern relating to the possibility of a future downgrade to a second sub investment grade credit rating due uncertainty regarding future financing. Since then, the assumptions that led to these conclusions have been significantly addressed with additional equity funding of £0.9 billion and a further commitment of £0.3bn combined with additional £1.5 billion in debt funding, further supplementing the company's liquidity profile.

The going concern assessment remains judgemental and based upon the Company maintaining sufficient liquidity and covenant headroom, retaining and maintaining at least two

Independent Auditor's report to the Water Services Regulation Authority (the 'WSRA') and the directors of Southern Water Services Limited cont.

Deloitte.

investment grade credit ratings with one out of three already below investment grade. A downgrade by one of the remaining two investment grade agencies could, depending on the circumstances and Ofwat's response, result in a breach of the Company's licence.

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 Company'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.

We have:

- Obtained an understanding of relevant controls related to the directors' assessment of going concern;
- Obtained third party bank confirmations for the Company's bank accounts, which confirmed cash balances and borrowings, inspected facility agreements and compared to the facilities assumed in the forecasts;
- Obtained the directors' going concern assessment, including cashflow forecast, liquidity requirements and forecast covenant calculations for the going concern period and performed integrity checks including testing the mathematical accuracy;
- Assessed the forecasts used for the going concern assessment period for reasonableness and, where applicable, validated the data with information from other areas of the audit;
- Evaluated the appropriateness of key assumptions in the forecasts, and considered the historical accuracy of forecasting;
- Assessed the credit ratings from Standard Poor's (S&P), Moody's and Fitch and performed inquiries with S&P and Moody's to evaluate management's position and assess whether there is any contradictory or supporting evidence requiring disclosure within the going concern disclosures;
- Recalculated debt covenants and assessed compliance over the forecast period, considering the most recent available credit ratings of the Company to determine the impact this has on covenant compliance;
- Challenged the reasonableness of management's stress tests by independently modelling scenarios and challenging their data inputs to understand the impact on the Company's liquidity and covenant ratios;
- Worked with our debt advisory specialists to evaluate the Company's ability to raise additional debt and equity considering investors' appetite in financing the water industry;
- Assessed the impact of potential fines from ongoing regulatory investigations on the Company's ability to continue as a going concern;
- Evaluated the mitigating actions available to the Company in order to manage cashflows during the going concern period to avoid a covenant or liquidity breach;
- Performed inquiries with equity investors to understand their intentions and plans for additional equity injection into the Company; and
- Performed inquiries with key stakeholders (from both within and outside of the Company) and reviewing correspondence with creditor representatives, regulators and advice from the Company's external legal counsel to evaluate management's position and assess whether there is any contradictory or additional evidence requiring disclosure within the going concern disclosures.
- Performed benchmarking of relevant financial ratios, to assess whether management's liquidity and operational metrics are consistent with the observable UK water sector as defined by the credit rating agencies; and
- Evaluated the reasonableness of the disclosures within the Regulatory Accounting Statements.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information contained within the Annual Performance report. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements, or our knowledge obtained in course of the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.16, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report to the Water Services Regulation Authority (the 'WSRA') and the directors of Southern Water Services Limited cont.

Deloitte.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the Regulatory Accounting 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 extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- Had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WSRA, UK Companies Act, pensions legislation and tax legislation; and
- Do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements.
- enquiring of management, the audit committee, in-house and external legal counsel concerning actual and potential litigation and claims.
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- reading minutes of meetings of those charged with governance, the audit committee, reviewing internal audit reports and reviewing correspondence with Ofwat and other regulatory authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2026 on which we reported on 15 July 2026, which are prepared for a different purpose.

Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP

London, United Kingdom

15 July 2026

Performance Summary

Outcome performance

Jacobs U.K. Limited were engaged to provide independent limited assurance over the selected annual performance data in this section for the financial year ended 31 March 2026, using the assurance standard ISAE (UK) 3000. Jacobs U.K. Limited has provided limited assurance only over the performance level reported for 2025–26 and have issued an unqualified report over the selected annual performance data which is available on page 99.

3A – Outcome performance – all performance commitments

Common performance commitments – Financial	RAG status	Unit	Performance level – actual	PCL met?	Outperformance or underperformance payment £m	Total 2025–30 outperformance or underperformance payment £m
Biodiversity	✓	Biodiversity units gained	–	Yes	0.00	3.87
Business demand	✓	% reduction of three-year average business demand	9.3	Yes	0.36	1.00
Compliance risk index (CRI)	–	nr	3.19	No	-0.96	-3.26
Customer contacts about water quality	–	Number of customer contacts per 1,000 population	1.11	No	-0.04	-0.57
Discharge permit compliance	✗	%	96.71	No	-2.48	-3.83
Greenhouse gas emissions (water)	✗	% reduction in greenhouse gas emissions	-19.32	No	-1.56	-1.68
Leakage	✓	% reduction of three-year average leakage	4.1	Yes	1.07	20.82
Repairs to burst mains	✗	per 1,000km of main	133.1	No	0.00	-2.16
Per capita consumption	–	% reduction of three-year average PCC	5.5	No	-0.09	-3.61
Serious pollution incidents	–	nr	12	No	-17.13	-21.80
Unplanned outage	✓	%	2.90	Yes	0.03	0.03
Water supply interruptions	✓	hh:mm:ss	00:05:01	Yes	1.62	2.87
Bathing water quality	✓	nr	75.7	Yes	0.00	-8.58
External sewer flooding	✓	Number of incidents per 10,000 sewer connections	12.04	Yes	30.82	137.00
Greenhouse gas emissions (wastewater)	✗	% reduction in greenhouse gas emissions	-1.18	No	-0.09	-0.51
Internal sewer flooding	✗	Number of incidents per 10,000 sewer connections	1.88	No	-4.20	-3.15
Sewer collapses	✗	Number of sewer collapses per 1,000 km of all sewers	7.92	No	-1.17	-0.49
Storm overflows	–	Average number of spills per storm overflow	21.11	No	-0.10	-11.26
Total pollution incidents	–	Number of incidents per 10,000 km of sewer length	63.93	No	-14.06	-14.06

Key

✓ Ofwat target met or exceeded

– Ofwat target missed but performance improved in relation to prior year outcome

✗ Ofwat target missed and performance worse than prior year outcome

– Not applicable

Notes: Each performance commitment is shown with the assessed performance status (red, amber or green) which indicates performance against expectations. An explanation of each performance commitment, the definitions and the criteria for assessment is given in appendix 2.

Performance Summary cont.

3A – Outcome performance – all performance commitments cont.

Common performance commitments – Non-financial	RAG status	Unit	Performance level – actual	PCL met?	Outperformance or underperformance payment £m	Total 2025–30 outperformance or underperformance payment £m
River water quality	✓	% reduction of phosphorus emissions into river catchment	-43.35	Yes		

Overall performance summary	Unit	Performance level – actual
Financial water performance commitments achieved	%	36
Financial wastewater performance commitments achieved	%	29
Overall financial common performance commitments achieved (excluding BR-MeX)	%	33
Bespoke performance commitments achieved	%	–
Non-financial performance commitment achieved	%	100
Total performance commitments achieved	%	36

Key

✓ Ofwat target met or exceeded

— Ofwat target missed but performance improved in relation to prior year outcome

✗ Ofwat target missed and performance worse than prior year outcome

– Not applicable

Notes: Each performance commitment is shown with the assessed performance status (red, amber or green) which indicates performance against expectations. An explanation of each performance commitment, the definitions and the criteria for assessment is given in appendix 2.

Performance Summary cont.

3B – Underlying data – measures of experience performance commitments

Business customer and retailer measure of experience (BR-MeX)	Unit	Performance level – actual
Annual customer satisfaction score for the Business customer contact survey (B-MeX)	nr	66.89
Annual retailer satisfaction score for the Retailer experience survey (R-MeX)	nr	82.86
Annual MPF Score	nr	92.58
Annual BR-MeX score	nr	77.30

Customer measure of experience (C-MeX)		
Annual customer satisfaction score for the customer service survey	nr	45.39
Annual customer satisfaction score for the customer experience survey	nr	53.07
Annual C-MeX score	nr	47.95
Total household complaints	nr	22,778
Total connected household properties	nr	2,099,743
Total household complaints per 10,000 connections	nr	108.48

Developer measure of experience (D-MeX)		
Developer satisfaction (small developers) qualitative component annual results	nr	58.21
Developer satisfaction (large developers) qualitative component annual results	nr	56.50
Quantitative component annual results	nr	99.64
D-MeX score	nr	71.43

Levels of service performance metrics Calculating the D-MeX quantitative	Unit	Reporting period (1 April to 31 March)
W1.1	%	100.00
W3.1	%	98.40
W4.1	%	97.34
W6.1	%	100.00
W7.1	%	100.00
W8.1	%	–
W17.1	%	100.00
W17.2	%	–
W18.1	%	–
W20.1	%	–
W21.1	%	–
W23.1	%	–
W24.1	%	–
W26.1	%	–
W27.1	%	–
W30.1	%	–
S1.1	%	97.75
S3.1	%	100.00
S4.1	%	–
S7.1	%	–
SN2.2	%	100.00
SN4.1	%	–
WN1.1	%	100.00
WN2.2	%	100.00
WN4.1	%	100.00
WN4.2	%	–
WN4.3	%	–
SAM - 3/1	%	100.00
SAM - 4/1	%	–
SLPM - S1/2	%	100.00
SLPM - S2/2a	%	100.00
SLPM - S2/2b	%	100.00
SLPM - S3	%	100.00
SLPM - S4/1	%	100.00
SLPM - S5/1a	%	–
SLPM - S7/1	%	97.62
D-MeX quantative score (for the report period)	%	99.64

Performance Summary cont.

3C – Underlying calculations and supplementary data – customer facing performance commitments

Internal sewer flooding	Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Internal sewer flooding – customer proactively reported	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	337	1.62
Internal sewer flooding – company reactively identified (ie neighbouring properties)	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	55	0.26
Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	392	1.88
External sewer flooding					
External sewer flooding – customer proactively reported	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	2320	11.14
External sewer flooding – company reactively identified (ie neighbouring properties)	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	187	0.90
External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connections	Number of sewer connections (thousands)	2082.88	2507	12.04
Customer contacts about water quality					
Customer contacts – taste and odour	Number of contacts per 1,000 resident population	Resident population (thousands)	2707.42	970	0.36
Customer contacts – appearance	Number of contacts per 1,000 resident population	Resident population (thousands)	2707.42	2,046	0.76
Customer contacts about water quality	Number of contacts per 1,000 resident population	Resident population (thousands)	2707.42	3,016	1.11

Water supply interruptions	Unit	Standardising data indicator	Standardising data numerical value	Total minutes lost	Number of properties supply interrupted	Calculated performance level
Water supply interruptions (≥3 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	1,175.23	5,900,177	17,494	00:05:01
Water supply interruptions (≥6 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	1,175.23	2,573,391	4,271	00:02:11
Water supply interruptions (≥12 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	1,175.23	930,048	776	00:00:47
Water supply interruptions (≥24 hours)	Average number of minutes lost per property per year	Number of properties (thousands)	1,175.23	531,825	314	00:00:27

Performance Summary cont.

3C – Supplementary data – customer experience common performance commitments cont.

Internal sewer flooding	Unit	Performance level – Actual (current reporting year)
Number of internal sewer flooding incidents with a root cause of hydraulic overloading	nr	96
Number of internal sewer flooding incidents with root cause of sewer blockage	nr	245
Number of internal sewer flooding incidents with root cause of sewer collapse	nr	5
Number of internal sewer flooding incidents with root cause of equipment failure	nr	25
Number of internal sewer flooding incidents with root cause not specified above	nr	21
Number of properties that have experienced more than one internal sewer flooding incident within the last year	nr	31
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last year	nr	72
Number of properties that have experienced more than one internal sewer flooding incident within the last three years	nr	104
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last three years	nr	240
Number of properties that have experienced more than one internal sewer flooding incident within the last five years	nr	272
Total number of internal sewer flooding incidents arising from properties that have experienced more than one internal sewer flooding incident within the last five year	nr	650
External sewer flooding		
Number of external sewer flooding incidents with a root cause of hydraulic overloading	nr	475
Number of external sewer flooding incidents with root cause of sewer blockage	nr	1,766
Number of external sewer flooding incidents with root cause of sewer collapse	nr	58
Number of external sewer flooding incidents with root cause of equipment failure	nr	39
Number of external sewer flooding incidents with root cause not specified above	nr	169
Number of properties that have experienced more than one external sewer flooding incident within the last year	nr	231
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last year	nr	592
Number of properties that have experienced more than one external sewer flooding incident within the last three years	nr	1,025
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last three years	nr	2,836
Number of properties that have experienced more than one external sewer flooding incident within the last five years	nr	2,109
Total number of external sewer flooding incidents arising from properties that have experienced more than one external sewer flooding incident within the last five years	nr	6,018

Performance Summary cont.

3D – Underlying calculations and supplementary data – demand common performance commitments

	Units	2017–18 baseline	2018–19 baseline	2019–20 baseline	2023–24	2024–25	2025–26
Leakage – company level							
Annual average leakage	Ml/d	–	–	–	112.0	101.6	89.8
Three-year average leakage	Ml/d			105.4			101.1
% reduction in three-year average leakage from 2019–20 baseline	%						4.1
Per capita consumption – company level							
Annual average PCC	l/h/d	–	–	–	125.8	126.0	126.6
Three-year average PCC	l/h/d			133.4			126.1
% reduction in three-year average leakage from 2019–20 baseline	%						5.5
Annual household consumption level	Ml/d						339.6
Total household population	000s						2682.4
Business demand – company level – performance							
Annual average business demand (incl. voids)	Ml/d	–	–	–	107.6	103.8	103.2
Three-year average business demand (incl. voids)	Ml/d			115.7			104.9
% reduction in three-year average leakage from 2019–20 baseline (incl. voids)	%						9.3
Annual average business consumption (excl. voids)	Ml/d						100.6
Annual average business voids consumption	Ml/d						2.6
Business demand – company level – annual changes							
Annual average business demand (incl. voids) variance of reporting year from previous year	Ml/d						-0.6
Increase in business demand in reporting year due to new business demand (new supply points)	Ml/d						1.6
Changes in existing business demand (existing supply points) in reporting year compared to previous year	Ml/d						-2.1

Performance Summary cont.

3E – Underlying calculations and supplementary data – environmental common performance commitments

Serious pollution incidents	Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Number of serious pollution incidents (water)	Number			0	0
Number of serious pollution incidents (wastewater)	Number			12	12
Number of serious pollution incidents	Number			12	12

Total pollution incidents					
Pollution incidents – category 1 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	39,729	1	0.25
Pollution incidents – category 2 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	39,729	11	2.77
Pollution incidents – category 3 (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	39,729	242	60.91
Pollution incidents – dry day spills	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	39,729	149	37.50
Pollution incidents – Total (wastewater)	Number of pollution incidents per 10,000 km of sewer length	Sewer length in km	39,729	254	63.93

Storm overflows					
Total number of monitored spills	Number			15,554	
Total number of storm overflows	Number			977	
Uptime	% EDM uptime			94.81	
Average number of spills per overflow – monitored	Number				15.92
Unmonitored storm overflows adjustment	Number				5.19
Average number of spills per overflow – with unmonitored adjustment	Number				21.11

Bathing water quality	Unit	Standardising data indicator	Standardising data numerical value	Performance level – actual (current reporting year)	Performance level – Calculated (i.e. standardised)	PC definition weighting
Number of 'poor' bathing waters	Bathing water quality score	Number of bathing sites		9	0.0	0
Number of 'sufficient' bathing waters	Bathing water quality score	Number of bathing sites		7	2.3	0.33
Number of 'good' bathing waters	Bathing water quality score	Number of bathing sites		22	14.5	0.66
Number of 'excellent' bathing waters	Bathing water quality score	Number of bathing sites		49	49.0	1
Bathing water quality	Bathing water quality score	Total number of bathing sites	87		75.7	

Performance Summary cont.

3E – Underlying calculations and supplementary data – environmental common performance continued

Biodiversity	Unit	Standardising data indicator	Standardising data numerical value	Baseline	Current reporting year	Performance level – Net change	Performance level – Calculated (i.e. standardised)
Biodiversity net change – area	Net change in biodiversity per 100km²	Company land area (100km²)	–	–	–	–	–
Biodiversity net change – hedgerow	Net change in biodiversity per 100km²	Company land area (100km²)	–	–	–	–	–
Biodiversity net change – river	Net change in biodiversity per 100km²	Company land area (100km²)	–	–	–	–	–
Biodiversity net change – total	Net change in biodiversity per 100km²	Company land area (100km²)	–	0.00	0.00	0.00	–
River water quality							
Phosphorus emitted from treatment works that had a phosphorus limit for the latest calendar year.	% reduction in phosphorus emissions	2020 baseline	250,802.08	178,909.93	70,187.46	-108,722.47	-43.35%
Phosphorus prevented from entering rivers from partnership working	% reduction in phosphorus emissions	2020 baseline	250,802.08	0.00	0.00	0.00	0.00%
Reduction in phosphorus	% reduction in phosphorus emissions	2020 baseline	250,802.08	178,909.93	70,187.46	-108,722.47	-43.35%

Performance Summary cont.

3E – Underlying calculations and supplementary data – environmental common performance continued

Operational greenhouse gas emissions (water)	Unit	Actual tCO_2e
Scope one emissions		
Direct emissions from burning of fossil fuels (location-based)	tCO_2e	1412.31
Process and fugitive emissions (incl. refrigerants)	tCO_2e	1111.65
Emissions from vehicle transport (owned or leased)	tCO_2e	2239.20
Emissions from land	tCO_2e	–
Total scope one emissions	**tCO_2e**	**4763.17**
Scope two emissions		
Purchased electricity (location-based)	tCO_2e	29720.20
Purchased heat	tCO_2e	0.00
Electric vehicles	tCO_2e	0.03
Removal of electricity to charge electric vehicles	tCO_2e	0.00
Total scope two emissions	**tCO_2e**	**29720.24**
Scope three emissions		
Business travel on public transport and private vehicles used for company business	tCO_2e	242.55
Outsourced activities	tCO_2e	5750.20
Purchased electricity: extraction, production, transmission and distribution (location based)	tCO_2e	10476.93
Purchased heat: extraction, production, transmission and distribution	tCO_2e	0.00
Purchased fuels: extraction, production, transmission and distribution	tCO_2e	856.30
Chemicals	tCO_2e	8264.76
Total scope three emissions	**tCO_2e**	**25590.73**
Emissions reductions		
Exported renewables (generated onsite and exported)	tCO_2e	7.26
Exported biomethane (generated onsite and exported)	tCO_2e	–
Insets	tCO_2e	–
Total emissions reductions	tCO_2e	7.26
Baseline tCO_2e (2024–25)	tCO_2e	50342.33
Gross emissions	tCO_2e	60074.14
Net emissions	**tCO_2e**	**60066.88**
Percentage reduction from 2024–25 baseline (tonnes CO_2e)	**%**	**-0.19**
Emissions by base expenditure	tCO_2e	–
Emissions by enhancement expenditure	tCO_2e	–
Emissions by net zero enhancement scheme	**tCO_2e**	**–**

Performance Summary cont.

3E – Underlying calculations and supplementary data – environmental common performance continued

Operational greenhouse gas emissions (wastewater)	Unit	Actual tCO_2e
Scope one emissions		
Direct emissions from burning of fossil fuels (location-based)	tCO_2e	1008.06
Process and fugitive emissions (incl. refrigerants)	tCO_2e	56852.46
Emissions from vehicle transport (owned or leased)	tCO_2e	2239.20
Emissions from land	tCO_2e	–
Total scope one emissions	**tCO_2e**	**60099.72**
Scope two emissions		
Purchased electricity (location-based)	tCO_2e	50377.17
Purchased heat	tCO_2e	0.00
Electric vehicles	tCO_2e	0.03
Removal of electricity to charge electric vehicles	tCO_2e	0.00
Total scope two emissions	**tCO_2e**	**50377.20**
Scope three emissions		
Business travel on public transport and private vehicles used for company business	tCO_2e	242.55
Outsourced activities	tCO_2e	14217.67
Purchased electricity: extraction, production, transmission and distribution (location based)	tCO_2e	17758.89
Purchased heat: extraction, production, transmission and distribution	tCO_2e	0.00
Purchased fuels: extraction, production, transmission and distribution	tCO_2e	745.44
Chemicals	tCO_2e	23055.05
Disposal of waste	tCO_2e	10967.33
Total scope three emissions	**tCO_2e**	**66986.92**
Emissions reductions		
Exported renewables (generated onsite and exported)	tCO_2e	1843.44
Exported biomethane (generated onsite and exported)	tCO_2e	0.00
Insets	tCO_2e	0.00
Total emissions reductions	tCO_2e	1843.44
Baseline tCO_2e (2024–25)	tCO_2e	173572.63
Gross emissions	tCO_2e	177463.84
Net emissions	**tCO_2e**	**175620.41**
Percentage reduction from 2024–25 baseline (tonnes CO_2e)	**%**	**-1.18%**
Emissions by base expenditure	tCO_2e	–
Emissions by enhancement expenditure	tCO_2e	–
Emissions by net zero enhancement scheme	**tCO_2e**	**–**

Performance Summary cont.

