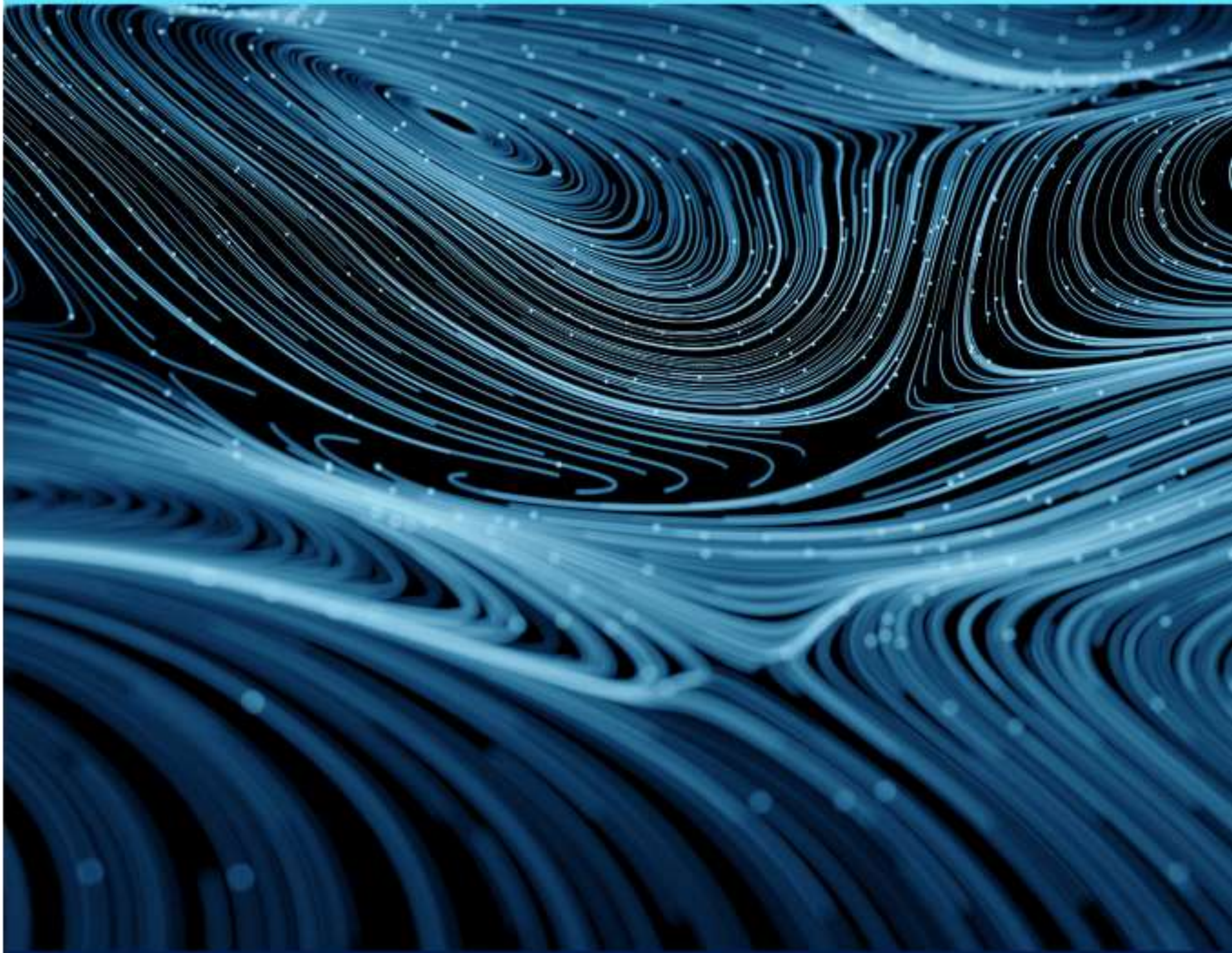

Large Gated Schemes –

[redacted]

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

[redacted]

[redacted]

Large Gated Schemes – [redacted]

Client name: Southern Water

Project no: B2430117

Project name: Technical Assurance

Project manager: [redacted]

Revision: 3.0

Date: 30 September 2025

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	19/09/2025	Draft	[redacted]	[redacted]	[redacted]	[redacted]
2.0	25/09/2025	Updated draft – respond to SRN's Comments	[redacted]	[redacted]	[redacted]	[redacted]
2.1	29/09/2025	Final Updated Draft	[redacted]	[redacted]	[redacted]	[redacted]
3.0	30/09/2025	Final	[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

This assurance was completed in accordance with the ISAE 3000 (Revised) standard including following ethical and quality requirements.