3E – Underlying calculations and supplementary data – environmental common performance continued

Storm overflows	Unit	Performance level – Actual (current reporting year)
Average spills per overflow performance assuming 100% monitoring	Average spills per storm overflow	16.79
Spills under verified trial conditions	Total spills – number	0
Spills outside of verified trial conditions	Total spills – number	15,554

Storm overflows – wetland trial information	Storm overflow name	WINEP ID	SOAP ID	Months valid trial in operation during reporting year	Number of spills (under verified trial conditions)	Number of spills included in the PR24 PCL	Total number of spills associated with NBS trials (outside of PR24 forecast performance);
Trial overflow information – trial site 1	–	–	–	–	–	–	–
Trial overflow information – trial site 2	–	–	–	–	–	–	–
Trial overflow information – trial site 3	–	–	–	–	–	–	–
Trial overflow information – trial site 4	–	–	–	–	–	–	–
Trial overflow information – trial site 5	–	–	–	–	–	–	–

Performance Summary cont.

3F – Underlying calculations – asset health common performance commitments

Repairs to burst mains	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Mains repairs – Reactive	Mains repairs per 1,000km	Mains length in km	14,034.7	987	70.3
Mains repairs – Proactive	Mains repairs per 1,000km	Mains length in km	14,034.7	881	62.8
Mains repairs	Mains repairs per 1,000km mains length	Mains length in km	14,034.7	1,868	133.1

Sewer collapses					
Sewer collapses	Number of sewer collapses per 1,000km of all sewers	Sewer length in km	40,171	318	7.92

Unplanned outage	Unit	Current company level peak week production capacity (PWPC) Ml/d	Reduction in company level PWPC Ml/d	Outage proportion of PWPC %
Unplanned outage	% loss of company peak week production capacity	868.71	25.21	2.90

3G – Underlying calculations – compliance based common performance commitments

Discharge permit compliance	Unit	Standardising data indicator	Standardising data numerical value	Performance level – Actual (current reporting year)	Performance level – Calculated (i.e. standardised)
Discharge permit compliance (water)	% permit compliance	Number of numeric discharge permits (water)	310	0	100.0
Discharge permit compliance (wastewater)	% permit compliance	Number of numeric discharge permits (wastewater)	24	11	54.2
Discharge permit compliance	% permit compliance	Number of numeric discharge permits (total)	334	11	96.7

Compliance risk index					
Water treatment works compliance risk index score	Number			2.29	
Service reservoirs compliance risk index score	Number			0.21	
Supply points compliance risk index score	Number			0.02	
Customer zones compliance risk index score	Number			0.67	
Compliance risk index	Number				3.19

Performance Summary cont.

Outcome performance commentary

Summary

Our operational performance has seen some significant improvements in the first year of AMP8, building on the investment and commitment to our AMP7 Turnaround plan. We have either met or outperformed eight of our 20 industry shared operational Performance Commitments (PCs) including a significant reduction in our water supply interruptions thanks to a programme of improvements delivered throughout the year, an 11.5% reduction in annual leakage (101.1Ml/d 2024–25, 89.8Ml/d 2025–26), and our lowest ever number of external flooding incidents. This has resulted in a reward of £33.90 which when offset against any penalty results in a net ODI total of -£7.98 excluding final ODI calculations for measures of customer experience.

The way customer experience is measured changed this year, with the introduction of BR-MeX the measure of retail customer experience, and with changes to both the questions we ask customers for D-MeX, and a change to the methodology for both this and C-MeX. All three of these metrics are compared with the industry average and we are forecasting an ODI penalty for all three.

These achievements demonstrate we are continuing to build on the success of our AMP7 Turnaround Plan and we have made a strong start to AMP8. Although we have not met the performance commitment level (PCL) set for all our PCs, alongside the eight we have met, we improved our performance compared to 2024–25 for a further three of these metrics, including a significant improvement to our Compliance Risk Index (CRI) having reduced this from 3.82 in 2025 to 3.19 in 2026. Performance deteriorated for five of these key metrics: internal sewer flooding, discharge permit compliance, sewer collapses, mains repairs, and Per Capita Consumption (PCC). We know this does not meet our customers' expectations, especially for internal flooding given how distressing this can be.

Areas where we have fallen below expectation:

Internal flooding – ODI -£4.20 million

We are aware that internal flooding is one of the worst things that can happen to customers and understand the impact this has. This is why we are disappointed to see our performance has deteriorated in 2025–26, with 389 internal flooding incidents during the year. While almost 85% of those incidents were first time floods, we did have 62 properties which had been flooded more than once since April 2022, with 24 of these being affected more than once during the 2025–26.

Most internal flooding is caused by blockages, primarily as a result of fat oil and grease (FOG), with this having a 51% increase this year, with 245 of the 389 incidents, compared to 80 in 20and saw a peak in July with localised hydraulic overload events in Kent and Sussex. due to localised heavy rainfall. We are working hard to prevent internal floods with the installation of an additional 8,000 monitors at key points on our network, to help us stop potential flooding and manage flow taking our SLM (sewer level monitor) estate to over 34,000.

As part of our proactive flood prevention actions we're applying machine learning to SLM data, incorporating hyper-local rainfall data daily patterns, seasonality, river levels, and other data sources to alert the Control Centre when something unpredicted, such as a blockage or defect in the network, is potentially preventing our sewers from running as they should. We're using this alongside improved proactive network maintenance with a new asset register, supported by AI-driven health check along with a new compliance database and mapping, increasing visibility of issues and risks. The prevention steps are combined with enhanced tankering capability to help manage flows to stop flooding before it happens. For more information on how we respond to flooding and customer care, see our statement on licence Condition G statement on pages 19 to 28.

Discharge Permit Compliance – ODI -£2.48 million

Discharge permit compliance has deteriorated in 2025, falling from 98.2% in 2024 to 96.7% in 2025.

This represents a total of seven failing works.

Treatment Compliance has declined due to higher nutrient loads from an unusually dry first half of the year, coupled with a significant sludge backlog in early 2025 and over 50 new tighter phosphorus permits.

Root Cause Analysis of our breaches shows that this background level of heightened risk was exacerbated by Operational Grip issues and visibility gaps for assets under third party control.

We are already underway with a seven-point action plan based on the observed root causes of failure in 2025 to radically improve our visibility of risk, responsiveness to issues and focus on embedding the basics (such as daily site visits) to improve our compliance performance back to green in 2026. This includes:

- Establishing and driving down risk level based on of plant out of action, including increasing availability of critical spares, improved process management, and out of hours resourcing.
- Increasing operational control, improving line of site and transparency between plant under scheme control and the rest of the works to ensure full control of our treatment compliance transforming our operational grip on site and improving resilience with the introduction of the new descriptive breaches metric on sites with numeric permits.
- Operational changes to ensure the basics are being done correctly and ongoing refresher training and RAID Team Focus Shift, better controls of third-party maintenance, and increased site visits.
- Daily compliance calls with senior leadership driving command and control structures to ensure robust effective and robust action is being taken as soon as problems occur
- Digital enablers including revised alarm prioritisation and updated data transfer systems ensuring we act as soon as possible.
- Contract reviews, ensuring the right equipment and chemicals are available when needed, and a revised maintenance schedule
- Our WINEP back to green plan, getting telemetry right ahead of permit changes and deliver, and better collaborative working with contractors to ensure delivery.

Performance Summary cont.

Greenhouse Gas (GHG) Emissions HG emissions Water – ODI -£1.56 million, Waste – ODI -£0.09 million

As part of PR24, all companies were asked to reduce their GHG emissions from a baseline taken in 2024–25. Overall, our GHG emissions increased by 4% during 2025–26, with our GHG emissions for water unfortunately increasing by 19.32% as a result of higher than forecast chemical consumption, specifically relating to activated carbon treatment, in order to meet drinking water quality standards.

Our waste GHG emissions increased over all by 1.18% driven by an increase in ferric and caustic dosing for wastewater treatment. This overall increase was offset by a small decrease in scope 1 emissions from digestion resulting from a successful transition to advanced anaerobic digestion at our Goddard's Green sewage treatment centre. This performance is not the one we had expected, and we remain committed to reaching our Net Zero goals and have plans in place to reduce carbon emissions back to targeted levels in 2026–27.

We have included further commentary, a full SWOT (Strengths, Weaknesses, Opportunities, Threats) assessment, along with an overall compliance assessment of our reporting our greenhouse gas emissions and net zero section of this report.

Sewer collapses – ODI -£1.17 million

While we managed to bring down the total number of blockages from 20,009 to 18,408 there was an increase to the number of sewer collapses and mains burst to 318, over both our Ofwat and execution plan targets. We continue to drive our approach to rehabilitating and calming rising mains as the primary way to drive down sewer collapses. This includes replacing and maintaining air valves, introducing variable speed drives and rehabilitating sections of rising mains using lining techniques to prevent repeat sewer collapses. This approach has a compounding or cumulative improvement over time as the benefits of these interventions have a continued benefit beyond the year of implementation. This approach will continue throughout AMP8 with rising mains planned in for proactive rehabilitation at the start of AMP8, based on asset deterioration models reconciled with operational knowledge.

Mains repairs – ODI £nil

We carried out a total of 1,868 repairs to mains across our water network last year, almost half of which (881) proactively identified as part of our ongoing efforts to reduce customer leakage. In trying to reduce leakage we have stepped up our leakage activity and therefore this lead to an increase in mains repair numbers, along with external factors like weather. Whilst we did not meet the Ofwat PCL, we have remained below the penalty deadband. Compared to historic performance, we are now seeing the benefit of the extensive pressure management programme we have implemented over the last four years, which as well as reducing leakage, has resulted into a calmer network and hence a reduction in bursts. We are forecasting our mains repairs figure to continue to increase, directly as a result of better network monitoring and the continually increasing efforts to reduce leakage.

Areas where we need further improvement:

Serious pollution incidents – ODI -£17.13 million

While the number of serious pollutions incidents on 2025 fell from 15 in 2024 to 12, we know this is still an area where we need to make a significant improvement in our performance. 2025 saw the introduction of a compliance Intervention desk covering our wastewater networks to improve monitoring, as well as other key deliverables from our PIRP to help prevent and address the cause of pollutions across our region as highlighted in both our 2026 PIRP report, and our Annual Report and Financial Statements. In 2025, the South East of England experienced prolonged dry conditions and drought, with exceptionally low river flows, alongside record heat. These conditions reduced dilution capacity and increased environmental sensitivity. Periods of heavy rainfall following this dry weather triggered storm overflow discharges into already stressed watercourses, creating a combined effect of higher pollutant concentrations, elevated temperatures and reduced oxygen levels, all of which are relevant to both the occurrence and severity of pollution incidents.

Total pollutions – ODI -£14.06 million

As with serious pollutions, external factors impacted the number of reportable pollution incidents in the year, and while we did reduce total pollutions by 5%, we're aware we still have further to go in terms of meeting the expectations of our customers and our regulators.

New guidance coming into force on the 1 January 2026 was received in October 2025 and although formally implemented in the following January 2026, was already influencing Environment Agency's regulatory decision-making during 2025. In practice, elements of the revised WIRI began to be applied ahead of formal implementation, which affected the categorisation of incidents, including those subject to regulatory appeal towards the end of the 2025 reporting year. This meant that our regulatory appeals process continued into late May 2026, and that the final EA tracker for 2025 is expected around September 2026, following the conclusion of regulatory appeals across the wider industry.

Whilst informal reporting of total pollutions under the revised guidance was estimated for internal use, the scope and breadth of the changes mean that we will not be able to directly compare performance in this area moving forward. The Environment Agency has confirmed that the revised guidance adding previously excluded water Cat. 3 pollutions, removing the no environmental impact Cat.4 definition, and inclusion this and other historically excluded unpermitted discharges, as well as the inclusion of permitted Dry Day Spills (DDS) will seem to dramatically increase the number of total pollution incidents recorded.

In anticipation of the changes to WIRI guidance and to inform the EA's approach to pollutions reporting, 2025 was a shadow year for dry day spill reporting alongside a task and finish group established with EA National to confirm and refine reporting guidance and categorisation. The number of DDS reported in table 3 has been inputted using the assumption action plans for each site would have been submitted and accepted. This equates to 149 unique overflows with dry day spills and active action plans, as the EA are planning to amalgamate events to one per overflow assuming the action plan is accepted. This consists of 3,468 individual spill events amalgamated by calendar day as per the EA DDS submissions, to 865 spill events on dry days across 149 unique overflows. The EA have not yet confirmed how the events will reflect in NIRS should an action plan not be accepted.

Performance Summary cont.

Per capita consumption (PCC) – ODI -£0.09 million

We have reduced customer usage down from our PR24 baseline to 126.4 litres per person per day (l/p/d), and despite a small increase in consumption compared to 2024–25, still have one of the lowest levels of household usage in the country. Unfortunately, this has mean we have not met our Ofwat target for the reduction as a three-year rolling average. We continue to work with our customers to aim for a household usage of no more than 100l/p/d, with a combination of activities. The underperformance was anticipated, as we progressed procurement of a new AMP8 audit contract. In 2025–26, we completed 2,789 household audits, delivering total water savings of 0.046 Ml/d against a target of 0.061 Ml/d. Household audits remain our key measurable activity pending the availability of smart meter data. Audits continue to include installation of water-saving devices, leak inspection and repairs, and tailored water efficiency advice, particularly in water-stressed areas. We plan to intensify home audit activity across the remainder of AMP8 as the new contract mobilises and as we can leverage insights from the smart meter rollout. We have set a target of 30,000 home visits for the remainder of AMP8, with greater flexibility to prioritise areas where customers are less water efficient and require additional support. Our primary focus is cumulative water saved rather than audit volumes. We aim to achieve 1.10 Ml/d savings by the end of AMP8, exceeding the 1.08 Ml/d forecast in our fdWRMP24 plan.

We also delivered complementary activities to improve awareness, usage monitoring and demand reduction. We worked with our consultant – the Behavioural Insights Team (BIT) – to identify low-cost, behaviourally informed water efficiency interventions. Three projects were selected for development: a hot water cost reduction campaign; a leak identification and repair service; and a garden hose efficiency campaign. Blueprint development is currently in the scoping phase, with the intention to implement elements of these interventions in AMP8.

Behavioural insight research and customer data indicate that many customers are unaware of how much water they use and often underestimate consumption. In response, we developed a bespoke water calculator to help customers understand and track their usage and adopt water-saving behaviours. Behavioural change principles are embedded throughout the design to provide practical, relevant and achievable guidance. The tool provides personalised feedback by comparing a customer's consumption with similar households and identifies practical opportunities to reduce water use, including potential bill savings. Data from the tool will also support development of further targeted water efficiency strategies, including follow-up communications and additional support such as home audits, tailored advice and water-saving devices. The tool is scalable as it was developed in-house and is owned by us. We also scoped and developed a new water efficiency campaign focused on why customers need to save water. The campaign is designed to complement the national water saving campaign coordinated by Ofwat. To maximise impact, we plan to launch the water calculator and the new campaign together in Spring 2026, aligned to the UK's Water Saving Week.

We completed Phase 1 of our Water Saving Kits project, which involved the development of practical kits to help customers reduce water use at home. The kits included water-saving messages and devices grouped into three categories (family, home and garden). Phase 1 tested customer interaction with, and use of, the kits to identify the most effective messages and devices to support PCC reduction. Working with an independent research company, Relish, the initial testing generated insights that will be incorporated into Phase 2 to improve outcomes. The project will inform which products we can roll out to customers across our region support further household reductions. This was followed in early 2026 by partnering on seven bids to the Ofwat Water Efficiency Lab looking to unlock further funding to enhance our programme of activity and trial new initiatives to help support further PCC reductions, we await decisions in June on successful projects and continue to work with and for customers to reduce water stress within our region.

Drinking water appearance taste and odour – ODI -£0.04 million

While we missed our target of 1.09 contacts per 1000 customers, performance strengthened significantly in 2025, with overall contacts reducing by 10% and an outcome of 1.11, outperforming our PR24 forecast and execution plan forecasts. Although we did see an increase in contacts related to taste and odour in the year, appearance-related contacts have reduced by 17%.

Operational interventions, particularly network flushing with over 1,000km mains flushed in 2025, and site optimisation notably at Testwood driving reductions in discolouration contacts. We also completed a review of proactive messaging including root cause deep dives into peak periods of contact and have already implemented improved customer communications to help contact our customers before they need to contact us. Further work including TSI logger deployment, key equipment purchases and further training are already being rolled out in order to improve our performance even further in 2026 and beyond.

Storm overflows – ODI -£0.10 million

Average spills per overflow is a new metric for AMP8, and whilst we did not meet the Ofwat target of 17.99 spills per overflow, we did see a significant reduction compared to last year with the number of observed spills in 2025 falling to 15,554 from 29,355 in 2024.

Whilst in part was influenced by rainfall levels, was also driven by a number of ongoing improvements as detailed in our Annual Report and Financial Statements, including:

- Continuing to build on our Pathfinder trials working with partners in the community, to change how we approach the management of surface and groundwater
- Separating surface water connections from combined sewers and reconnecting them to new surface water drains with over 140,000km2 of roofs, roads, pavements and car parks have been disconnected so far
- We have improved how we share information, including upgrades to our storm overflow monitoring service, Rivers and Seas Watch, and our Clean Rivers and Seas Plan.

Of our overall performance, 5.19 of the 21.11 average per overflow is the estimated number of spills which occurred when we did not have active telemetry in place. The main issue faced around maintaining our EDM availability has remained where sites require traffic management or are in the vicinity of Network rail assets, and lower availability due to battery operated equipment, together with poor signal locations. Alternative solutions have been identified and are being implemented for these problems, and our EDM uptime has increased to 94.81%.

Performance Summary cont.

This increase from 93.14% in 2024 reflects an increased focus on EDM availability together with having upgraded battery units and introduced newer models of monitor with better reliability. The monitoring of the availability of EDMs is within the updated ThingWorx programme, which provides greater visibility of asset health, and this is monitored daily, enabling a faster response and resolution of any issues. We are now aiming to meet or exceed the industry EDM thresholds for the remainder of the AMP.

CRI – ODI -£0.96 million

2025 saw a significant decrease in our CRI score moving from 3.82 in 2024 to 3.21. This improvement has been the result of delivering our ongoing Water First programme initiated as part of our Turnaround Plan. The 2025 CRI score is largely influenced by a single coliform breach at Otterbourne in December 2025, which scored 1.75 of the overall annual CRI score of 3.21. Our Otterbourne site is currently under a Final Enforcement Order from the DWI increasing the multiplier for this site to an assessment score of 4, resulting in a higher score than would have been returned had the water supply works not been covered by a legal instrument. This improvement on the previous year's score, without the Otterbourne coliform breach, would have been a lower than industry average score of 2.93.

Our focus in 2026, as well as the delivery of our Water First and Four Sites plans is around cytometry across our large sites to better understand emerging water quality risk, as well as improving performance with our new lab provider – South-East Water. Through successful delivery of the Water First programme actions planned for 2026 and our process of continuous improvement, we are aiming to move out of transformation with the DWI (reducing site multipliers), as well as driving down root cause of compliance breaches.

Areas where we are meeting customer expectations and more:

External flooding – ODI £30.82 million

For the fifth year in a row, we have outperformed our external flooding target, with only 2,507 incidents in 2025-26, with the majority of flooding being a first time event, and only 231 customers having experienced repeat flooding in the year.

As with internal flooding the main driver for these event remains hydraulic overload which peaked in January and February along with sustained wet weather in that period. Thanks in part to the work of our FOG team, there were continued reductions in external flooding incidents caused by blockages due to fat/rag, however, external flooding incidents due to blockages from roots has remained relatively flat with 139-160 incidents over the last 4 years (140 in 2025–26). We continue to make process improvements to our root cause reporting which has reduced the number of 'unknown' root cause of flooding down to 224, with all but 14 incidents resolved with a root cause in line with overall trends. The remaining 14 were all subsequently investigated, and we continue to regularly review flooding impacts and root cause on a weekly basis, with executive and board review of these monthly. Repeat customer impact reporting is regularly shared with operational teams to highlight worst-served customers and prompt local investigation and action, and where applied, it has successfully resolved the highest-risk cases.

Our network estate now includes 34,000 SLMs, delivering both flooding and pollution reduction, with benefits tracking showing approximately 33 fewer external flooding incidents per month since April 2025. This and our recently renewed investment in proactive CCTV surveying and cleaning, root cutting and lining, as well as infiltration and inundation interventions are helping us reduce external flooding to the lowest level possible.

For more information on how we manage flooding impacts to our customers, see the Licence Condition G statement in this document.

Leakage – ODI £1.07 million

From 1 April we switched over our leakage, per capita consumption, business demand and other water balance outputs to our updated and more accurate method of reporting, which has been reporting in shadow since the start of AMP7. Switching over to this methodology and using more accurate data means that we have reduced the number of red rated reporting components down from eight to one, and the number of ambers from 10 to seven.

This is the result of ongoing work aiming not only to make all reporting components green, but to improve the accuracy and transparency of our reporting. As part of our ongoing water balance review we have worked with internal teams and our service partners RPS, Stantec, and PN Daly to review key areas including unbilled usage, independent reviews of both household and non-household night use, details of the remaining red and amber components, and the steps being taken to address these in appendix 2.

Over the past year, we have reduced annual leakage by over 10% from 100.7Ml/d to 89.8Ml/d, this has taken our three-year rolling average from our PR24 baseline level of 105.4Ml/d to 101.1Ml/d. As detailed in our Annual Report and Financial Statement, this is the result of the hard work of our operational teams, both other the last year and over the course of our turnaround plan, a saving of over 20Ml/d since the peak in 2022–23.

Performance Summary cont.

This has been driven by increased find and fix activity including using innovative techniques like leak detection dogs, as well as continuing to follow the PALM (Prevent, Aware, Locate, Mend) model and leakage strategy outlined in our 2024–25 APR and PR24 Business Plan. Our ambitious plan to reduce leakage over the next year and the rest of this AMP is now well underway, and we will continue to build on this over the coming year.

Water supply interruptions – ODI £1.62 million

Our average minutes of interruptions over three hours fell from 02:19:50 in 2024–25 to 00:05:01 in 2025–26 thanks to a renewed approach focusing on lessons learned from the major incidents impacting this metric in the prior years and reflects the hard work and targeted approach to reducing risk and increasing asset and operational resilience of our operational teams.

Knowing the stress and inconvenience encountered by our customers when their supply is interrupted, we launched a programme targeting the prevention of large incidents and delivered significant risk reduction across five of our key sites. These included completing the roll out our 'golden hour' approach to respond to all incidents where supply is interrupted within an hour. Whilst several significant large events impacted us last year, the ongoing improvements following strategic and tactical improvement plan delivered have pushed our performance to the lowest level since the metric definition was amended in 2017. This achievement is driven by understanding what went wrong, including avoiding repeat interruptions from 2024–25 at both Sandown on the Isle of Wight, and Testwood in Hampshire. We also carried out an assessment and tactical fix of on all incoming alarms in our control rooms to improve speed of diagnosis and response, using this to drive an improved and newly digitised operational control process, and having increased tankering capacity.

We are now looking at how we can maintain our performance at this level, including our mains replacement programme, increased pressure management, further increasing our in-house tankering capacity, and targeted trunk main investment to improve risk understanding.

Unplanned outage – ODI £0.03 million

The way unplanned outage is reported changed for AMP8, with previously excluded incidents being included from 1 April. With a revised starting point of 5.48%, we have continued with planned works to reduce outage, and renewed our Outage Reduction Strategy, including the onboarding of a new above ground workforce, and the introduction of regular outage management review and planning sessions with cross functional teams to improve response and asset resilience. We have continued to increase availability of critical spares, and increased staffing levels in our MEICA (Mechanical, Electrical, Instrumentation, Control, and Automation) teams improving response and repair times.

Reducing unplanned outage by 2.58% has been challenging, with multiple extended outages caused by turbidity and issues with water quality that would previously been excluded. We have offset these with a number of successes, including the return to service of our Chillerton water supply works after a period of extended outage, changes in process and at site leading to the removal of long-standing partial outage as well as a return to full capacity at our Flemings water supply works. Over the coming 12 months, we will be building on these successes by improved provision of borehole pumps at sites as critical spares, the creation of regional equipment stores to speed up time to repair and continuing our ongoing review of site capacity and active output monitoring to stop outages before they occur.

Business demand (NHH) – ODI £0.36 million

Having worked with business and schools throughout AMP7, and in line with this new performance commitment for AMP8, our water efficiency programme includes reducing non-household demand, supporting the government's goal of a 9% reduction by the end of 2038. While we were not set specific targets (and formal reporting therefore would not commence until AMP8), we began planning in AMP7 to ensure we were ready to mobilise activity from April 2025.

This has enabled us to reduce existing demand from non-household (NHH) customers by 2.1 million litres per day (Ml/d) and even factoring in increase in demand from new supplies, reduce our three-year rolling average by 9.3% to 100.7Ml/d.

Our non-household strategy provides tailored solutions aligned to the operation needs of each business. Our core approach is to either reduce reliance on potable supplies by enabling alternative sources (e.g., rainwater or grey-water harvesting) or reduce consumption through water-efficient device fittings and leak fixes during water audits.

In AMP7, we undertook audit trials to improve our understanding of the non-household sector, business types and the effectiveness of different interventions. We then progressed to delivery of audits which included water-saving retrofits and leak repairs across businesses, social housing and schools. We also worked with our retail partner, Business Stream, on a targeted schools project in water-scarce Hampshire. Building on these early activities and associated learning, we made a strong start in AMP8 on non-household demand reduction. Through BAU non-household audit activity, we delivered an estimated 1.028 Ml/d of savings, and as part of our drought mitigation response, we scaled up non-household audits in Hampshire and the Isle of Wight, delivering a further estimated 2.603 Ml/d of savings expected to further reduce demand across the rest of this AMP.

Our Business Partnership Fund was launched in 2023 (AMP7) to provide funding for bespoke customer projects that reduce demand through interventions such as rainwater and grey water harvesting. To date, we have worked with retail partners to fund 21 projects, delivering 0.068 Ml/d of savings from the 14 projects completed. In 2025–26, funded projects included Elm Grove Primary School, Brighton (25,644 litres saved) in collaboration with Wave Utilities. We also supported projects at Henfield Leisure Centre (760,000 litres saved) and the Wildheart Animal Sanctuary, where we supported installation of a water-efficient pool as part of a rainwater harvesting system. Both projects were in partnership with Business Stream. The combination of these activities will give us assumed total savings of 3.70 Ml/d already outperforming our fdWRMP24 target of 1.18 Ml/d savings for AMP8.

As well as outperforming our WRMP and performance commitment targets, our work in the non-household sector was recognised at the Southern Sustainability Awards, where we were runners-up for both our business water-saving audits and the Business Partnership Fund. We are initiating a project focused on demand reduction for large non-household users to strengthen water savings and improve delivery against our demand reduction target. Research by Isle Utilities across our non-household customer base identified segments and sectors with the greatest

Performance Summary cont.

water-saving potential, based on consumption patterns, operational behaviours and propensity for efficiency interventions. The research found that the top 200 businesses in our region account for approximately one-third (c.33%) of total business demand. Using a structured ranking methodology developed by Isle Utilities to assess and prioritise customer-level opportunities, we will systematically identify and sequence the most cost-effective and impactful interventions for AMP8. We intend to adopt a test, learn, and scale approach, commencing with three targeted pilots: hospital, port and university.

This and our ongoing investment in working with businesses, schools, and other NHH customers to reduce consumption will allow us to protect a safe secure source of water for our region into AMP9 and beyond.

Bathing water quality – ODI £nil

The Ofwat bathing water quality metric uses a slightly modified methodology to the one used by Defra and the Environment Agency and measures the number of bathing waters classed as 'Excellent', 'Good' and 'Satisfactory' within our area. While under the Ofwat definition, nine of our 87 bathing waters remain at 'Poor', we have met our PCL of a score of 75.7 out of 100 with the number at 'Excellent' increasing to 49 from 44 and decreasing the number at 'Sufficient' down from 10 to seven.

This has been the result of a collaborative and community-based approach as well as significant investment in protecting and improving bathing water quality. This has included educational campaigns, public engagement sessions, expanding out dedicated bathing water team to 15, and identifying and rectifying 35 illegal connections.

Having our own in-house team that investigate contamination from the surface water system means we have a greater chance of finding the source of pollution from misconnected properties in bathing water locations. Increasing the size of the illegal connections team means we can apply greater time and focus in an area. When downward trends are identified through analysis of bathing water samples, we now have the ability to be more agile and move teams to areas of concern. We have also brought in subject matter experts to ensure the most effective and beneficial improvements are being delivered.

You can read more about this, and the fantastic work done by our Clean Rivers and Seas team to improve bathing water quality across the region in our 2025 bathing water report.

Biodiversity – ODI £nil

Biodiversity is another new metric introduced in AMP8 to incentivise companies to conserve and enhance biodiversity with the benefits of reduced extinction risk, increased resilience to climatic and water resource changes and enhancements in ecosystem service provision such as water quality, localised climate regulation, pollination, and clean air.

We notified Ofwat after the consultation on reporting for 2025-26 that we would be entering a nil return for biodiversity, on the basis that we are still in the process of baselining and selecting sites for potential nomination under this metric. This does not mean that we haven't made progress and invested in this area. Southern Water has embraced the opportunity that the Biodiversity Performance Commitment (BPC) presented from the start of AMP8, by embedding it into its AMP8 corporate vision and strategy as one of internal KPI's or Objectives and Key Results (OKR's). This has given it strong visibility across the business and at board level. As part of our commitment to this, we have developed an approach that has three key pillars:

- Baselining sites and habitats both Southern Water estate and third party.
- No deterioration of Biodiversity on our estate in AMP8 and beyond, and;
- Biodiversity uplift to enable us to meet and where possible outperform targets

Underpinning our approach we have developed internal governance, including establishing a corporate Land Board, which assesses and weighs up potentially competing land needs and considers sites we put forward for potential inclusion in our BPC. In addition, we have departmental portfolio boards where we report monthly progress, highlight risks and opportunities. We report progress on the OKR (Outcome Key Result) on the BPC at a monthly Executive committee.

During the first year of AMP8, we utilised ecological consultants to start to undertake our baseline surveys, and utilisation of the Biodiversity Metric provided consistency with other ecological survey across wider programmes in the water company, in particular the capital programme. Having the same metric for major programmes such as Biodiversity Net Gain, has been very important in building consistency. We have developed and staffed our Biodiversity Team, building internal expertise so that outside of the required externally taken surveys, we can undertake surveys in house and therefore offer a more flexible, robust, and longer-term approach to how we use this metric across other biodiversity drivers, such as our WINEP commitments.

We will be delivering our BPC commitments with an aim to meet or exceed our AMP8 target on our estate and on third party sites. We already taking steps to ensure our estate is not deteriorating for Biodiversity. We are adopting a prioritised approach, ensuring that our most important sites for biodiversity including Sites of Special Scientific Interest, Local Wildlife Sites, and sites where habitat quality is already high, do not decline now, or in the future. As part of this process, we extended our site baselining activities during 2025–26 to such sites and are undertaking additional surveys with our new in-house team. We will be reviewing site management across these sites, and those selected for potential nomination, and developing site management plans and delivery plans with an aim to systematically embed long term management of biodiversity into the future, including business planning and price review cycles.

River water quality – ODI £nil

The river water quality metric specifically measures the percentage reduction in phosphorus emissions to river catchments as a result of water company activities involving partnership working as part of the WINEP.

Southern Water's partnership working schemes are all planned in AMP9 and we will report this core element next AMP. Alongside this performance commitment, all companies are also asked to report on their overall phosphorus reduction against a 2020 baseline. In our PR24 business plan we submitted a proposed target reduction of 33%, and thanks to activities across our wastewater sites, we managed to outperform this, achieving a 43% reduction compared to 2020 levels and are looking to continue this reduction from year to year.

Performance Summary cont.

BR-MeX

BR-MeX is a new performance metric introduced in April 2026, measuring individual business satisfaction (50%), retailer satisfaction (25%) and adherence with service level agreements (SLAs) (25%) for business customers. With retailers praising communication Southern Water were scored 6th out of 15 in the water and wastewater sector companies in R-MeX, with the first half of the year (quarters 1 and 2) showing our best score to date (5th). Southern Water adheres to SLA's approximately 92.58% of the time, also ranking 6th.

Business customer satisfaction (B-MeX) with our water and wastewater services is ranked 11th. While this is higher than our C-MeX results for the same processes, this remains lower than we would like. The key driver of dissatisfaction relates to incomplete updates from operational teams and insufficient visibility of job status, making it harder to track the progress of issues. We are currently forecasting an ODI payment of -£0.35 million based on scoring <0.5 points behind the industry median.

C-MeX

The C-MeX calculation has changed in AMP8 to 33% Customer Satisfaction Survey (Billing), 33% Customer Satisfaction Survey (Operations) and 33% Customer Experience Survey. The method of the surveys has also moved agency, from phone to online, and can come from any contact in a month, rather than a single week as in AMP7. This, along with increase media attention this year, has led to an overall reduction in scores year on year for all companies, those who were performing well have been affected less, but those performing in the lower half have seen significant decreases. We didn't get customer service right this year –so we're reviewing our systems, processes and channels to improve the experience and make it easier for customers to get the help they need. As a result and have started a number of key improvements that will be rolled out in 2026–27 and beyond to improve customer satisfaction. These include:

- Pro-active triage and resolution management of customer complaints;
- Improvements to key customer journeys management improving home move and better billing and payment understanding;
- A 'Customer Model Office' (CMO): piloting new ways of working for an ongoing, intelligence-led (including adoption of Smart processes) improvement of customer experience.

These, along with an Operating model redesign, targeted improvements to customer experience, process and case management and utilisation of process automation and AI will lead an ongoing, intelligence-led improvement of customer experience. We are forecasting an ODI payment of -£13.155 million.

D-MeX

Like C-MeX, there have been changes to the way D-MeX is measured that have led to and overall downturn across the industry. Over the course of this year we have implemented local tactical plans, renewed our web content and updated our digital customer portal, as well as continuing our focus on customer service. Enhancing our Developer Services digital platforms by resolving portal and workflow issues, addressing root causes, and expanding application capabilities to support new regulatory and environmental requirements helped us to raise our quantitative score from 98.53% to 99.64%. Over the next 12 months we are looking to improve our performance by building on the progress of this year in strengthening leadership, enabling growth, addressing areas of dissatisfaction and maximising commerciality. Despite this progress we fell from 14th to 16th place out of 17 with a score of 71.45, so are forecasting the maximum ODI payment of -£7.814 million.

Independent Limited Assurance Report of Jacobs U.K. Limited to Southern Water Services Limited

This assurance report provides an overview of our limited assurance that Southern Water Services Limited (SWS) requested to support the Southern Water Annual Performance Report (APR) 2026 submission.

Scope of Work and Approach

This assurance report provides the conclusions from the work specified in our Statement of Work, SWS- APR26 Statement of Work v3, issued on 20th February 2026 and 'Southern Water Services- Statement of work- DWI v1' issued on 11th November 2025. Southern Water requested assurance of processes and data for the reported performance against the specific performance commitments (PCs) and data tables listed in Appendix A and the Carbon Accounting Workbook.

SWS advised us that each line of non-financial data reported to Ofwat is supported by a process document and data sheet, assigned a unique reference and forming the Ofwat Reporting Framework (ORF). There were 30 ORFs in scope for external year-end assurance.

The work requires us to assure the accuracy of data reported to Ofwat in the APR and compliance with Ofwat's published Regulatory Accounts Guidance and the PR24 Final Determination Outcomes Performance Definitions. The assurance work was undertaken with the following limitations:

- Assurance is undertaken on a risk-based approach using a sampling approach and with the evidence provided by Southern Water

We have undertaken this assurance remotely over Microsoft Teams and offline reviews between January and June 2026. During the review, we have completed the following tests:

- Is the reporting methodology subject to appropriate governance and is it consistent with the requirements?
- Has the process defined in the methodology document been followed?
- Are the reported data and commentary reasonable and consistent with the other information seen at the audit and have the data checks identified any issues?
- Are reporting risks being managed and are there sufficient checks and controls?

We met with process and data owners to obtain evidence that the documented procedures and methodologies were being followed. We reviewed data on a sample basis, tracing it back to source data to verify the information. We also reviewed governance arrangements for checking, verification and approval of information by the accountable managers.

Assurance Standards Applied

We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

For Greenhouse Gas audits we have conducted our limited assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements.

SWS' Responsibilities

The information and presentation of data within the APR 2026 is the responsibility of SWS. The Directors are responsible for:

- establishing relevant criteria for preparing the APR metrics in scope;
- designing, implementing, and maintaining internal processes and controls over information relevant to the preparation of the APR metrics in scope that are free from material misstatement, whether due to fraud or error, and;
- measuring and reporting the APR metrics in scope based on the relevant criteria.

Our Responsibilities

We are responsible for:

- conducting an engagement in accordance with ISAE 3000 (Revised) to provide limited assurance of the APR metrics in scope, to establish whether it is free from material misstatement, whether due to fraud or error; and
- expressing an independent conclusion on the APR metrics in scope based on our procedures.

Summary of key findings

We have assessed the information within our scope for limited assurance against the audit tests. We can confirm that the PCs and data lines in our scope of audit and assurance provide a fair and reasonable account of SWS's performance and reporting against the PC targets for year 1 of AMP8.

Across all audits we noted SWS had a clear understanding of the regulatory requirements and processes. SWS consistently demonstrated strong operational knowledge and we were able to trace data effectively back to source. We noted the company has considered our recommendations from the previous year and improvements were made for the reporting. The company has well-established and structured internal processes for reporting which is well understood by the auditees. We noted positive collaboration between operational teams, assurance personnel and subject matter experts, including increased face-to-face support, operational education and out-of-hours assistance. The company presented thorough accounts of spot-checked incidents and were able to step through the process and respond to any questions.

From our review, we have identified a total of 114 findings (including 4 high risk findings and 43 medium risk findings) for the company to address in year or improve for future. The majority of areas recorded no material issues, and where weaknesses were identified, they were typically non material documentation gaps, missing sign offs, or minor process improvements. A total of 47 material risks were identified, primarily linked to data accuracy, evidence capture, and internal assurance robustness. 30 were related the current year's submission and have been fully addressed:

- 4 high risks findings (2 for ORF360- Mains Lengths and 2 for ORF316- Water and Waste Carbon Emissions and Net Zero) were related to data accuracy. All have been resolved.
- 26 medium risks findings linked to 12 ORFs that needed to be addressed before this year's submission. These were primarily linked to data accuracy and evidence capture. All have been resolved.
- 17 medium risk findings linked to 9 ORFs are raised for the company to address for future submission. These areas requiring targeted improvement ahead of APR27 to reduce reporting risk and strengthen governance. We noted the company has proactively addressed these findings and 5 have been closed at the time of producing this report.

Independent Limited Assurance Report of Jacobs U.K. Limited to Southern Water Services Limited cont.

ODI payments

We reviewed the Ofwat's ODI model, which was populated with SWS's reported performance for its performance commitments. No issues were found, the reported performance was correctly input by the company and the output ODI payments were found to have been correctly transposed from the ODI model to Table 3A.

Specific external assurance requirements

Ofwat's Information Note "Expectations for large water company annual performance reporting 2025-26" (IN 26/02) has specific external assurance requirements for eight PCs. Other than Biodiversity, which is not included in our scope, the other seven were covered in our scope of audit.

We have assured these requirements and found no material issues. Where a checklist is needed, we have reviewed the checklist and agreed with the SWS' proposed RAG (Red/Amber/Green) and confidence grading. The table below indicates which performance Commitments require a compliance checklist, if these have been completed and if there is a plan in place to progress any non 'Green' RAG components.

Conclusion

We have conducted limited assurance in accordance with ISAE 3000 (revised) standard for the list of selected information covering specific performance commitments (PCs) and data tables as detailed in Appendix A.

Based on the evidence reviewed and the sample checks conducted, we did not find any material misstatements and did not find anything that suggests the selected information was not prepared properly, according to the specified regulatory guidance (e.g. RAG4.14) and the Reporting Criteria.

We consider that:

- Data is competently sourced, processed and fit for purpose;
- SWS demonstrated a good understanding of the Ofwat guidance.
- The reported performance data against the year 1 performance commitment targets are a fair and accurate account of the company's performance for the reporting year.
- All reported data has been signed off by the appropriate individuals from the company

Inherent limitations

The assurance opinion within this document is provided to a 'limited assurance level' as defined by ISAE 3000 (Revised). The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Because of the nature of the risk-based sample checks and inherent limitations of processes and systems, there remains the unavoidable risk that misstatements may not have been detected.

While the level of assurance engagement risk is higher than in a 'reasonable assurance' engagement, the nature, timing and extent of the evidence-gathering procedures used for this engagement are sufficient to provide a meaningful level of assurance.

Stephen Brown

Lead Assurer,
Jacobs U.K. Limited

2nd Floor,
Cottons Centre,
Cottons Lane,
London SE1 2QG
United Kingdom.

14 July 2026

PC	Has the checklist been completed	Is there a plan to progress any components that are not RAG Green
Leakage	Yes	Yes. SWS have a plan to reduce the Water Balance Gap. SWS are tracking the impact of removing a flow meter adjustment on their Distribution Input figures and also focussing on improving Unmeasured Consumption components of the water balance.
PCC	Yes	Yes. SWS are conducting research into clandestine population. SWS are actively maintaining their small area monitors (SAM) areas to ensure sample size and representativeness are sufficient for Annual Reporting
Business Demand	Yes	All components are green
Internal sewer flooding	Yes	All components are green
External sewer flooding	Yes	All components are green
Sewer Collapses	Yes	All components are green
Water Supply Interruptions	Yes	All components are green
Unplanned Outage	Yes	All components are green
Repairs to burst mains	Yes	All components are green

Appendix A – Selected Assurance information

ORF Ref	PC Reference	Title	Unit	RAG references	2025–26 Performance
301	CRI	Water quality compliance (CRI)	number	3A.3, 3G.4-7	3.19
302	WSI	Water supply interruptions	HH:MM:SS	3A.14, 3C.10-13	00:05:01
303	LEA	Leakage	%	3A.7, 3D.1-3	4.1
	PCC	PCC	%	3A.10, 3D.10-14	5.5
	NHH	Business Demand	%	3A.2, 3D.25-32	9.3
304	MRP	Mains repairs	Number of repairs per 1000km of mains	3A.9, 3F.1-2, 6C.9	133.1
305	WQC	Customer contacts about water quality	Number of customer contacts per 1000 population (Ml/d)	3A.4, 3C.7-9	1.11
306	UNO	Unplanned outage	%	3A.13, 3F.5	2.90
307	N/A	Customer Demand Reduction	N/A	N/A	N/A
308	SOF	Storm Overflows	Average number of spills per storm overflow	3A.23, 3E.9-14, 7C.23-40	21.11
309	ISF	Internal sewer flooding	Number of internal sewer flooding incidents per 10,000 sewer connections	3A.19, 3A,21, 3A.22, 3C.1-6, 7C.5-7, 3F.4, 3C.14-35	1.88
	SCO	Sewer collapses	Number of sewer collapses per 1,000 km of all sewers		7.92
	ESF	External sewer flooding	Number of external sewer flooding incidents per 10,000 sewer connection		12.04
310	POL	Total pollution incidents	Number of pollution incidents per 10,000 km of sewer	3A.12, 3A.24, 3E.1-8	63.93
	SPL	Serious Pollution incidents	Number		12
311	BWQ	Bathing Waters	Number average bathing water quality score	3A.18, 3E.15-19	75.7
312	DIS	Discharge permit compliance	% compliance	3A.5, 3G.1-2	96.71
313	C-MeX	C-MeX	Score out of 100	3B.8-10	47.95
314	D-MeX	D-MeX	Score out of 100	3B.14-18, 3B.W1- 3B.W50	71.43
315	BR-MeX	Customer Experience – non-household (BR-MeX)	Number	3B.4-7	77.30
316	WGHG	Operational greenhouse gas emissions (water)	% reduction in greenhouse gas emissions	3A.6, 3A.20, 3E.27-54, 11A.1-46	-19.32
	WWGHG	Operational greenhouse gas emissions (wastewater)	% reduction in greenhouse gas emissions		-1.18
319	RWQ	River water quality	% reduction of phosphorus emissions into river catchment	3E.24-25, 3A.25	-43.35

Appendix A – Selected Assurance information

ORF Ref	PC Reference	Title	Unit	RAG references	2025–26 Performance
340	N/A	Population served	N/A	4R.28-29, 6A.33	N/A
342	N/A	Water resources treatment and distribution – Explanatory variables	N/A	5A.1-8, 5A.11-17, 5A.25, 5A.27, 5A.29, 6A.1-2, 6A.8, 6A.10, 6A.13-27, 6A.31, 6A.36, 6A.38, 6B.8-15, 6B.25, 6B.27	N/A
344	N/A	Average Pumping Head	N/A	5A.23, 5A.31-32, 6A.6, 6A.40-43, 6A.34, 6B.24, 6B.40-41	N/A
347	N/A	Energy Consumption	N/A	5A.24, 6A.7, 6A.35, 7E.3-5, 6B.23	N/A
356	N/A	Sewer Lengths	N/A	7C.11, 7C.14-22, 3E.8	N/A
357	N/A	Sludge treatment and disposal	N/A	8A.1-19, 8D.1-13	N/A
360	N/A	WINEP (Water Industry National Environment Programme) Scheme Outputs	N/A	4Q.14-15, 5A.22, 6A.5, 6A.12, 6C.1-23	N/A
370	N/A	Water Produced	N/A	6B.39, 6B.4, 5A.26, 5A.28, 6A.9, 6A.11, 6A.37, 6A.39, 6B.28-30, 6B.26	N/A
371	N/A	Bottom up leakage	N/A	N/A	N/A
372	N/A	Company and legally unbilled water usage	N/A	N/A	N/A
381	N/A	Connected Properties	N/A	4R.1-3, 4R.5-7, 4R.10-11, 4R.13-14, 4R.19-21, 4R.23, 4R.25, 4R.16, 4R.27	N/A
384	N/A	Bioresources Sludge Liquors	N/A	8C.15-16	N/A

Additional regulatory information

Service level

4A – Water bulk supply information for the 12 months ended 31 March 2026

	Volume Ml	Operating costs £m	Revenue £m
Bulk supply exports			
Affinity	4.855	–	0.015
South East Water	11,960.661	4.797	3.905
Total bulk supply exports	**11,965.516**	**4.797**	**3.920**

	Volume Ml	Operating costs £m
Bulk supply imports		
Sutton and East Surrey Water	542.227	1.032
Portsmouth Water	2,375.417	1.002
Total bulk supply imports	**2,917.644**	**2.034**

Bulk exports to NAV customers are not included in the table.

We do not show cost information for the bulk exports to Affinity Water. These supplies are made via our distribution network and the costs are therefore not separately identifiable. Operating costs are included for the exports to South East Water. These agreements are based on a sharing of specific operating costs.

4B – Analysis of debt

As permitted by RAG 3.16 section 1.7, table 4B is excluded from this APR document and is published alongside this document and can be found at southernwater.co.uk/our-reports.

Additional regulatory information cont.

4C – Actual expenditure against cost allowances by cost sharing rate 12 months ended 31 March 2026 and price control period to date

Standard base	Unit	Water resources	Water network+	Wastewater network+	Bioresources
Final determination allowed totex	£m	11.879	228.778	455.392	58.062
Actual totex	£m	31.743	298.956	551.188	98.240
Disallowable costs	£m	0.219	4.058	11.742	0.839
Total actual totex	£m	31.524	294.898	539.446	97.401
Variance	£m	19.645	66.120	84.054	39.339
Variance due to timing of expenditure	£m	–	(27.137)	9.395	–
Variance due to efficiency	£m	19.645	93.257	74.659	39.339
Company cost sharing rate – outperformance	%	50.00%	50.00%	50.00%	50.00%
Company cost sharing rate – underperformance	%	50.00%	50.00%	50.00%	50.00%
Company share of totex outperformance	£m	–	–	–	–
Company share of totex underperformance	£m	9.823	46.629	37.330	19.670
Business rates					
Final determination allowed totex	£m	1.233	13.933	20.415	2.682
Actual totex	£m	1.182	13.367	18.678	2.377
Variance	£m	(0.051)	(0.566)	(1.737)	(0.305)
Company cost sharing rate	%	10.00%	10.00%	10.00%	10.00%
Company share of outperformance	£m	(0.005)	(0.057)	(0.174)	(0.031)
Company share of underperformance	£m	–	–	–	–
Abstraction charges and discharge consents					
Final determination allowed totex	£m	4.282	0.208	8.602	–
Actual totex	£m	4.590	0.128	9.415	–
Variance	£m	0.308	(0.080)	0.813	–
Company cost sharing rate	%	25.00%	25.00%	25.00%	25.00%
Company share of outperformance	£m	–	(0.020)	–	–
Company share of underperformance	£m	0.077	–	0.203	–
Standard enhancement					
Final determination allowed totex	£m	22.693	70.999	356.989	3.274
Actual totex	£m	31.654	142.705	308.788	0.258
Disallowable costs	£m	–	–	–	–
Total actual totex	£m	31.654	142.705	308.788	0.258
Variance	£m	8.961	71.706	(48.201)	(3.016)
Variance due to timing of expenditure	£m	–	(7.768)	(82.668)	(3.016)
Variance due to efficiency	£m	8.961	79.474	34.467	–
Company cost sharing rate – outperformance	%	40.00%	40.00%	40.00%	40.00%
Company cost sharing rate – underperformance	%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	£m	–	–	–	–
Company share of totex underperformance	£m	3.584	31.790	13.787	–

Additional regulatory information cont.

4C – Actual expenditure against cost allowances by cost sharing rate 12 months ended 31 March 2026 and price control period to date cont.

25:25 enhancement	Unit	Water resources	Water network+	Wastewater network+	Bioresources
Final determination allowed totex	£m	40.028	88.869	5.879	62.647
Actual totex	£m	6.641	65.261	1.271	5.064
Disallowable costs	£m	–	–	–	–
Total actual totex	£m	6.641	65.261	1.271	5.064
Variance	£m	(33.387)	(23.608)	(4.608)	(57.583)
Variance due to timing of expenditure	£m	(33.387)	(23.608)	(4.607)	(57.583)
Variance due to efficiency	£m	–	–	(0.001)	–
Company cost sharing rate – outperformance	%	25.00%	25.00%	25.00%	25.00%
Company cost sharing rate – underperformance	%	25.00%	25.00%	25.00%	25.00%
Company share of totex outperformance	£m	–	–	–	–
Company share of totex underperformance	£m	–	–	–	–
40:10 enhancement					
Final determination allowed totex	£m	2.190	1.608	13.365	–
Actual totex	£m	1.851	2.353	7.001	–
Disallowable costs	£m	–	–	–	–
Total actual totex	£m	1.851	2.353	7.001	–
Variance	£m	(0.339)	0.745	(6.364)	–
Variance due to timing of expenditure	£m	–	–	(6.364)	–
Variance due to efficiency	£m	(0.339)	0.745	–	–
Company cost sharing rate – outperformance	%	10.00%	10.00%	10.00%	10.00%
Company cost sharing rate – underperformance	%	40.00%	40.00%	40.00%	40.00%
Company share of totex outperformance	£m	(0.034)	–	–	–
Company share of totex underperformance	£m	–	0.298	–	–
SRO – use it or lose it					
Final determination allowed totex	£m	17.531	54.845	–	–
Actual totex	£m	45.623	3.590	–	–
Disallowable costs	£m	–	–	–	–
Total actual totex	£m	45.623	3.590	–	–
Variance	£m	28.092	(51.255)	–	–
Variance due to timing of expenditure	£m	28.092	(51.255)	–	–
Variance due to efficiency	£m	–	–	–	–
Company cost sharing rate – outperformance	%	0.00%	0.00%	0.00%	0.00%
Company cost sharing rate – underperformance	%	100.00%	100.00%	100.00%	100.00%
Company share of totex outperformance	£m	–	–	–	–
Company share of totex underperformance	£m	–	–	–	–
Totex not subject to cost sharing					
Final determination allowed totex – not subject to cost sharing	£m	3.900	29.876	18.668	0.168
Actual totex – not subject to cost sharing	£m	0.878	42.760	70.244	0.839
Variance	£m	(3.022)	12.884	51.576	0.671
Variance due to timing	£m	(2.459)	7.253	18.337	–
Variance for company	£m	(0.563)	5.631	33.239	0.671
Total company variance	**£m**	**12.882**	**84.271**	**84.385**	**20.310**

Additional regulatory information cont.

Wholesale totex analysis

Our total expenditure (totex) for 2025–26 was higher than the allowance in the PR24 final determination for both water and wastewater. We set out below the principal reasons for the variances within each wholesale price control and each cost category shown above. It is important to note that the final determination from Ofwat does not explicitly show the base totex allowance at a granular level. The variances described therefore represent a best estimate of the reasons for the variances.

The principal totex variances to the final determination have been allocated between timing and efficiency within table 4C. The following rules have been applied in making these allocations:

- All operating expenditure variances are allocated to efficiency on the basis that these are recurring costs that cannot typically be shifted between years.
- Variances related to base capital maintenance expenditure have been allocated to efficiency given these allowances are provided on a modelled basis, with the exception of mains renewals, network reinforcement and metering where more granular allowance information is available.
- Enhancement costs have been compared with a notional allocation of each category of expenditure to each year of the AMP using Ofwat's final determination profiling assumptions. All identified variances have been allocated to timing, unless the full allowance for the AMP has been exceeded.
- Any enhancement costs incurred in relation to schemes which were not funded within the final determination (for example carryover of AMP7 expenditure) has been allocated to the efficiency category.

For both water and wastewater, the level of base cost expenditure reflects the particular challenges of operating in our region. Past regulatory approaches to setting base allowances have systematically underfunded the business through the application of notional modelling approaches that fail to account for specific company cost drivers. This was a key conclusion of the Independent Water Commission and we expect future regulatory approaches will seek to address this issue.

Water

Water resources (WR) totex is £20.2 million higher than the final determination allowance and water network+ (WN+) totex is £75.9 million above the final determination for 2025–26 as set out below:

Totex variance to final determination

Water totex variance over/(under) £m	12 months ended 31 March 2026	
	Water resources	Water network+
Standard base	19.6	66.1
Business rates, abstraction licences and discharge consents	0.3	(0.6)
Enhancement	(24.8)	48.8
SRO	28.1	(51.3)
Not subject to cost sharing	(3.0)	12.9
Total totex variance	**20.2**	**75.9**

Note: To align with the presentation in table 4C, positive variances represent spend above the FD allowance

The principal reasons for the variances are:

- Standard base costs continue to run, as in AMP7, at levels significantly above the Ofwat modelled allowances. This is driven by in part by ongoing repairs and maintenance activity to improve operational performance.
- Meter replacement costs, which form part of our standard base allowance, were £7.8 million, compared to an allowance of £22.2 million, and this is reflected in the timing variance.
- Network reinforcement costs, which form part of our standard base allowance, were £5.0 million below our allowance and this is reflected in the timing variance.
- Enhancement expenditure regarding our WINEP environment programme was £9.7 million lower than our allowance in the year due to the timing of work in this programme.
- Enhancement expenditure regarding our smart metering programme was £27.0 million lower than our allowance due to the timing of the start of the installation programme.
- Enhancement expenditure relating to our resilience programme was £79.5 million greater than our allowance, reflecting the continuation of schemes from AMP7 during the period this is reported as an efficiency variance.
- Enhancement expenditure relating to the Security and Emergency Measures Directive (SEMD) was £23.4 million lower than our allowance again due to the timing of this programme.
- Expenditure in relation to our strategic Resource Options (SRO) was £23.2 million lower than our allowance, details of the schemes involved in this programme are provided in table 4F.

Additional regulatory information cont.

Costs not subject to cost sharing are set out in the table below:

Water costs not subject to cost sharing £m	Allowances		12 months ended 31 March 2026	
	Water resources	Water network +	Water resources	Water network +
Third party services	3.9	11.8	0.7	3.9
Site specific developer services and diversions	–	15.1	–	14.8
Innocation expenditure	–	–	–	1.7
Equity issuance	–	2.3	–	18.2
Disallowable	–	0.7	0.2	4.1
Total	**3.9**	**29.9**	**0.9**	**42.7**

The disallowable allowance relates to allowed costs for the Competition and Markets Authority (CMA) review of our Final Determination. Third-party costs are lower than our allowance due to the timing of expenditure on schemes related to third-party assets. The other significant variance relates to the cost of the £0.9 billion equity issuance during the year.

Wastewater

Wastewater network+ (WWN+) totex was £75.5 million higher the final determination and Bioresources (Bio) totex was £20.9 million lower than the final determination allowance for 2025–26 as set out below:

Wastewater totex variance over/(under) £m	12 months ended 31 March 2026	
	Wastewater network +	Bioresources
Standard base	84.0	39.3
Business rates, abstraction licences and discharge consents	(0.9)	(0.3)
Enhancement	(59.2)	(60.6)
Not subject to cost sharing	51.6	0.7
Total totex variance	**75.5**	**(20.9)**

The principal reasons for the variances are:

- Standard base costs continue to run, as in AMP 7, at levels significantly above the Ofwat modelled allowances. This is driven by in part by ongoing repairs and maintenance activity to improve operational performance. In addition, during 2025–26 we incurred additional operating costs of £9.3 million dealing with high ground water levels which are included within the standard base variance.
- Network reinforcement costs, which form part of our standard base allowance were, £9.4 million below our allowance and this is reflected in the timing variance.
- Enhancement expenditure regarding our WINEP environment programme was £55.6 million lower than our allowance in the year. This was largely due to the timing of expenditure on our storm overflow programme £117.2 million offset by carry over cost from AMP7 in relation to the phosphorus removal schemes of £34.5 million and the acceleration of our AMP8 phosphorus programme £38.2 million. In addition, carryover costs in relation to our PR19 WINEP programme were £15.6 million greater than our allowance.
- Enhancement expenditure regarding our bioresources WINEP environment programme was £6.6 million lower than our allowance in the year due to the timing of this activity.
- Enhancement expenditure regarding the industrial emissions directive was £57.5 million lower than our allowance due to the timing of the programme which we are still expecting to deliver before the end of the AMP.
- Enhancement expenditure relating to our resilience programme was £15.1 million lower than our allowance again due to the timing of this work.

Costs not subject to cost sharing are set out in the table below:

Wastewater costs not subject to cost sharing £m	Allowances		12 months ended 31 March 2026	
	Wastewater network +	Bioresources	Wastewater network +	Bioresources
Third party services	–	–	2.1	–
Site specific developer services and diversions	11.3	–	7.0	–
Innovation expenditure	–	–	1.1	–
Equity issuance	6.0	–	48.3	–
Disallowable	1.4	0.2	11.7	0.8
Total	**18.7**	**0.2**	**70.2**	**0.8**

The disallowable allowance relates to allowed costs for the Competition and Markets Authority review of our Final Determination. The other significant variance relates to the cost of the £0.9 billion equity issuance during the year.

Atypicals/Exceptionals

The atypical costs shown in tables 4D and 4E relate to ongoing legal costs in relation to the cyber incident we experienced in 2024, GSS and compensation payments, in particular in relation to the spill of bio-beads from Eastbourne Wastewater Treatment Works and provisions and legal costs associated with prosecutions by the EA These costs have also been classified as disallowable costs in table 4C and are included within the costs not subject to cost sharing.

Additional regulatory information cont.

Disallowable costs

When comparing our actual totex to that allowed in the Final Determination we are required to adjust for certain disallowable costs, including fines, investigation costs, enforcement undertakings and compensation claims. The disallowable costs disclosed for 2025–26 of £16.8 million are comprised of:

- Costs of £0.6 million relating to ongoing legal advice relating to the cyber incident we experienced in January 2024,
- Compensation and Guaranteed Standards Scheme payments made during the year of £3.2 million, these included accruals for contributions to local communities around Camber Sands following the spill of bio-beads from our Eastbourne Wastewater Treatment Works.
- Provisions of £2.5 million for potential costs associated with the EA prosecutions and legal costs associated with these cases and ongoing EA investigations of £1.9 million
- Costs associated with our redetermination by the CMA of £8.6 million for which we are allowed to recover £2.3 million from customers.

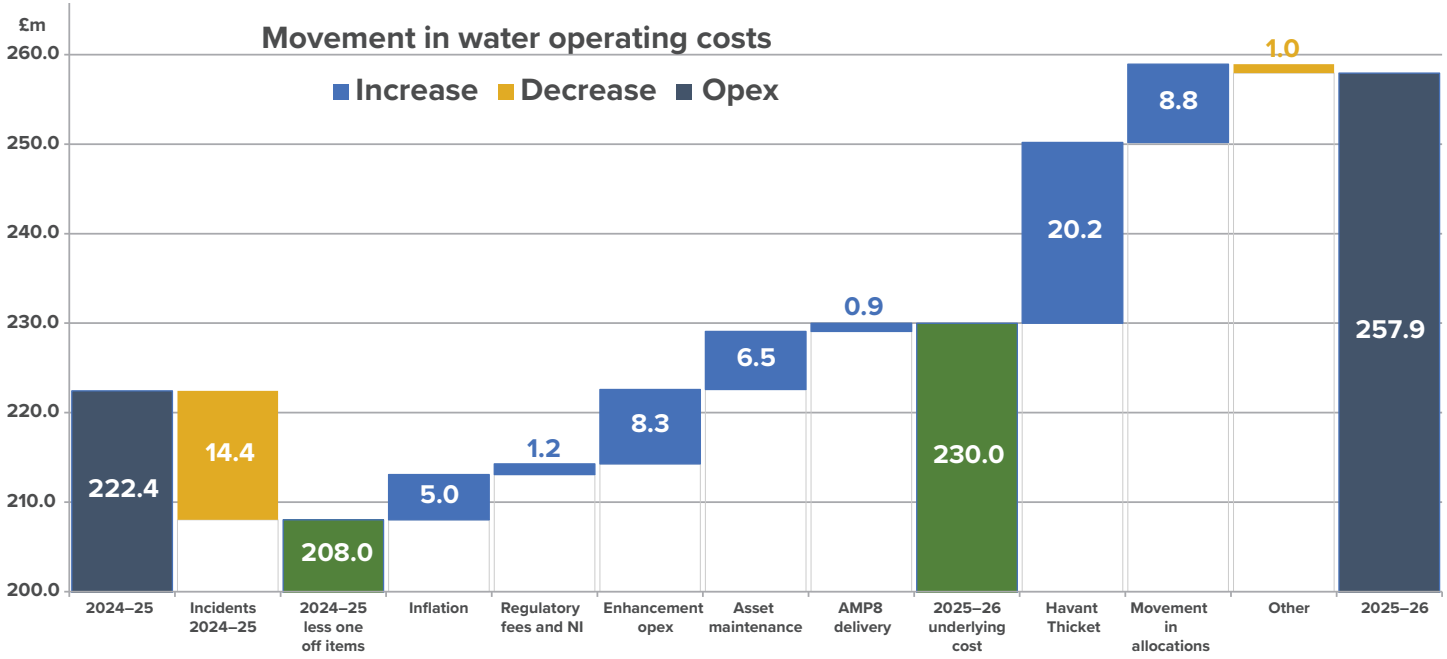
Recharges between business units

Details of our process for allocating costs between business units can be found on page 44.

Additional regulatory information cont.

4D – Totex analysis for the 12 months ended 31 March 2026 – water resources and water network+

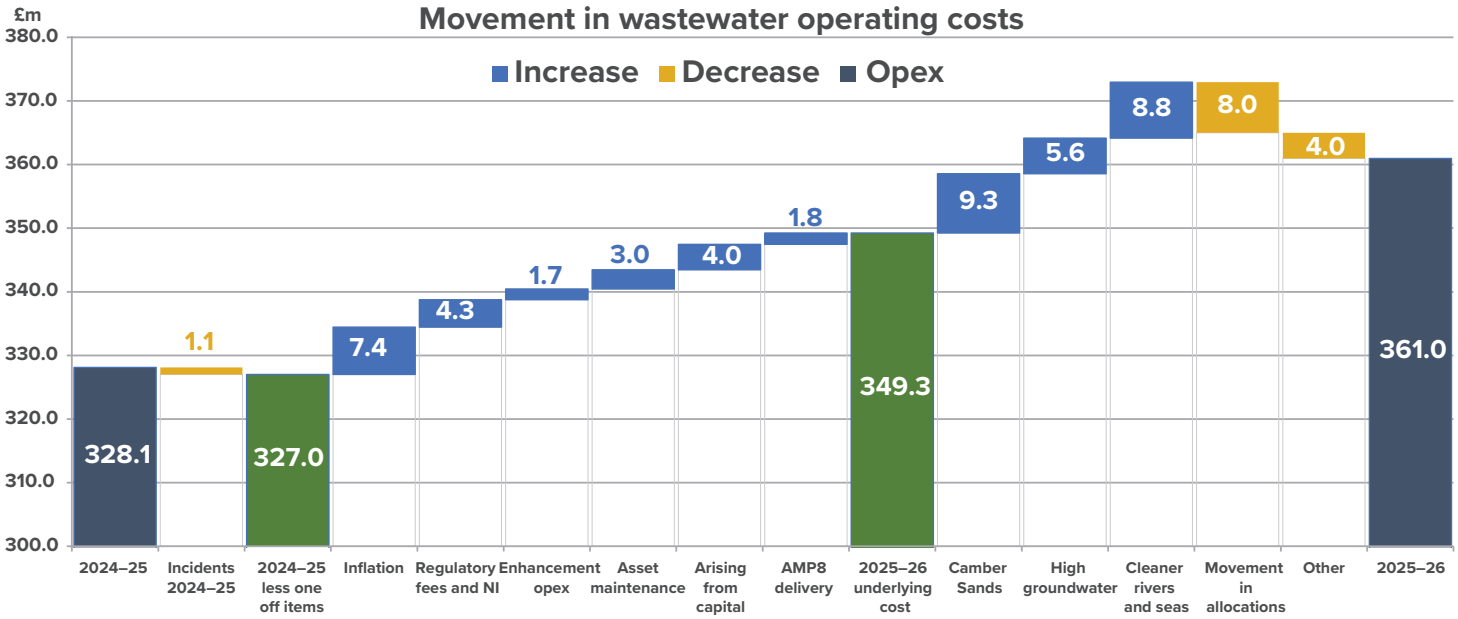
		Network+			
	Water resources £m	Raw water transport £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure					
Base operating expenditure	28.374	0.997	104.977	95.044	**229.392**
Enhancement operating expenditure	24.549	0.000	0.000	3.981	**28.530**
Total operating expenditure	**52.923**	**0.997**	**104.977**	**99.025**	**257.922**
Capital expenditure					
Base capital expenditure	9.800	0.000	37.932	93.993	**141.725**
Enhancement capital expenditure	61.220	3.073	112.652	94.203	**271.148**
Total gross capital expenditure	**71.020**	**3.073**	**150.584**	**188.196**	**412.873**
Gross totex – water	**123.943**	**4.070**	**255.561**	**287.221**	**670.795**
Atypical expenditure					
Cyber	0.021	0.001	0.161	0.099	**0.282**
Total atypical expenditure	**0.021**	**0.001**	**0.161**	**0.099**	**0.282**



Additional regulatory information cont.

4E – Totex analysis for the 12 months ended 31 March 2026 – wastewater network+ and bioresources

	Network+ Sewage collection			Network+ Sewage treatment	Bioresources			
	Foul £m	Surface water drainage £m	Highway drainage £m	Sewage and sludge liquor – treatment and disposal	Sludge transport £m	Sludge treatment £m	Sludge disposal £m	Total £m
Operating expenditure								
Base operating expenditure	101.056	20.276	20.276	161.560	7.532	19.089	11.077	**340.867**
Enhancement operating expenditure	12.446	2.713	2.713	0.406	–	1.817	–	**20.095**
Total operating expenditure	**113.502**	**22.989**	**22.989**	**161.966**	**7.532**	**20.906**	**11.077**	**360.962**
Capital expenditure								
Base capital expenditure	119.521	25.252	25.252	116.332	–	62.919	–	**349.275**
Enhancement capital expenditure	40.180	8.758	8.758	241.085	–	3.505	–	**302.286**
Total gross capital expenditure	**159.701**	**34.010**	**34.010**	**357.417**	**–**	**66.424**	**–**	**651.561**
Gross totex – wastewater	**273.203**	**56.999**	**56.999**	**519.383**	**7.532**	**87.330**	**11.077**	**1,012.523**
Atypical expenditure								
Cyber	0.085	0.019	0.019	0.156	–	0.025	–	**0.304**
Pollution Fines and associated Legal	1.992	0.434	0.434	1.548	–	–	–	**4.408**
Total atypical expenditure	**2.077**	**0.453**	**0.453**	**1.704**	**–**	**0.025**	**–**	**4.712**



Additional regulatory information cont.

Commentary to tables 4D and 4E

Wholesale appointed operating costs for the year increased by £68.3 million. The costs of water resources and water network plus (water) increased from £222.4 million to £257.9 million and the costs of wastewater network plus and bioresources (wastewater) increased from £328.1 million to £361.0 million. These increases are presented in the charts on the previous page explained below:

Over the course of the year the most significant cost movements were:

- **One-off items from 2024–25** – in 2024–25 we experienced two significant water incidents in Hastings and Hampshire. The removal of the costs of responding to these, including the provision of bottled water and compensation for affected customers, reduced the underlying operating cost of water for the prior year to £208.0 million. The removal of one-off incident costs in wastewater reduced the underlying cost of wastewater for the prior year to £327.0 million.
- **Inflationary pressures**
  - general inflation continued to add a significant amount to our underlying wholesale costs £12.4 million, plus a further £3.7 million relating to EA discharge fees and Ofwat fees and a £1.8 million operating cost increase for the changes to National Insurance contributions.
- **New and planned opex**
  - **Enhancement opex** – within our business plan there are schemes to deliver enhancements to our service levels that do not result in the construction of assets, and these added £10.0 million to our operating costs in the year.
  - **Asset maintenance** – we have undertaken additional asset maintenance across our operational assets to reduce water leakage, improve compliance and resilience and help reduce pollution incidents.
  - **Arising from capital** – we have incurred additional chemical costs following the completion of schemes in the prior year to reduce phosphorus levels from the environment and IT costs for the sewer level monitors installed to reduce pollutions.
- **Investment in change**
  - **Transformation and AMP 8 delivery** – we have been preparing for the next investment period during the year, undertaking transformation activities to make sure that we're ready to deliver the business plan to 2030. These activities include additional headcount and improvements and changes to our billing and collection processes. These added £2.7 million to our operating costs. Over the AMP we expect to make £244 million of net savings in operating costs.
- **Incidents**
  - **Camber Sands** – in November 2025, beads from our Eastbourne wastewater treatment works washed up at Camber Sands in East Sussex. We have incurred £5.6 million as part of the clean-up, investigation and compensation for this incident.
  - **High groundwater** – over the winter we experienced a prolonged period of wet weather and incurred additional costs dealing with the impact of high groundwater to prevent pollutions and flooding.
- **Clean rivers and seas** – Our Clean Rivers and Seas Task Force is undertaking a series of projects, funded by Ofwat through our capex enhancement plan, to aid the reduction of storm overflows. These projects include initiatives to slow the flow of rainwater into our network. As we are favouring green solutions, some of the initiatives do not result in assets that we own and are expensed, incurring £17.5 million of additional wastewater operating costs during the year (2025: £8.7 million).
- **Havant Thicket** – We make payments, as part of our enhancement opex allowance, to Portsmouth Water for the construction of the new reservoir at Havant Thicket. These payments are held on the Statement of Financial Position as prepayments in the statutory accounts. For regulatory reporting purposes they have been reclassified and included within water operating costs to match off with our allowance.
- **Movement in allocations** – There have been no changes to our allocation methods during the year. However, as we have prepared for AMP8 there has been a change in the mix of employees working directly in the water and wastewater functions. As many of our allocations, for corporate costs and shared costs of teams within supporting roles in wholesale, use headcount as a basis for the allocation, there has been a movement in the year resulting from this change in the mix of employees. Included within this there is an increase in the principal use recharge for the use of assets by water of £1.3 million with a corresponding decrease in wastewater.

Additional regulatory information cont.

4F – Major project expenditure for wholesale water by purpose for the 12 months ended 31 March 2026

	Expenditure in report year					
		Water network+				
Major project capital expenditure by purpose	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Hampshire water transfer and water recycling (HWTWRP)	26.775	–	–	–	–	**26.775**
Thames to Southern Transfer (T2ST)	–	2.834	–	–	–	**2.834**
Ford/Aylesford re-use bundle	4.659	–	–	–	–	**4.659**
White Horse Reservoir (South East Strategic Resource Option)	15.444	–	–	–	–	**15.444**
Total major project capital expenditure	**46.878**	**2.834**	**–**	**–**	**–**	**49.712**

	Cumulative expenditure on incurred on schemes in £m					
		Water network+				
Major project capital expenditure by purpose	Water resources £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Hampshire water transfer and water recycling (HWTWRP)	143.260	–	–	–	–	**143.260**
Thames to Southern Transfer (T2ST)	–	6.635	–	–	–	**6.635**
Ford/Aylesford re-use bundle	13.278	–	–	–	–	**13.278**
White Horse Reservoir (South East Strategic Resource Option)	15.444	–	–	–	–	**15.444**
Total major project capital expenditure	**171.982**	**6.635**	**–**	**–**	**–**	**178.617**

Additional regulatory information cont.

Commentary to tables 4F

Hampshire Water Transfer and Water Recycling Project

We have formally stopped all work on desalination at Fawley due to potential adverse environmental impacts exposed during early-stage consenting activity.

At RAPID gate two, it was agreed with RAPID and Ofwat to pursue the best alternative option that emerged via a comprehensive option selection process that recommended the Hampshire Water Transfer and Water Recycling Project (HWTWRP) instead.

HWTWRP is projected to deliver water resource benefits in excess of Fawley desalination (as it accounts for two, smaller non-viable, non-SRO schemes). RAPID gate three has since been passed and we are on track to submit RAPID gate four in July 2026, which was triggered by our application to Secretary of State Defra for a Development Consent Order (DCO).

This Strategic Resource Option (SRO) enhances the use of Havant Thicket Reservoir currently being constructed by Portsmouth Water, but paid for by Southern Water customers, and as such requires alignment of the two projects so as to provide best value for money for customers, whilst still aiming to protect the environment both in ecology and ecosystem terms but also via minimal carbon usage (relative to the two projects progressing separately).

A major de-risking activity within AMP7 was the procurement of a land parcel suitable to house the water recycling plant; this opportunity arose earlier than had been budgeted and planned for, but by working with Ofwat this opportunity was able to be taken with ownership of the site taken in April 2024.

Separately, we have been engaging throughout project development with regulators, communities, local stakeholders and customers (including via statutory and non-statutory consultation) to understand and consider a wide range of views. Market engagement events have proceeded with the construction and investor markets, supported by the Environment Agency (April 2026), to ensure the pending delivery phase remains viable. Such events have been crucial in the journey towards meeting Ofwat's Direct Procurement for Customers (DPC) requirements, for which Stage three is expected to be submitted later in 2026–27.

Thames to Southern Transfer

As part of the Thames (Water) to Southern (Water) Transfer (T2ST) RAPID gate two final decision (June 2023), it was agreed that funding would be allowed to continue to gate three. From the start of AMP8, Southern Water became 100% RAPID funded for this SRO (previously 50:50 shared with Thames Water) and became the lead developer.

Alongside continued checkpoints, we have now provided RAPID with two formal interim update reports (April 2024 and July 2025) and plan to provide a further report later in 2026, ahead of the planned gate C in late 2027/early 2028 (schedule currently under review to submission date for new gated process). Following a competitive tender process through 2025, a technical partner has been procured and since onboarded (January 2026) with a remit to assist DCO and DPC activities whilst also maturing the programme schedule, cost and de-risking the 85km pipeline route corridor.

Working with Thames Water, the location of the required water supply works on the White Horse Reservoir (WHR) footprint in Oxfordshire, has been agreed, and (alongside associated T2ST pipework on the footprint) will be included within the WHR DCO application planned for Q4 2026 by Thames Water. The project is also currently in dialogue with Ofwat with respect to the possibility of moving the scheme to a SIPR procurement model.

Ford and Aylesford – (also known as Littlehampton and Medway)

Since AMP8, both Littlehampton and Medway recycling schemes have been following a DPC delivery strategy, combined to leverage economy of scale. A DPC Stage two representation was submitted in May 2026 which, following market engagement feedback and the maturation of scope/understanding of DPC procurement and construction time requirements, communicates delivery date forecast of 2035.

The revised date went through internal governance in April 2026 ahead of our DPC Stage two submission. We have been in discussions with Ofwat and the EA regarding the date change and are confirming the steps to take to minimise impact from the updated water available for use dates.

On the Littlehampton scheme, we are now largely aligned with the Environment Agency on our preferred recycled water discharge location into the Western Rother, which remains subject to ongoing studies, data collation, and coordination of the EA's possible Hardham Weir gauging station relocation.

For the Medway scheme, to maintain programme momentum, we are progressing two recycled water discharge options pending selection of a preferred solution during the second half of 2026 and permit pre-application submission in December 2026. For both recycling schemes, regulatory clarity is also required on how water quality parameters will be assessed where laboratory detection limits prevent measurement at the levels requested, a risk that could affect permitting and project delivery.

White Horse Reservoir

White Horse Reservoir forms part of the strategic regional water resources programme being developed in partnership with Thames Water and Affinity Water to improve long-term water supply resilience across the South East. The scheme will provide a significant new drought-resilient water resource and, together with the Thames to Southern Transfer, is intended to support security of supply whilst reducing abstraction pressure on environmentally sensitive chalk stream catchments. During 2025–26 expenditure primarily related to Southern Water's share of project development, planning, design and programme progression activities as the scheme advanced through its pre-construction development phase.

4G – Major project expenditure for wholesale wastewater by purpose for the 12 months ended 31 March 2026

We have no projects classed as major projects to report within wholesale wastewater.

Additional regulatory information cont.

4H – Financial metrics for the 12 months ended 31 March 2026

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	**5871.926**	
Regulatory equity	£m	**2,519.613**	
Regulatory gearing	%	**69.97%**	
Post tax return on regulatory equity	%	**-4.09%**	
RoRE (return on regulatory equity)	%	**-3.20%**	-3.20%
Dividend yield	%	**0.00%**	
Retail profit margin – Household	%	**-5.09%**	
Retail profit margin – Non household	%	**0.00%**	
Credit rating – Fitch	Text	**BBB- (Stable)**	
Credit rating – Moody's	Text	**Ba1 (Stable)**	
Credit rating – Standard & Poor's	Text	**BBB- (Negative)**	
Return on RCV	%	**3.83%**	
Dividend cover	dec	**0.00**	
Funds from operations (FFO)	£m	**-50.772**	
Interest cover (cash)	dec	**0.87**	
Adjusted interest cover ratio (ACICR)	dec	**0.43**	
FFO/Net debt	dec	**-0.01**	
Effective tax rate	%	**0.00%**	
Retained cash flow (RCF)	£m	**-50.772**	
RCF/Net debt	dec	**-0.01**	
Borrowings			
Proportion of borrowings which are fixed rate	%	**53.02%**	
Proportion of borrowings which are floating rate	%	**0.18%**	
Proportion of borrowings which are index linked	%	**46.79%**	
Proportion of borrowings due within 1 year or less	%	**0.35%**	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	**4.38%**	
Proportion of borrowings due in more than 2 years but no more than 5 years	%	**19.58%**	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	**68.66%**	
Proportion of borrowings due in more than 20 years	%	**7.03%**	

The values included on the table do not include any rounding adjustments.

Additional regulatory information cont.

The interest cover and adjusted interest cover ratios quoted above are based on the cash interest payable for the financial year rather than the cash interest paid in the financial year.

Interest Cover Ratios reconciliation

	ICR (cash) £m	Adj ICR (cash) £m
Funds from operations	(50.772)	(50.772)
Add back cash interest paid in year	763.528	763.528
Less regulatory depreciation	–	(358.583)
	712.756	**354.173**
Cash interest paid in year	302.517	302.517
Swap receipts	461.011	461.011
Less interest paid in prior year	(106.177)	(106.177)
Add interest payable re current year	166.321	166.321
Less interest prepaid	(0.599)	(0.599)
Interest payable for 2025–26	**823.074**	**823.074**
Ratio	**0.866**	**0.430**

Commentary regarding our return on regulated equity can be found alongside table 1F.

Note that the table 1F commentary focuses on the actual returns under the actual capital structure, whereas the RoRE metric in table 4H reports actual returns under the notional capital structure. Return on regulatory equity also excludes the growth of the RCV due to indexation, equivalent to 3.45% in 2025–26.

The returns under the two structures are shown side by side in table 1F, with the reported total shareholder return of -4.68% in table 1F being equivalent to 0.25% under the notional structure. Excluding the RCV indexation growth, this is equivalent to a return on regulatory equity of -8.13% under the actual structure and -3.20% under the notional structure.

The table 1F commentary explains performance against that assumed in the Final Determination, with the difference in percentage impact driven solely by whether the notional or actual capital structure is used to determine regulatory equity.

Additional regulatory information cont.

4I – Financial derivatives for the 12 months ended 31 March 2026

Financial derivatives – Total

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March)	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to Market £m	£m	Payable	Receivable
Interest rate swap (sterling)									
Fixed to index-linked	–	–	459.500	2,257.108	2,716.608	1,165.369	42.882	1.911%	5.262%
Total financial derivatives	**–**	**–**	**459.500**	**2,257.108**	**2,716.608**	**1,165.369**	**42.882**		

Financial derivatives – (A) Super-senior swaps with breaks or accretion paydowns

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March)	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to Market £m	£m	Payable	Receivable
Interest rate swap (sterling)									
Fixed to index-linked	–	–	459.500	2,228.294	2,687.794	1,081.690	42.882	1.911%	5.262%
Total financial derivatives	**–**	**–**	**459.500**	**2,228.294**	**2,687.794**	**1,081.690**	**42.882**		

Financial derivatives – (B) Pari-passu swaps with breaks or accretion paydowns

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March)	
	0 to 1 year £m	1 to 2 years £m	2 to 5 years £m	Over 5 years £m	Nominal value (net) £m	Mark to Market £m	£m	Payable	Receivable
Interest rate swap (sterling)									
Fixed to index-linked	–	–	–	28.814	28.814	83.679	–	0.000%	0.000%
Total financial derivatives	**–**	**–**	**–**	**28.814**	**28.814**	**83.679**	**–**		

The mark to market of £1,165.4 million is shown on table 1C as a financial instrument asset of £133.6 million and non-current liability of £1,299.0 million.

The pari-passu derivatives have accretion payments in 2050 and 2055 relating to a £250 million inflation-linked swap.

Floating to index-linked derivatives are intended to expose interest cash flows, and the nominal value of debt outstanding, to short-term movement in RPI inflation. This ensures a proportion of our interest cost is a match against the nature of our inflation-linked cash flows and our inflation-linked RCV. Our inflation-linked financial instruments have a long maturity to finance the long life of our assets and the long-term nature of our investment decisions.

The value of the mark to market represents forecast future cash flows for the duration of the derivatives and discounted by prevailing interest rates. This value is extremely volatile given that market interest rates are constantly moving. The liability shown in the table above of £1,165.4 million associated with the mark to market valuations of our derivatives is high and is indicative of the high interest rates in the financial markets. The risk of this mark to market value crystallising is extremely remote given that it can only crystallise under certain conditions of a default of our financing covenants, in which case operations of the company are protected and will continue. Further details are available on page 221 of our Annual Report and Financial Statements.

Additional regulatory information cont.

Additional narrative disclosures

As permitted by RAG 3.16 section 1.9, the remaining tables of section 4 and sections 5 to 11 are excluded from this APR document and are published alongside this document and can be found at southernwater.co.uk/our-reports.

Any commentary to accompany these tables is provided below.

4J – Base expenditure analysis for the 12 months ended 31 March 2026 – wholesale water

An analysis of the movement in our operating costs from March 2025 to March 2026 is provided in the commentary to tables 4D on pages 109 to 111.

Following changes to the structure of table 4J there have been some movements in the presentation of costs in the year. As a result, a direct comparison of the tables is not possible. The most notable changes where comparisons can be made or in the structure are:

- Power costs – there were minimal changes overall in power costs from the prior year. These were largely driven by lower unit prices.
- Costs previously reported within infrastructure renewals expensed in the year have been reported in the new row for routine repair and maintenance in 2025–26 along with certain repair costs previously included within other operating expenditure.
  - Treated water distribution £34.3 million (2025: £32.2 million and £1.9 million in other operating expenditure) increase due to inflation and asset maintenance levels offset by lower base activity in communication pipe repairs.
- Other costs have moved for the reasons set out in the narrative to table 4D, reductions for one-off costs for incidents incurred in 2024–25 were offset by inflation, asset maintenance and increases related to AMP8 and the resultant impact of changes in the mix of employees to deliver the programme for the new five years which in turn increased the proportion of overheads allocated to the water price controls.

4K – Base expenditure analysis for the 12 months ended 31 March 2026 – wholesale wastewater

An analysis of the movement in our operating costs from March 2025 to March 2026 is provided in the commentary to tables 4E on pages 110 to 111.

Following changes to the structure of table 4K there have been some movements in the presentation of costs in the year. As a result, a direct comparison of the tables is not possible. The most notable changes where comparisons can be made or in the structure are:

- Power costs – there were minimal changes overall in power costs from the prior year. These were largely driven by lower unit prices.
- Costs previously reported within infrastructure renewals expensed in the year have been reported in the new row for routine repair and maintenance in 2025–26 along with certain repair costs previously included within other operating expenditure.
  - Activity in sewage collection (Foul, surface water drainage and highway drainage) has remained consistent with the prior year, £63.9 million (2025: £45.8 million in renewals and £19.0 million in other operating expenditure).
- Other costs have moved for the reasons set out in the narrative to table 4E, reductions for one-off costs for incidents incurred in 2024–25 were offset by inflation, asset maintenance, tankering to alleviate high groundwater levels, costs associated with the spill of bio-beads from our Eastbourne WTW and increases related to AMP8 offset by the resultant impact of changes in the mix of employees to deliver the programme for the new five years which in turn reduced the proportion of overheads allocated to the wastewater price controls.

4L – Enhancement expenditure analysis for the 12 months ended 31 March 2026 – Water resources and water network+

4M – Enhancement expenditure analysis for the 12 months ended 31 March 2026 – wastewater network+ and bioresources

To help ensure that we deliver our capital programme efficiently some of our capital schemes are delivering improvements that cover more than one enhancement category or cover an element of base maintenance as well as the enhancement work. These cost allocations are based on the assessments made by project managers and owners of the specific capital programmes across the business based on the scope of the schemes being undertaken.

Within the free form lines in these tables, we have included the following:

- 4L – the payments made to Portsmouth Water for the construction of a new reservoir at Havant Thicket along with the associated allowance
- 4M – the costs of schemes that relate to the completion of the WINEP programme for PR19 along with the associated allowance

4P – Infrastructure network reinforcement projects for the 2025–30 period

Wastewater network reinforcement activity during 2025–26 has focused on a portfolio of growth-related schemes across the Southern Water region, supporting planned housing and development growth.

Expenditure was incurred on several wastewater network reinforcement schemes and some of the largest investment was applicable to Bexhill, Northfleet, Aylesford, Peel Common, Chichester Development Phase 2, Eastbourne and Chimington Green Ashford. These schemes provide additional sewer network capacity and resilience to accommodate forecast customer growth and new development connections.

For water network reinforcement, AMP8 activity remains at an early stage, with expenditure primarily relating to programme development, modelling, technical assessments and design activities under the Network Growth Programme Line.

No material water network reinforcement outputs were delivered during 2025–26, with physical delivery expected to commence from 2026–27 onwards.

4R – Non-financial information – connected properties, customers and population

We continue to use a population forecast created by Experian Analytics which takes account of the 2011 census and the Office for National Statistics updated population projections. Each year the forecast is then compared against the latest published Office for National Statistics mid-year forecast to check accuracy.

Additional regulatory information cont.

4AA – Third party services water expenditure for the 12 months ended 31 March 2026

Historically we have included 25% of River Medway Scheme capex scheme costs in third party services, as this is the agreed contribution from South East Water. The corresponding income was then taken to the 'Capitalised and amortised (in income statement)' column of table 2E.

Following changes to the guidance for AMP8, this income has now been offset against the costs on table 4AA, row 19, 'Bulk supplies capex'. The £0.033 million charge remaining is a minor immaterial timing difference.

We provide repair, maintenance and related support services for fire hydrants on its water network in accordance with agreed arrangements with local Fire and Rescue Services.

These services include the inspection follow-up, repair and replacement of defective hydrants and associated fittings, maintenance of hydrants required for operational firefighting purposes, management of hydrants affected by mains renewal or network alterations, and emergency response to urgent hydrant defects.

We also provide liaison and coordination with Fire and Rescue Services through dedicated hydrant management processes, including notification of planned and unplanned supply interruptions that may affect firefighting capability.

Revenue recovered from Fire and Rescue Services relates to activities such as hydrant repair, replacement and installation works, together with associated street works, traffic management, specialist network interventions and applicable overheads. Costs reported within fire hydrant repair and maintenance activities comprise the direct and indirect costs incurred in delivering these services.

Of the activity in the year there were 155 replacements and two relocations as well as other minor repair activities. We do not maintain records of how many were fitted with isolator switches, based on internal investigation we believe that none would be fitted with isolator switches.

4AC – Base expenditure analysis for the 12 months ended 31 March 2026 – water asset refurbishment and replacement and 4AD – Base expenditure analysis for the 12 months ended 31 March 2026 – wastewater asset refurbishment and replacement

These tables were produced using the same methodology that we used to provide historical Asset Health data to Ofwat with last year. We do not collect a lot of the data required to accurately produce these tables, and would therefore ascribe them a confidence grade of C5.

Our financial data is recorded at a site level, rather than at individual asset/equipment level. Where the table requirements relate to individual sites (Service reservoirs, water towers, boreholes and sewage pumping mains) our data is considerably better than that at an asset level (Other network storage assets, RGF's, settlement tanks, activated sludge plants and trickle filters). For the latter we have had to make management judgments to allocate the costs.

Similarly, for the network related assets we do not record all costs of gravity and rising main sewers separately and have therefore made judgments in relation to the allocation of these costs.

There are significant increases in costs across the board when compared to the prior year driven by inflation and increased asset maintenance activity. There are also specific capital schemes increasing costs, most notably our service reservoir membrane replacement programme and the rebuild of the rapid gravity filters at Burham.

6E – Leakage activity

Total leakage activity can be broken down as follows:

Activity	£m
Capex scheme 'Leakage Detection enabling proactive network'	10.667
Capex scheme 'Advanced pressure management'	8.392
Other capex schemes	0.289
Leakage direct opex costs (non-supply pipe)	16.485
Supply pipe mend direct opex costs	1.981
General and support opex costs	2.397
Total	**40.211**

Costs are then split 90% maintaining leakage activity, 10% reducing leakage activity.

No stop tap or communication pipe costs have been included in the figures above.

6F – WRMP annual reporting on delivery – excluding leakage and metering activities

There are several rows on table 6F where we have been unable to select a classification form the drop-down menu available. These fall into the following areas.

Strategic Resource Options

The following schemes are classified as 'Strategic Resource Options' within Table 4L, which is not included in the drop-down box on table 6F:

- Transfer: Winter transfer Stage 2: New main Shoreham/North Shoreham and Brighton A (4Ml/d)
- Import: Havant Thicket – Otterbourne direct raw water transfer (90Ml/d)
- New Reservoir – SESRO 150Mm^3 (SWS: 30%)
- T2ST Potable resource: Crabwood to Yew Hill
- HWTWRP Enabling Works

There are no costs against the scheme 'Bulk import (SNZ): SES re-zoning extension (4Ml/d)' as these costs are included within the scheme 'New Reservoir – SESRO 150Mm^3 (SWS: 30%)'. We have separated these out onto two lines so that the benefits can be separately identified.

Base Opex

The following schemes were recorded as enhancement opex within AMP7 as part of our T100 programme and have moved into base opex in AMP8. Base opex is not available in the drop-down box on table 6F. As we are no longer classifying these costs as enhancement on table 4L the costs have been omitted from this table:

- Home audits
- Water audits – Business
- Partnership funds – business
- Water efficiency education

Additional regulatory information cont.

Additional

The costs for the scheme 'Import: SEW Kingston to KTZ Near Canterbury (2Ml/d)' were recorded as network reinforcement in AMP7, and with total AMP8 costs forecast at only £5,000, both the costs and classification boxes have been left empty. We have retained this line on the table so that the benefits can be identified.

We have had to so the same with the schemes 'Import: PWC at Pulborough extension (15Ml/d)' and 'Import from Portsmouth Water (additional 30Ml/d)' where the costs are included within costs on other rows in the table and not separately identifiable.

A reconciliation between Table 6F and Table 4L is detailed below. As 4L is stated in 2025–26 price base, and 6F 2022–23 price base, any price base differences are recorded on a separate line.

Supply side improvements delivering benefits in 2025–26	£m
Table 4L	9.080
Price base differences	(1.049)
Aylesford Sewage Treatment Works potable water scheme, not included in 6F	(1.970)
Otterbourne Phase 4 scheme, not included in 6F	(2.812)
AMP7 WRSE scheme late credits, not included in 6F	0.194
Rounding / immaterial	0.007
Table 6F	**3.450**

Supply demand balance improvements delivering benefits from 2031	£m
Table 4L	9.272
Price base differences	(1.071)
AMP7 Sandown Water Supply Works – HazRev scheme, not included in 6F	(1.916)
WRMP 29 Development scheme, not included in 6F	(0.578)
AMP7 WRMP Future AMPs Planning scheme late credits, not included in 6F	0.167
Table 6F	**5.874**

7A – Wastewater network+ – functional expenditure for the 12 months ended 31 March 2026

Table 7A can be reconciled to table 4E as below:

Activity	£m
Total operating functional expenditure (7A.14)	147.624
Sewage Treatment Principal Use Asset recharge	(13.760)
Local Authority Rates (4K.6)	18.599
Liquor Treatment	9.503
Sewage Treatment total operating expenditure (4E.3)	**161.966**

For reference, the liquor charge reported above can be reconciled to the amount on table 8C as below:

Activity	£m
Liquor Treatment opex charge	9.503
Liquor Treatment opex charge Local Authority Rates (not included in 7A/7B)	1.142
Liquor Treatment capex charge	1.652
Bioresources Liquors (8C.17)	**12.297**

7C – Wastewater network+ – sewer and volume data for the 12 months ended 31 March 2026

Three rising main replacement works have been completed and post documentation provided during 2025–26. Two under the planned programme and one reactively post burst. Structural refurbishment of rising mains comprises a permanent solution such as pipe replacement or bespoke in-pipe renewal such as lining with an expected design life exceeding 50 years. Refurbishment of part can be claimed but only where the affected length is greater than 50m in accordance with the Structural Sewer Rehab Policy document. The three rising mains are identified with seven further rising main replacement projects have been completed within 2025–26 through both the planned programme and reactively, however they have not yet had the post documentation processed, these will be claimed in next year's return. These comprise approximately 4.8km.

RAG 3.16 5.37 As part of our reporting process, we check if schemes are delivered via capex solutions as opposed to Opex solutions. Anything delivered via an Opex solution is discarded from the reported figure and only population equivalent for capex solutions is included in these lines. No WINEP Opex schemes for tightened permits were required to be delivered for these drivers this year, so we have reported accordingly.

RAG 3.16 5.38 The calculations for sludge Total Dry Solids (TDS) generated from non-appointed liquid wastes treated through our treatment works are based on the following:

For domestic tankered waste a Population Equivalent (PE) has been established from the volumes received. These PEs have been applied to the receiving site's sludge make/PE to calculate the amount of sludge arising from these imports.

The commercial tankered waste annual BOD data has been used and converted to a PE for each receiving site, assuming 60 gms/BOD/day. The calculated PE for these wastes has been applied against the sites' sludge make/PE to generate the amount of sludge from these imports.

Other 3rd party imports are recorded via instrumentation. An assumed dry solid of 3% is used in the absence of data from process sampling.

RAG 3.16 5.39 Radial mileages for all data sets relating to haulage movements are taken from the actual radial mileage distances submitted by our waste and recycling contractor. These are converted to 'actual kms' by utilising a conversion factor from miles to km and then a factor of 1.6 to convert from radial distance to 'actual'. This is in line with previous reporting years.

Additional regulatory information cont.

RAG 3.16 5.40–5.41 Southern Water undertakes all its sludge treatment and dewatering activities.

RAG 3.16 5.42–5.47 Narrative on supply-demand and metering

Our detailed Water Resources Management Plan – Annual Review was published on the 30 June 2026 and contains details on our progress and performance narrative on supply-demand and metering.

RAG 3.16 5.48 Narrative on average pumping head

The only significant trends in the data were early in the year due to drought effects (having to transfer raw water to support reservoirs with low levels), then more refill of reservoirs from rivers over the winter to recoup the water used during drought. These effects increased the raw water transport value compared to 2024–25.

Except for raw water abstraction, all flow data is 100% measured, with this being 89.7% for raw water abstraction, so with all head data being fixed we have calculated the relevant lines in the APR as an average of the flow and head data, this and the methodology for calculating APH remain those set out in our 2021–22 APH maturity matrix and commentary as follows:

- Raw Water Transport: Historic head values used, along with measured flow data.
- Raw Water Abstraction: Head values determined using groundwater levels and flange plate heights.

Borehole dip data can be used where available and where telemetry is unavailable. Flow data is from telemetry or previously compiled data (e.g. DI sheets).

Water Treatment: Head values determined from a matrix of average head values per each part of a treatment process. Each site considered on an individual basis using process schematic from the site operating manuals. Flow data is from telemetry or previously compiled data (e.g DI sheets).

Treated Water Distribution: Head values determined using delivery and suction pressure data where available on telemetry systems. Where pressure data not available then values obtained from Hydraulic Modelling Team have been used. For any remaining pumps where the above sources have not provided data, historically used figures have been retained and used. Flow data is from telemetry or previously compiled data (e.g DI sheets). Where this is not possible, alternative methods have been used. This applies to only two pumps in the network and to these determine flows, we have used the pump capacity multiplied by the run time during the year. To do this, we assume that the pump still runs at the 'as-new' speed and has not deteriorated over time. The interval of the run signal data is every 15 minutes, so if a pump returns a 'running' signal then it is assumed that the pump was running for the entire 15-minute period.

Historic Static: Head values used in the Raw Water Transport & Treated Water Distribution PCAs are assumed to have not changed over time due to the fixed nature of the assets. These head values are taken from historic submissions of Average Pumping Head and were derived from measurements taken in the field and compiled by Water Production Planning Team as drawings. Whilst many of these historic values have now been superseded by modelled values from our Hydraulic Modelling Team, there are some pumps that retain the historic values as no new data is as yet available.

Where individual borehole flows are not available, we assume that boreholes have been used equally, so the total site flows have been divided equally among the operational boreholes at that site.

We then aggregate APH by Price Control Area (PCA) and assign confidence grade and Data quality commentary.

Head values used in the Water Treatment PCA calculation are created by determining what processes are included at a particular site and applying a fixed head value to that process. The sum of the head values for each process constitutes the total treatment head value for that site and were reviewed in 2021.

Head values for Raw Water Abstraction have been determined by using the distance between the flange plate of the borehole and the average groundwater level. Where telemetered groundwater data is not available, then borehole dip data has been used to determine an average groundwater level estimate. Whilst dip-data is acknowledged to not have the same coverage as telemetry would over the course of a year, it will still place the estimated value in the operating range of the borehole.

7F – Wastewater network+ – WINEP / NEP phosphorus removal scheme costs and cost drivers

7G – Wastewater network+ – WINEP / NEP sanitary parameters scheme costs and cost drivers

7H – Wastewater network+ – WINEP / NEP nitrogen removal scheme costs and cost drivers

We have no catchment-based interventions.

Site-specific permits are detailed in the tables, with additional detail available in the WINEP. It is not replicated in this document.

Capital expenditure

For 2025–26 capex is populated using actual expenditure recorded against capital Project Reference Numbers (PRNs). Project managers and programme leads have assessed active PRNs, to determine whether work carried out on schemes delivers a blend of base and enhancement, single-scope enhancement, or multiple enhancement solution classifications - including where schemes deliver enhanced permits for both phosphorus and nitrogen. We allocate the costs recorded against the PRN proportionately, based on this assessment.

The AMP8 forecast periods 2026–27 to 2029–30 use our current Board-approved capital expenditure forecast, applying the same principles as for 2025–26 to allocate costs on a proportionate basis to base, enhancement, and enhancement solution classification.

Capital expenditure for the period 'After 2029–30' aligns with the forecast of scheme costs underpinning our PR24 business case submission, adjusted to reflect the outcome of the Final Determination.

For table 7F we continue to report a subset of the schemes previously reported in table 7F during AMP7. This reflects ongoing capital work to deliver the long-term solutions at these sites, ensuring that the signed-off, delivered WINEP solutions remain resilient into the future. Our AMP8 programme of phosphorus removal schemes is also running ahead of schedule. Consequently, we report an overspend against the profiled allowance for 2025–26.

Additional regulatory information cont.

Operating expenditure

Operating expenditure for the AMP8 projects in the upper parts of the tables, with associated WINEP IDs, draws on the same PR24 business case forecast as used for the 'After 2029–30' capex forecast. At this relatively early stage in project delivery, we have no reason to believe that the opex associated with identified solutions has changed materially.

For the table 7F sub-set of AMP7 schemes we report the same average annual operating costs as previously reported in the 'After 2024–25' column of the 2024–25 table 7F.

7J – Bioresources – Industrial Emissions Directive scheme costs and cost drivers

We have not reported any expenditure under the site rationalisation section of Table 7J for 2025–26.

We continue to develop our long-term sludge treatment strategy in Kent, including proposals for increased treatment capacity at Ashford. While future site rationalisation may result in sludge treatment being consolidated at a smaller number of strategic locations, the scope, timing and associated costs of these activities have not yet been sufficiently developed to report within this table.

Consistent with the PR24 business plan, anticipated IED compliance benefits associated with future sludge treatment rationalisation have already been reflected in funded allowances. As such, we do not currently expect to report additional efficiencies attributable to site rationalisation within Table 7J.

Further development work is ongoing and we expect to have greater certainty regarding any future site rationalisation activities, associated costs and sludge load transfers for reporting in subsequent years.

7K – Wastewater network+ – WINEP storm overflow scheme costs and cost drivers

Table 7K reports expenditure incurred on our WINEP storm overflow programme. The programme forms part of the wider Clean Rivers and Seas investment strategy and is designed to deliver regulatory requirements associated with storm overflow spill reduction. Expenditure reported includes enhancement activity directly attributable to storm overflow improvements, including storm storage, screening, flow-to-full-treatment enhancements, surface water separation, infiltration reduction, wetlands and other spill reduction interventions.

Our approach is centred on identifying and delivering the most effective solution for each overflow location through a combination of traditional engineering and nature-based interventions. Key cost drivers across the programme include the delivery of additional storage capacity, sustainable drainage systems (SuDS), surface water removal from combined networks, sewer sealing works in groundwater-affected catchments, flow-to-full-treatment upgrades and wetland solutions. These interventions are intended to reduce spill frequency while delivering long-term environmental improvements.

The programme includes both the AMP8 2027 delivery programme and the AMP8 2030 programme. There are 54 storm overflows across 11 wastewater catchments within the 2027 programme and a further 129 storm overflows within the 2030 programme, all driven by WINEP obligations. Delivery requirements and solution selection continue to be informed by site-specific investigations, modelling and assessment of root causes to ensure investment targets the most effective spill reduction outcomes.

Reported Expenditure (Actuals)

The 2025–26 expenditure reported in Table 7K reflects costs incurred in progressing Southern Water's WINEP storm overflow programme. Due to limitations in the cost capture and reporting structure, it has not been possible in all cases to allocate expenditure to the individual WINEP ID level required by Ofwat. Consequently, a proportion of expenditure has been reported against higher-level programme categories (rows 304–309 of the table), which represent costs associated with multiple storm overflow schemes. We will continue to review these costs and allocate where possible to individual WINEP IDs in future submissions as more detailed cost information becomes available.

Forecast Expenditure

The forecast position reflects our current expectation that delivery of a number of storm overflow schemes will extend beyond AMP8, resulting in a proportion of expenditure being rephased into AMP9. At this stage the forecast has been presented predominantly as capital expenditure, with future-year operating expenditure not allocated at scheme level. As programme delivery and solution development progress, a more representative split between capital and operating expenditure is expected to emerge. In addition, the total forecast value reported in column P (2022–23 prices) should be viewed as indicative, as it excludes expenditure captured within the higher-level programme categories referred to above. Until these costs can be allocated to individual WINEP IDs, the detailed scheme-level forecast will not fully reflect all expenditure already incurred or anticipated across the programme.

8C – Bioresources energy and liquors analysis for the 12 months ended 31 March 2026

The income claimed from the REGO sale of £1.370 million (8C.9) has been offset against the sludge treatment power charge (4K.1) and not included in 'Income treated as negative expenditure' (4K.2), mirroring last year's treatment.

The (£4.243 million) sludge treatment figure on 4K.2 includes the £3.640 million renewable energy certificates (ROCs, 8C.7) with the remaining income being derived from exports to the grid.

The percentage of bioresources energy consumption that is metered, (8C.18) is calculated based on the energy consumption below:

Activity	Metered MWh	Unmetered MWh	Total MWh
Electricity generated by and used in bioresources control (8C.2)	13,401	1,041	14,442
Heat generated by and used in bioresources control (8C.2)	71,918	–	71,918
Energy bought from grid and used in bioresources control (8C.6)	11,772	1,058	12,830
Energy consumption – bioresources (8C.1)	**97,092**	**2,099**	**99,191**

The heat figure has been classified as metered, although an estimate has been used, as per section 8.4 of the table 8C guidance in RAG 4.14. Electricity submeter coverage stands at 92%.

For a breakdown of the liquor treatment charge please refer to the commentary for tables 7A and 7B.

Additional regulatory information cont.

Greenhouse gas and net zero reporting

Greenhouse gas emissions reporting for the 12 months ended 31 March 2026

Table 3E:

We have reported 0 for base/enhanced/net zero expenditure data lines as not applicable for us.

Table 11A:

Overall gross emissions under the Annual Performance Report accounting methodology are 60% higher than the previous year. This is equivalent to a 4% rise in emissions associated with the water account and a 76% increase in wastewater.

The significant increase in wastewater emissions is a result of a year-on-year methodology change to how Nitrous Oxide emissions from wastewater treatment are calculated in the Carbon Accounting Workbook. A increase to the assumed nitrogen load per population equivalence and the secondary treatment nitrous oxide emissions factor has led to a 246% increase in wastewater process emissions.

Scope 2 emissions have decreased 13% driven by a reduction in the UK electricity grid factor. This has offset a small increase in electricity consumption across the wbusiness.

Total scope 3 emissions are flat despite some changes in constituent categories. Emissions from outsourced activities has increase by 15% as contractors have reported increased mileage. Similarly, emissions from the purchase and consumption of chemicals have increased 18% as the business responds to increased treatment demands across both accounts. This has been offset by a decrease in emissions from the disposal of sludge to land due to a decrease in both methane and nitrous oxide emissions factors used by the CAW. This change is in line with UKWIR Biosolids to Land Report. Regarding the CAW, it is unable to breakdown scope 3 chemicals in CAW. There were some transport data for trains that were not accounted the previous year and that we have included this year. The reason is that the records for previous year were not approved before and have been paid during this financial year.

The company have engaged with PAS2080 high level principles, and the 2022 UK Framework for embodied carbon. Regarding SBTi, this is not limited to embedded emissions. The company does not have a specific commitment with the latter. However, the company is aware of the principles of these standards.

Southern Water's AMP8 carbon pilot programme aims to embed whole life carbon management into project delivery so that by AMP9 it becomes business as usual. The pilots test tools, responsibilities, training, and carbon requirements with AMP8 delivery teams, helping them identify and implement low carbon solutions across both capital and operational emissions. This approach supports refinement of current carbon management processes, improves clarity for project teams, and generates lessons that can be scaled across programmes. The pilots follow structured steps – baseline setting, reduction workshops, option assessment, quantification, and tracking – aligning with ALP requirements that promote lower carbon alternatives throughout the project lifecycle.

Strengths:

Operational emissions

Southern Water has robust processes in place for collecting and analysing carbon data, enabling the identification of opportunities to reduce emissions.

Regular quarterly checks are carried out to ensure data accuracy, while also tracking changes in emissions, understanding their drivers, and identifying potential mitigation actions.

Embedded emissions

The 2025–26 analysis has been able to use a sample of 70 projects (worth £703 million) which include spend in 2025–26. In contrast, the year-five report used a sample of 54 projects (worth £68 million). The sample size is much larger in scale this year, above 90% coverage of capital spend due to a focus on estimate for larger schemes (such as £128 million at Otterbourne).

Weaknesses:

Operational emissions

Southern Water will need to explore further research and innovation to address process emissions, as well as identify opportunities to reduce chemicals and other Scope 3 emissions.

At present, chemical-related emissions are largely dependent on supplier decarbonisation, and the use of chemicals is expected to increase significantly during AMP8.

Embedded emissions

The inclusions and exclusions of carbon models need further review against the latest design specification and construction approaches in order to improve their representativeness and alignment to cost models. The build part of the carbon models also relies on CESMM4 data, which was last updated in 2013, and some percentage uplift assumptions based on review of a small sample of historic projects. This portion of the models should be refined through assessing a more contemporary set of as-built projects delivered by Southern Water delivery partners using Bill of Quantity level breakdowns. The carbon models themselves are currently only cradle-to-build, and the split used to calculate cradle-to-gate is high-level.

Opportunities:

Operational emissions

Southern Water can introduce new initiatives to cut carbon emissions, including setting more ambitious reduction targets through increased renewable energy generation and the adoption of low carbon technologies.

There is also an opportunity to explore innovative solutions and alternative approaches to emissions reduction, which could deliver both environmental and cost benefits.

Targeted investment in research and development may help unlock effective solutions for reducing process emissions, particularly in areas that currently represent the greatest challenges.

Embedded emissions

In AMP8 Southern Water has created templates for capturing carbon data from suppliers for purchased goods and services. And these are intended to improve relevant data throughout AMP8.

Additional regulatory information cont.

There is an opportunity to review financial data on a year-by-year basis in collaboration with the finance team to ensure that capex and opex have been correctly allocated between capital carbon and purchased goods and services. A methodology has already been developed to support this process. In addition, any remaining non-capital data should be assessed to identify and exclude items that are already accounted for within operational emissions, thereby avoiding double counting.

Threats:

Operational emissions

The update aligns methodology with the 2019 IPCC refinement by increasing the N_2O emissions factor for secondary wastewater treatment from 0.4% to 1.6% and increasing the nitrogen load assumption from 8 to 17.74 g N/person/day based on UK data. Together, these changes lead to an approximately seven-fold increase in calculated N_2O emissions (for domestic population).

The increase reflects updated scientific assumptions, not a change in operational performance.

While this may negatively affect external perception, the risk can be mitigated through:

- Clear communication of the methodology change
- Alignment with international standards

Embedded emissions

Without embedding a business-as-usual approach for carbon management through a project lifecycle the APR reporting will always be backwards looking rather than proactively reporting carbon data with real project information that will support decision-making and managing carbon. Without assessing, monitoring, and reporting carbon on projects through their delivery the quality of the approach will always be limited by the need to apply significant extrapolation through spend-based carbon intensities.

Embedded emissions reporting criteria assessment – overall status GREEN

	Description	Status
	Provision of embedded emissions data as it relates to capital projects (cradle-to-build). We anticipate good practice in this area being for companies to provide cradle-to-gate as well as cradle-to-build based data.	Met
	Clear evidence of external verification and certification by an appropriately qualified party as it relates to the use of standards and frameworks, and quality of data.	Not Met
	Engagement with one or more recognised standard, framework, or approach for managing and reporting embedded emissions.	Met
	Provision of insights into embedded emissions as they relate to construction and maintenance activities.	Not Met
	Complete and detailed SWOT analysis referring to embedded emissions.	Met
	Provision of embedded emissions data as it relates to purchased goods and services (in addition to chemicals).	Met
	Evidence of both internal and external stakeholder engagement and education on its GHG emissions management and reporting approach.	Met
	Provision of embedded emissions data as it relates to capital projects (cradle-to-gate or cradle-to-build).	Met
	Clear evidence of external verification by an appropriately qualified party as it relates to the use of standards and frameworks, and quality of data.	Not Met
	Engagement with one recognised standard, framework, or approach for managing and reporting on embedded emissions.	Met
	Complete and detailed SWOT analysis referring to embedded emissions.	Met
	No provision of embedded emissions data as it relates to capital projects.	Not Met
	Incomplete SWOT analysis as it relates to embedded emissions.	Not Met
	No demonstrable engagement with recognised standards, frameworks, or approaches for managing and reporting on embedded emissions.	Not Met

Appendices

The information in the appendices has not been audited.

Appendix 1. Transactions with associates and the non-appointed business

Services supplied to associated companies by the appointee

Greensands Junior Limited (GSJ) is the ultimate parent of Greensands Investments Limited (GSI), which is an intermediate parent of Southern Water Services Limited (SWS), the appointee. The purpose of GSJ and GSI is to act as holding companies for SWS. As such they do not trade and have no turnover.

During the year, recharges for group-related management services, for example legal, treasury, governance and financial services, supplied by Southern Water Services Limited were as follows:

Service	Company	Turnover of associate	Terms of supply	Value £m
Management charges	Greensands Investments Limited	–	Cost/market price	1.0

Services received by the appointee from associated companies

There were no services supplied by associate companies to SWS.

Group relief received by the appointee

Service	Company	Turnover of associate	Terms of supply	Value £m
Corporation tax group relief	–	–	Cost	–

No group relief was received by the appointee..

Allocation of costs between regulated and non-regulated businesses

Each non-appointed activity is treated separately within the company's financial records. Examples of non-appointed activities include non-monopoly rechargeable works, property searches and services for waste tankering. Revenues, costs, assets and liabilities are generally directly allocated to particular business activities. Administrative overheads have been apportioned from the appointed business to the non-appointed business on an activity cost basis.

Service provided by the non-appointed business	Basis of recharge made by the appointed business	Value £m
Treatment of imported sludge	Not applicable	–
Treatment of tankered waste	The Mogden Formula was used to calculate the income for tankered waste and the costs were derived from this calculation	6.096
Other	Headcount (FTE) was used to calculate administrative overhead for property searches, accommodation rental and Homeserve costs	0.033

Appendices cont.

Details of intercompany loans

Loans granted to Southern Water Services Limited:

Company	Loan type	Interest rate %	Repayment date	Balance at 31 March 2026 £m
SW (Finance) I Plc	Fixed rate	6.192	2029	349.479
	Index linked	3.706	2034	341.920
	Index linked	3.706	2034	70.538
	Fixed rate	5	2041	147.641
	Fixed rate	4.5	2052	197.500
	Fixed rate	5.125	2056	293.151
	Fixed rate	2.375	2028	373.479
	Fixed rate	3	2037	445.245
	Fixed rate	1.625	2027	299.036
	Fixed rate	7.375	2041	541.020
	Index linked	3.315	2043	76.530
	Index linked	4.123	2043	21.255
	Fixed rate	7	2040	590.644
	Fixed rate	7.75	2031	381.299
	Fixed rate	6.875	2032	741.322
	Fixed rate	5.75	2030	624.291
	Fixed rate	6.125	2033	445.234
	Fixed rate	2.78	2031	174.524
	Fixed rate	2.96	2036	74.705
SW (Finance) II Ltd	Index linked	4.076	2033	376.104
	Index linked	3.635	2032	348.116
Total				**6,913.033**

Loans granted by Southern Water Services Limited:

Company	Loan type	Interest rate %	Repayment date	Balance at 31 March 2026 £m
SW (Finance) I Plc	Fixed rate	0.000	On demand	196.455

Dividends paid by Southern Water Services Limited to group companies

Company	2025 £m	2024 £m
SWS Holdings (ordinary dividend)	0.000	0.000

No ordinary dividend was declared for payment to Southern Water Holdings Limited (SWSH) in 2026 (2025: £nil).

Asset transfers

There were no asset transfers during the year.

Appendices cont.

Outcome performance commitments

Biodiversity

Definition:
This performance commitment measures the net change in the number of biodiversity units on nominated land per 100km^2 of land in the company's area. A biodiversity unit is a measurement of an area's value to wildlife. It is based on the size and quality of habitats, and whether the habitat is sited in an area identified as being of strategic significance for nature. Biodiversity surveys are carried out on specific sites at the beginning of the AMP, and then further surveys carried out after four years to assess net change. This is a new metric for AMP8 as defined in the Ofwat Biodiversity – PC definition.

Business Demand (Water Delivered)

Definition:
This is a new metric for AMP8 measured as average amount of water supplied for non-household use as a three-year rolling average, expressed in megalitres per day (Ml/d), targeted as a percentage reduction against our PR24 baseline of 115.7Ml/d as defined in the Ofwat Business demand – PC definition. Three-year average values are calculated from annual average values for the reporting year and two preceding years and expressed in megalitres per day (Ml/d).

Water quality compliance (Compliance Risk Index)

Definition:
The definition for this performance commitment is set by the Drinking Water Inspectorate (DWI) in collaboration with the industry. This is published as DWI Compliance Risk Index (CRI), August 2018: ofwat.gov.uk/publication/dwi-compliance-risk-index-cri-definition/

Customer contacts about water quality

Definition:
The number of times the company is contacted by consumers due to the taste and odour of drinking water or because the drinking water is not clear, reported per 1,000 population. Calculation is the number of contacts for all appearance, taste, and odour contacts multiplied by 1,000 divided by the resident population as reported to the Drinking Water Inspectorate (DWI).

Discharge permit compliance

Definition:
Treatment works compliance is defined in the reporting guidance for PR24 – Discharge permit compliance – PC definition using the Environment Agency Environmental Performance Assessment methodology v11
The discharge permit compliance metric is reported as the number of failing sites (as a percentage of the total number of discharges) and not the number of failing discharges in the calendar year.

Greenhouse gas emissions (water)

Definition:
The annual amount of greenhouse gas (GHG) emissions associated with the water side of our business measured in tonnes CO_2e, carbon dioxide equivalent with targets set based on a percentage reduction from our 2024–25 baseline. This is a new metric for AMP8 as defined in the Ofwat PR24 Operational greenhouse gas emissions – water – PC definition.

Leakage

Definition:
The company's level of leakage, including customer supply-pipe losses as a three year rolling average, expressed in megalitres per day (Ml/d) targeted as a percentage reduction against our PR24 baseline of 105.4Ml/d as defined in the Ofwat Leakage – PC definition. Three-year average values are calculated from annual average values for the reporting year and two preceding years and expressed in megalitres per day (Ml/d).

Repairs to burst mains

Definition:
The number of proactive and reactive mains repairs per thousand kilometres of the company's entire treated water mains network (excluding communication and supply pipes). This excludes repairs where there is no loss of water from a pipe e.g. undertaken as part of a mains renewal or replacement programme.

Appendices cont.

Outcome performance commitments cont.

Per capita consumption (PCC)

Definition:
PCC is the average amount of water supplied to household customers reported as a three-year rolling average. Targets are set based on percentage reduction against our PR24 baseline of 133.4 as defined in the Ofwat Per capita consumption – PC definitionhttps://www.ofwat.gov.uk/publication/business-demand-fd-pc-definition-2/.
Three-year average values are calculated from annual average values for the reporting year and two preceding years and expressed in litres/person/day (l/p/d).

Serious pollution incidents

Definition:
Serious pollution incidents is defined in the serious pollution incidents metric set out in the reporting guidance from the Environment Agency's and Natural Resources Wales' Environment Agency Environmental Performance Assessment methodology v11. This is the total number of Category 1 and Category 2 incidents recorded during the calendar year,

Unplanned water outage

Definition:
Unplanned outage is defined in the Ofwat Unplanned outage – PC definition updated for PR24.
This measure is reported as the temporary loss of peak week production capacity (PWPC) in the reporting year weighted by the duration of the loss (in days). Unplanned outage for each water production site is calculated separately and then summed over the reporting year to give a total actual unplanned outage for the water resource zone.
The company water resource zone weighted outage should then be summed (Ml/d) and normalised based on overall company peak week production capacity to be reported as a percentage.

Water supply interruptions

Definition:
This is the average minutes lost per property served per year, due to water supply interruptions of greater than three hours.
It is calculated as the total minutes lost using the number of water connections to produce an average number of minutes lost per customer for the whole customer base as defined in the Ofwat Water supply interruptions – PC definition updated for PR24.

Bathing water quality

Definition:
This is the average score out of 100 for bathing water quality across our region. Scores are weighted 100% for excellent classification, 66% for good classification, 33% for sufficient classification and 0% for a poor classification. An overall average score of 100 would mean that all bathing waters are excellent, whereas 0 would mean all bathing waters are poor.
It is a new metric for AMP8 and is calculated as defined in the Ofwat Bathing water quality – PC definition.

External sewer flooding

Definition:
The performance commitment is reported as the number of the company's external sewer flooding incidents normalised per 10,000 sewer connections including sewer flooding due to severe weather events per year, including incidents caused by severe weather.
The external sewer flooding measure is defined in the updated Ofwat External sewer flooding – PC definition.

Greenhouse gas emissions (wastewater)

Definition:
The annual amount of greenhouse gas (GHG) emissions associated with the wastewater side of our business measured in tonnes CO_2e, carbon dioxide equivalent with targets set based on a percentage reduction from our 2024–25 baseline as defined in the Ofwat PR24 Operational greenhouse gas emissions – wastewater – PC definition.

Internal sewer flooding

Definition:
The performance commitment is reported as the number of the company's internal sewer flooding incidents normalised per 10,000 sewer connections per year, including incidents caused by severe weather.
The internal sewer flooding measure is defined in the updated Ofwat Internal sewer flooding – PC definition.

Appendices cont.

Outcome performance commitments cont.

Sewer collapses

Definition:
The performance commitment is reported as the number of the company's sewer collapses (including mains bursts) incidents normalised per 1,000km of sewer length as defined in the updated Ofwat Sewer collapses –PC definition.
A sewer collapse is considered to be where a structural failure has occurred to the pipe that results in a service impact to a customer or the environment and where action is taken to replace or repair the pipe to reinstate normal service.
Sewer length: The length of the entire sewer network, including sewers that transferred to their responsibility under the Transfer of Public Sewers Regs 2011.

Storm overflows

Definition:
The average number of times storm overflows have spilled in the calendar year, including an 'uptime adjustment' where each overflow is assumed 100 spills per year if we're not monitoring it 100% in real-time. This means if an overflow is unmonitored for a whole year, we allocate it with 100 spills, using the overflow availablity percentage, so an overflow with 97% of data available will have three average spills added. This is a new metric for AMP8 as defined in the Ofwat Storm overflows – PC definition.

Pollution incidents

Definition:
This is the total number of pollution incidents (Categories 1 to 3) per 10,000km of sewer length for which the company is responsible in a calendar year as defined in the reporting guidance from the Environment Agency's and Natural Resources Wales's Environment Agency Environmental Performance Assessment methodology v11 as per the Ofwat Total pollution incidents – PC definition.

River water quality

Definition:
River Water Quality is an industry wide metric, measuring the percentage reduction in phosphorus discharged by wastewater treatment works compared to the 2020 baseline via partnership working. In line with our WINEP scheme delivery plans and the River water quality – PC definition this has been set at 0 until after 2030 and is separate to overall phosphorus reduction via other schemes. delivery plans and the River water quality – PC definition this has been set at 0 until after 2030 and is separate to overall phosphorus reduction via other schemes.

Measures of experience performance commitments

BR-MeX

Definition:
Business customer and retailer measure of experience (BR-MeX) is a single score for the Wholesaler (wholesaler). This is measured as the average business customer service experience resulting from two sets of customer surveys and one market performance metric:

- Business (non-household) Customer Experience Survey (B-MeX) – a satisfaction survey of a random sample of business customers who have recently contacted their wholesaler (50%).
- Retailer Experience survey (R-MeX) – derived from a twice-yearly survey of Retailers (25%).
- Market Performance Framework Metrics (MPF) – based on industry measures of wholesaler performance, as determined under the industry's Market Performance Framework (25%).

This is a new metric for AMP8 as defined in the Ofwat Business Retailer Measure of Experience (BR-MeX) – PC definition.

Customer measure of experience (C-MeX)

Definition:
The customer measure of experience (C-MeX) is a measure of household customer satisfaction. A company's C-MeX score is calculated as the weighted average of customer satisfaction (CSAT) scores from customer service (CS) and customer experience (CE) surveys as per the revised Ofwat Customer measure of experience (C-MeX) – PC definition.

Developer services measure of experience (D-MeX)

Definition:
D-MeX is a measure of non-household customer satisfaction. A company's overall D-MeX score is calculated from two components that contribute equally:

- qualitative D-MeX score, based on the ratings provided by developer services customers who transacted with the company throughout the reporting year to a customer satisfaction survey; and
- quantitative D-MeX score, based on the company's performance against a set of selected Water UK performance metrics throughout the reporting year on line with the revised Ofwat Developer services measure of experience (D-MeX).

Performance Commitment RAG reporting methodology assessments

Below are the required RAG assessments included in the external assurance undertaken as set out in our data assurance summary on pages 33 to 35. Commentary has been provided for all red or amber components.

Biodiversity

As per our response to the Ofwat APR consultation and further query, we have not included an assessment of the biodiversity Compliance Checklist RAG, as we are still in the process of baselining and selecting sites and are reporting a nil return against this metric. As such, we are unable to assess the compliance of our processes, however these have been internally reviewed and a formal policy put in place to ensure adherence to the components, and this will be placed under specialist assurance as required by Ofwat in the 2026–27 APR.

Business Demand (Water Delivered)

Component	Sub-component		Component RAG	Confidence Grade
1. Business premises estimates	1a	Definition of household/non-household premises consistent with Ofwat's eligibility guidance.		A2
	1b	Premises figures annually updated.		A2
2. Measured business	2a	Metered data is derived from source.		A2
	2b	If leakage allowances are applied the process and evidence for this is clearly set out.		A2
	2c	Average SPL deductions for externally metered business demand using company own data updated annually.		A2
	2d	Company's own estimate of MUR for revenue meters which is updated annually. Evidence of MUR available and is compelling for MUR above 3%.		A2
	2e	Meter replacement consistent with own replacement programme.		A2
	2f	Demand at void non-household premises.		A2
3. Unmeasured business demand	3a	Company has used a study of the consumption of measured non-households of similar categories and applying a recognised statistical approach.		A2
	3b	Where unmeasured business reported volume is less than 2% of total business demand, data from a per premise consumption study is refreshed every five years. Where unmeasured business reported volumes are greater than 2% of business demand, data from a premise study is refreshed every two years.		A2
4. The information and assumptions made for leakage, per capita consumption and business demand PCs is consistent and is based on the same water balance calculations.				A2
5. Company has explored options to deliver water efficiency in collaboration with: i) water supply licensees (retailers); and other third parties.				A2

Performance Commitment RAG reporting methodology assessments cont.

Leakage

Component	Sub-component		Component RAG	Confidence Grade
1. Coverage	1e	95% of all properties have continuous night flow monitoring through the year.		A2
2. Availability	2a	At least 90% of all properties within continuous night flow monitoring networks available for reporting night flow data through the year.		A2
3. Properties	3a	All properties mapped to defined zones or DMAs using geo-location or similar methods.		A2
	3b	Consistency of property numbers contained within DMAs or zones with company billing system. Valid differences explained to the independent third-party assurer.		A2
	3c	Properties that are defined as void excluded from night use allowances unless evidence for use or losses from illegal occupation is available.		A2
	3d	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates.		A2
	3e	Property data updated at least annually.		A2
	3f	Classification of properties as household / non-household according to Ofwat guidance.		A2
4. Night flow period and analysis	4a	Independent third-party assurance of night use allowances.		A2
	4b	Change of night use allowances be assured by an independent third-party to ensure validity and representativeness.		A2
	4c	Night flow data frequency at least every 15 minutes.		A2
	4d	Leakage derived from a fixed period during the night of at least a one hour period and up to two hours.		A2
	4e	If the fixed period is varied during the year for some or all DMAs or zones to address significant changes to night use patterns such as during Ramadan evidence for this is provided and assured by an independent third-party.		A2
	4f	Leakage allowance applied for properties not within DMAs or monitored zones consistent with other leakage estimates.		A2
	4g	Data infilling for a single DMA or zone does not use more than six months of historic data before moving to area average.		A2
	4h	Data infilling where historical data is not available uses the area average in which the DMA or zone/Tile is located.		A2
	4i	When a DMA is restored to operability, the subsequent leakage data is used to retrospectively update the data infilling interpolating between pre- and post- data over at least one month.		A2
	4j	Where NHH properties are continuously monitored, the actual values of flow over the night flow period are used in place of estimates within the night flow analysis.		A2
	4k	Weekly leakage estimates are used for annual reporting with no exclusions for summer months.		A2
	4l	Negative leakage values are used in compiling values of annual average leakage.		A2
	4m	The reasons for any prolonged periods of negative leakage are investigated and explained.		A2

Performance Commitment RAG reporting methodology assessments cont.

Leakage cont.

Component	Sub-component		Component RAG	Confidence Grade
5. Household night use	5a	The time period for HHNU is the same time period as used for night flow and NHHNU.		A2
	5b	Own data or shared data with proximate companies is used for HHNU.		A2
	5c	Plumbing losses are included and based on own data.		A2
	5d	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole.		A2
	5e	Sample size is sufficient to capture continuous and intermittent night use with reasonable confidence.		A2
	5f	Continual monitoring and maintenance of IHMs (individual household monitors) and SAMs (small area monitors).		A2
	5g	HHNU is derived daily with regular, adjustment of values on a weekly or monthly frequency to reflect actual seasonal use. This may be done retrospectively.		A2
6. Supply pipe leakage	6a	Methodology is accurate and assured by an independent third-party.		A2
7. Non-household night use	7a	The time period for NHHNU is the same time period as used for night flow and HHNU.		A2
	7b	Own data or shared data with proximate companies is used for NHHNU.		A2
	7c	1999 UKWIR methodology with the appropriate time window as used for the night flow and the published outcome of further methodology development is applied.		A2
	7d	Stratification of non-households to a number of groups and consumption bands is representative of the varying characteristics of commercial and industrial properties.		A2
	7e	Sample size is sufficient to capture night use by stratification with reasonable confidence.		A2
	7f	Reliable and representative average billed volume (ABV) model based on data logging of the representative sample sufficient to capture demand variations with further seasonal logging where relevant. Continuously logged properties not part of the sample.		A2
	7g	ABV model linked to billing system or replacement database of billed volumes. Average billed volumes updated at least annually.		A2
	7h	Continuous monitoring of selected non-households is carried out where average demand of an individual non-household has a material impact on the ability for a DMA or zone to provide valid and consistent data within operability limits.		A2
8. Hour to day conversion	8a	The hour-to-day factor is derived separately for each DMA or zone using pressure logging within each DMA or zone. The factors are updated at least annually or where there are any significant changes to pressure regimes.		A2
	8b	As an alternative, hydraulic models reflecting latest network configuration and pressure changes, are used if they dis-aggregate in sufficient detail at sub-zone level.		A2
	8c	Evidence based N1 value used. Expected range is 1.0 to 1.20.		A2
9. Annual distribution leakage	9a	Average weekly data is derived from valid daily values of leakage using data points which are representative of the week. Backfilling using the methods described in Section 5.4 – night flow analysis – is done when valid data is not available for three or more data points.		A2
	9b	The annual value of leakage expressed as Ml/d is be derived from an average of the 52 week data.		A2

Performance Commitment RAG reporting methodology assessments cont.

Leakage cont.

Component	Sub-component		Component RAG	Confidence Grade
10. Trunk main losses (only applicable if DMA level leakage assessment used)	10a	Monitor trunk main losses using a flow balance approach or an accurate alternative approach.		A2
	10b	Company-specific data is used to assess the value of trunk main leakage, using either physical surveys and inspections or a mass balance approach.		A2
	10c	Most recent data available is used to monitor trunk main losses.		A2
	10d	Proactive leakage monitoring approach applied where trunk main losses form a significant element of total leakage or the MLE water balance gap is greater than +/-2%.		A2
	10e	If trunk main losses greater than 5% of total leakage estimates reviewed annually.		A2
	10f	If estimates are derived by extrapolation, the sample size and extrapolation approach as accurate as possible, properly documented and assured by an independent third-party.		A2
	10g	Imbalance in estimates should be investigated to ensure no material impact on accuracy.		A2
	10h	If estimating through BABE approach, the methodology, calculation and figures is assured by an independent third party.		A2
	10i	Where the company has redefined lengths of pipe as trunk main, the estimated leakage from those additional lengths is not estimated using a BABE approach.		A2
	10j	If the company estimates trunk main losses using a BABE approach, the company should explain in its APR submission the steps it is taking to move away from that approach.		A2
11. Service reservoir losses (only applicable if DMA level leakage assessment used)	11a	Company-specific data is used to assess the value of service reservoir losses.		A2
	11b	Reservoirs with known high leakage, structural deficiencies or at risk of water quality failures are investigated on an individual basis.		A2
	11c	Drop tests (12 hour duration depending on size) carried out every five or ten years. All valves checked for tight close; and losses through overflows investigated. Appropriate monitoring arrangements in place to control and minimise overflow events.		A2
12. Distribution input	12a	Distribution input to the system is metered with at least daily readings at all defined locations.		A2
	12b	Meters are appropriate size for the flow to be measured and located at appropriate inputs to the network confirmed by record plans. Any treatment works take-off downstream of a meter are excluded from the DI calculations.		A2
	12c	Data validity checks are carried out at least monthly.		A2
	12d	Missing data is infilled using both pre- and post- data for the location over at least one month, extrapolated from pump hours or use of upstream or downstream meters.		A2
	12e	The data transfer systems from meter output to central database are checked and validated on a risk-based frequency from one up to two years.		A2
	12f	Flow checks are carried out on DI meters consistent with the principles of the document ‘EA Abstraction Good Metering Guide’ and in particular the frequency of flow checking defined in table 6.2 of the EA guide. Where the checks show under registration greater than 3% the results shall be subject to independent third-party assurance.		A2
13. MUR	13a	Meter under-registration (MUR) is applied consistent with own estimates. Evidence of MUR available and is compelling for MUR above 3%. Any MUR above 3% shall be subject to independent third-party assurance.		A2

Performance Commitment RAG reporting methodology assessments cont.

Leakage cont.

Component	Sub-component		Component RAG	Confidence Grade
14. Company own water use	14a	All sewage treatment sites and other sites and assets supplied downstream of the DI meters using greater than 10 m^3/d (0.01 Ml/d) are metered.		A2
	14b	An estimate of total company own use is included in the water balance, based on a clear methodology and actual data.		A2
	14c	Estimate of distribution operational use is evidence based and not greater than 0.6% of distribution input.		A2
15. Other water use	15a	Other use components are based on own data.		A2
	15b	Estimate of water delivered unbilled (legally and illegally) is evidence based and not greater than 1.8% of distribution input.		A2
	15c	Estimates are updated when there is a material increase or decrease to volumes.		A2
16. Water balance and MLE	16a	Set out MLE approach. Apply it in identifying water balance gap. Report each element separately.		A2
	16b	Water balance discrepancy: <2% = Green >2% and <3% = Amber >3% = Red		A2
	16c	Add any water balance in excess of +5% gap to the leakage component.		A2
	16d	Revisit all material components of water balance where the water balance gap is >±5% to the leakage component.		A2
	16e	Water balance including confidence intervals for all components of water balance are assured by an independent third-party. Confidence intervals for all components to fall within the respective expected range or compelling evidence is provided to Ofwat through the APR.		A2
17. The information and assumptions made for leakage, per capita consumption and business demand PCs is consistent and be based on the same water balance calculations.				A2
18. In case of varying its 2019–20 leakage baseline relative to the final determinations baseline, provide commentary in APR.				A2
19. Disclose in the APR where its methodology does not comply using this checklist, and any factors which have an impact on the methodology for reporting leakage.				A2

Amber status:

7d – Night-use models were applied to the entire population with valid ABV. An equivalent average night use was calculated from the estimate of total night use

A profile of volumetric estimates derived for unmeasured non-households using a Standard Industrial Classification (SIC) model developed using data from measured non-households.

7e – Night use estimates for unmeasured non-households have been derived in three ways: 1. Using the non-household night use estimates from previous reporting 2. Applying the night-use models to the inferred profile of unmeasured non-household consumption. 3. Applying the night use models to the inferred profile of unmeasured non-household consumption and applying an MUR adjustment

7f – Previously developed night-use models were applied to the entire population with valid ABV. An equivalent average night use was calculated from the estimate of total night use.

Where a meter has no ABV data, where it is not possible to find two-meter readings it was assumed to take the average modelled rate.

Red status:

16 – Water Balance Gap has increased from previous year to 4.77% this year. As the gap is getting tight at the top, our focus for 2026–27 will be to reduce this gap. As leakage calculations are moving to a flow balance approach, we will be working on recalibrating our assumptions of the unmetered consumptions to reduce this gap. As per our trend analysis, the gap will breach 5% by October 2026. The reason is that the DI meter at Hardham was thought to be faulty and was being adjusted upwards. It wasn't; it was one of the Abs meters that was faulty. So we have stopped adjusting it as of February, meaning that a lower Pre MLE DI figure is being used. As we use an average, the DI figure will get gradually lower as new data comes in and old data goes out. Nevertheless, It will be imperative for us to make sure that unmetered consumptions are measured more accurately, and in turn reduce its dependency to reduce the gap.

Performance Commitment RAG reporting methodology assessments cont.

PCC

Component	Sub-component		Component RAG	Confidence Grade
1. Household population estimates	1a	Household population derived using WRMP methodology.		A2
	1b	Evidence for adjustments for clandestine population if any.		A2
	1c	Household population updated annually.		A2
	1d	Exclusion of non-household population in accordance with WRMP methods.		A2
2. Household premises estimates	2a	Definition of household/ non-household consistent with eligibility under market separation.		A2
	2b	Evidence of void premises updated annually.		A2
	2c	Property figures annually updated.		A2
3. Measured household consumption	3a	Metered data is derived from own billing system.		A2
	3b	If leakage allowances are applied the process and evidence for this is clearly set out.		A2
	3c	Average supply pipe leakage (SPL) deductions for externally metered households using company own data updated annually.		A2
	3d	Meter under-registration (MUR) is applied consistent with own estimates. Evidence of MUR available and is compelling for MUR above 3%.		A2
	3e	Meter replacement consistent with own replacement programme.		A2
4. Unmeasured household consumption	4a	Monitors follow principles set out in the UKWIR report 'Best Practice for unmeasured per capita consumption monitors 1999' and the more recent report 'Future Estimation of Unmeasured Household Consumption'.		A2
	4b	Consumption is derived from own individual household monitors (IHM) or small area monitors (SAM) or evidence to support other method appropriate for high meter penetration companies.		A2
	4c	Evidence that survey is representative (based on demography, property type or other factors) of the company as a whole; valid data available from at least 80% of monitors as an annual average measure.		A2
	4d	For companies using SAMs – SAM comprises a representative sample of customer characteristics. The sample size is sufficient to provide a statistically representative sample after allowing for outages. Where the proportion of metered premises in an area exceeds 50% of total premises then further data validity tests are applied. For companies using IHMs, IHM comprises representative sample of customer characteristics. The sample is at least 1,000 premises.		A2
	4e	Uncertainty allocated to unmeasured household consumption is estimated and justified.		A2
	4f	There is continual monitoring and maintenance of IHMs and SAM monitors.		A2
	4g	The meters shall provide sufficient granularity of data to distinguish between intermittent consumption and continuous flows. Continuous flows may indicate a combination of SPL or plumbing losses. These meters should be maintained and replaced such that applied MUR is notably lower than that applied to the company's standard meter stock.		A2
	4h	Estimate of plumbing losses is based on own data.		A2
	4i	Company's own estimate of MUR for monitor meters, which is updated annually. Evidence of MUR available and is compelling for MUR above 3%.		A2
	4j	Meter replacement consistent with own replacement programme.		A2
5. The information and assumptions made for leakage, per capita consumption and business demand PCs is consistent and be based on the same water balance calculations.				A2

Performance Commitment RAG reporting methodology assessments cont.

Repairs to burst mains

	Component	Component RAG	Confidence Grade
1	Mains bursts repair work.		A2
2	Mains length.		A2
3	Records.		A2
4	Methodology statement.		A2

Unplanned outage

Component	Sub-component	Component RAG	Confidence Grade
1. Peak week production capacity	1a. (Annual review).		B2
	1b. (PWPC by production site).		B2
	1c. (Water resource zone PWPC).		B2
2. Asset failure unplanned outages	2a. (Source data).		B2
3. Planned outages	3a. (Source data – programme of works).		B2
4. Duration	4a. (Start time).		B2
	4b. (End time).		B2
	4c. (Rounding).		B2
5. Reduction in capacity	5a. (Reduced capacity).		B2
	5b. (Total outage).		B2
6. Exclusions	6a. (Normal water quality operating band).		B2
	6b. (Evidence of water quality events).		B2

Performance Commitment RAG reporting methodology assessments cont.

Water supply interruptions

	Component	Component RAG	Confidence Grade
1	1. Property counts		A2
2a	2a. (Evidence to support start time)		A2
2b	2b. (Treatment of 3m pressure definition)		A2
2c	2c. (Treatment of blocks of flats)		A2
3a	3a. (Evidence to support stop time)		A2
3b	3b. (Treatment of 3m pressure definition)		A2
3c	3c. (Treatment of blocks of flats)		A2
4	4. Short term restoration of supply		A2
5	5. Exclusions		A2
6	6. Calculation of performance		A2
7	7. Application of precautionary principle		A2
8	8. Records		A2
9	9. Properties affected >1 interruption in year		A2

Internal and External Sewer flooding

	Component	Component RAG	Confidence Grade
1	1. Assets causing flooding		B3
2	2. Repeat incidents		B3
3	3. Neighbouring properties		B3
4	4. Records		B3

Sewer collapses

	Component	Component RAG	Confidence Grade
1	1. Assets causing flooding		B3
2	2a. (Length excluding transferred sewers)		B3
	2b. (Length of sewers transferred under the Private Sewer Regulations 2011)		B3

Appendix 3. RAG 3.16 requirements summary

RAG 3.16 ref	Description	Page ref.
3.4	Auditor report	p77
3.8	Third-party assurance performance commitments	p100
3.12	Commentary regarding performance commitments	p92
3.13-3.16	Overall assurance report	p33 to p35
4.2 – 4.14	Statement on executive pay and performance	p43
4.15 – 4.16	Statement as to disclosure of information to auditors	p43
4.17 – 4.23	Statement on dividend policy for the appointed business	p13
4.24	Accounting policy note for price control segments	p59
4.25	Note on revenue recognition	p56 to p58
4.26	Note on capitalisation policy	p56
4.27 – 4.30	Note on bad debt policy	p58
4.31 – 4.34	Ring-fencing certificate	p37
4.35 – 4.36	Tax strategy for the appointed business	p60
4.37 – 4.40	Disclosures regarding tax losses	p60
4.41 – 4.42	Statement on differences between statutory and RAG definitions	p46 to p50
4.43 – 4.46	Long-term viability statement	p43
4.47	Statement explaining out/under performance of the return on regulatory equity (Financial Flows and RoRE)	p54
4.48 – 4.49	Statement explaining the variance on infrastructure network reinforcement charges	p72
4.50 – 4.52	Statement on innovation competition	p61
4.53	Statement on progress in delivering Net Zero Challenge schemes	N/A
4.54	Statement on the disposal of protected land	p72
5.1 – 5.2	Narrative disclosure on outcome performance (section 3)	p92
5.3	Allocation of costs between retail and wholesale	p44
5.4 – 5.5	Retail cost performance commentary	p65
5.6	Allocation of retail costs between residential and business	p44
5.7 – 5.10	Narrative disclosure on wholesale revenues	p73
5.11 – 5.12	Current tax analysis	p60
5.13 – 5.15	Current tax reconciliation	p60

RAG 3.16 ref	Description	Page ref.
5.16 – 5.17	Interest analysis	p60
5.18 – 5.19	Financial flows narrative	p54
5.20 – 5.22	Narrative on totex performance against allowances	p106
5.23 – 5.24	Disclosures on fines and investigations	p30 to p33
5.25	Disclosures on non-GSS compensation payments	p108
5.26 – 5.27	Exceptional, atypical and disallowable costs	p108
5.28 – 5.30	Narrative on base costs – tables 4J and 4K	p117
5.31	Commentary on non-resident population – table 4R	p117
5.32	Commentary on table 7C	p119
5.33	Commentary on outsourced operations	p44
5.34 – 5.37	Enhancement commentary to tables 4L and 4M	p117
5.38 – 5.41	Narrative on bioresources totex	p119
5.42 – 5.47	Narrative on supply-demand and metering	p120
5.48	Narrative on average pumping head	p120
5.49	Narrative on infrastructure network reinforcement	p72
5.50	Narrative on phosphorus removal schemes, table 7F	p120
5.51	Narrative on sanitary parameter schemes, table 7G	p120
5.52	Narrative on nitrogen removal schemes, table 7H	p120
5.53 – 5.54	Reconciliation of table 1E to table 4B	p52
5.55 – 5.56	Narrative on common performance measures	p92
5.57 – 5.60	Board statement on accuracy and completeness of data and information	p41
5.61	Narrative on return on regulatory equity, table 4H	p115
5.62	Reconciliation of financial derivatives to table 1C	p116
5.63	Social tariff information	p58
5.64	Compliance with Condition G	p19
5.65	Fire hydrant repair and maintenance	p118
6.1 – 6.7	Ownership, funding and capital structure	p7
7.1 – 7.11	Transactions with associates and the non-appointed business	p124

Additional regulatory information cont.

Appendix 4. Glossary of Regulatory Terms

Appointed business – The appointed business comprises the regulated activities of the company which are necessary for it to fulfil the function and duties of a water and sewerage undertaker under the Water Industry Act 1991.

Arm's-length trading – Where the company treats associate companies on the same basis as external third parties.

Asset Management Plan (AMP) – A plan agreed with Ofwat on a five-yearly basis for the management of water and wastewater assets. The plan runs for a five-year period. AMP7, the seventh plan since privatisation, covers April 2020 to March 2025.

Associated company – Condition A of the Licence defines an associated company to be any group or related company. Condition F of the Licence requires all transactions between the company and its associated companies to be disclosed subject to specified materiality considerations.

C-MeX – is Ofwat's measure of customer experience. It comprises two surveys – a survey of customers who have recently contacted their company and a survey of random members of the public in relation to their water company. These are used to calculate a score which can be compared between water companies, with rewards and penalties for the best and worst performers.

Final Determination (FD) – The conclusion of discussions on the scale and content of the Asset Management Plan for the forthcoming five-year period. It includes a determination of the allowable revenues for the period and the performance targets that must be achieved.

K factor – The annual increase, set by Ofwat, in wholesale revenues that companies in the water industry can recover from customers. The amount by which a company can increase (or must decrease) its revenues is controlled by the price limit formula CPIH + or – 'K'. CPIH is expressed as the percentage increase in the Consumer Price Index (including owner occupiers' housing costs) in the year to November before the charging year. 'K' is a number determined by Ofwat for each company, usually at a price review, for each year to reflect the revenues it needs above or below inflation in order to finance the provision of services to customers.

Licence – The Instrument of Appointment dated August 1989 under Sections 11 and 14 of the Water Act 1989 (as in effect on 1 August 1989) under which the Secretary of State for the Environment appointed Southern Water Services Limited as a water and wastewater undertaker under the Act for the areas described in the Instrument of Appointment, as modified or amended from time to time.

Non-appointed business – The non-appointed business activities of the company are activities for which the company as a water and wastewater undertaker is not a monopoly supplier (for example, the sale of laboratory services to an external organisation) or involves the optional use of an asset owned by the company (for example, the use of underground assets for cable television).

Ofwat – The name used to refer to the Water Services Regulation Authority (WSRA). The WSRA is the economic regulator of the water industry.

Outcome Delivery Incentive (ODI) – Performance Commitments with outperformance and/or underperformance payments agreed with customers and Ofwat through the periodic review process.

Performance Commitment (PC) – Performance Commitments are service targets set by Ofwat as part of the Final Determination.

Periodic review – a review conducted by Ofwat each five years for the purpose of determining price controls. Each water and wastewater undertaker submits a business plan covering the five-year period for which Ofwat will set the controls. (PR19 relates to 2020–25; PR24 will cover the period 2025–30).

Price control – a price control determines the limit on the level of charges or revenues that can be recovered from customers. As part of the price control Ofwat also determines performance targets and other related matters.

Regulatory Accounting Guidelines (RAG) – The accounting guidelines for regulatory accounts issued, and amended from time to time, by Ofwat.

Regulatory Capital Value (RCV) – The capital base used in setting price limits. The value of the appointed business that earns a return on investment. It represents the initial market value (200-day average), including debt at privatisation, plus subsequent net new capital expenditure including new obligations imposed since 1989. The capital value is calculated using the Ofwat methodology (i.e. after current cost depreciation and infrastructure renewals accrual).

Consumer Price Index (CPIH) – CPI is a measure of the change in consumer prices based on the prices of a typical basket of goods and services in the United Kingdom. The CPIH measure, includes owner occupier's housing costs. This is the principal measure of inflation used by Ofwat for regulatory purposes, including inflating allowed revenues or prices.

Totex – Total expenditure is the sum of operating expenditure and capital expenditure. It is used by Ofwat to determine the efficient level of costs as part of the periodic review process.

from Southern Water

Southern Water Services
Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

Registered no: 02366670

southernwater.co.uk

8427 07.26