Attention: Southern Water board

Introduction

Large Schemes are those enhancement schemes within the investment programme where the requested value is greater than £100 million, and where Ofwat has concerns around scope, cost, deliverability, complexity, or if schemes involve novel elements or complex technologies.

For the 2025-2030 period Ofwat requires independent third-party assurance for delivery of enhancement schemes, confirming that companies are using the enhancement allowances to deliver the benefits that customers are paying for.

[redacted] have been requested to undertake technical assurance to cover the engineering element of the submissions and provide a view on the robustness of the investment proposal based on clear engineering rationale and the extent to which it is supported by sufficient and convincing evidence.

Scope of Work and Approach

This assurance report provides the conclusions from the work specified in our Statement of Work, Southern Water Services - Statement of work- Large Gated Schemes v2, issued on 4 August 2025.

This limited assurance was performed in accordance with the ISAE 3000 (Revised) standard, and was undertaken with the following limitations:

- A risk-based approach was implemented.
- A limited sample was assessed.

This limited assurance was performed in accordance with the ISAE 3000 (Revised) standard.

Lead Assurer's Curriculum Vitae (CV) is included in the Overarching Report.

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.

Duty of Care

Ofwat has introduced a new requirement in regard to duty of care where they expect the third-party assurance providers, such as [redacted] to provide an actionable duty of care to Ofwat.

To ensure compliance with Ofwat's new requirements we have issued a Letter of Reliance on 12th August 2025 which covers our assurance work on the Large Gated Schemes.

Conflict of Interest

In line with Ofwat's AMP8 requirements, we have proactively managed both real and perceived conflicts of interest in collaboration with your Regulation team. All audit team members signed a declaration before the audit programme began and have completed conflict of interest training. These declarations were recorded in our register. This year, we identified no actual or perceived conflicts.

Assurer Statement

Overall, based on our scope of work and the limited assurance undertaken, we did not find any material misstatement. We consider that:

- The Company considered a range of options for PR24. Optioneering undertaken for PR24 and repeated post FD24 confirmed the option of ceramic membrane with GAC process as the optimal solution.
- The Company has undertaken engagement with Stakeholders including customers and DWI.
- The option taken forward to design at PR24 has not been assessed as the best option for customers using Cost Benefit Analysis (CBA). This is to be completed prior to Submission 2.
- The company has presented the same solution to that which was originally proposed for PR24. Options are currently being reviewed and CBA is still to be undertaken.
- The proposed solution identified in the PR24 business plan is designed to address the risk and meet the requirements of the FEOs.
- A change log is not provided as the Company confirms that there are no material changes at Submission 1.
- The risk register presents a table of key risks only. These are not costed and there are no details of mitigation plans or residual risk at this stage.

Summary of Key Findings

The assurance was undertaken through Microsoft Teams sessions combined with offline reviews. Key findings listed below are based on our review of SRN's final documentation provided on 16th September 2025 and the additional information provided by 26th September 2025 - documents reviewed are listed in Appendix A:

- The company has used the figures from the PR24 Final Determination (FD) and state that there is no material change (and no Change Log provided).
- The need to address the evolving water quality risks is driven by a Final Enforcement Order issued by the DWI in 2023. DWI support the proposed solution.
- A high level programme of the project solution has been provided. SRN has confirmed that they are progressing towards Submission 2 (May 2026) stating 'Should significant risks arise that impact this timeline, we will engage with Ofwat through our established quarterly reporting framework to discuss potential adjustments'.
- Although an assessment of key risks has been done and a list of risks provided there are no details of scoring, mitigation plans or residual risk. A material action has been raised to provide a completed risk register. The risk methodology has been requested. This has not been provided to date and therefore we have been unable to assess risk approach.
- We understand that the project documentation that is required for Submission 1, i.e. Solution workbook. decision log at each stage of the design process, outline design report / documents related to the preferred solution will be provided for Submission 2.
- No Cost Benefit Analysis (CBA) has been undertaken to date and we expect this to be completed for submission 2. Value for Money will need to be demonstrated. A material action has been raised to provide initial CBA analysis in line with Ofwat's guidance "Demonstrate robust decision making and robust cost-benefit appraisal that clearly shows best value for customers and the environment to inform the selection of the proposed solution.

- The proposed solutions have been reviewed and there is no additional scope, costs or risk above that identified in the PR24 plan. Reasons for not including a change log have been documented by SRN and seem reasonable.
- There is no solution design undertaken at this stage though SRN has undertaken pilot trials of the proposed technology.
- SRN confirmed on 26/09/2025 that a full governance review and sign-off of the scheme off will be completed prior to the submission.

[redacted]

[redacted]

Lead Assurer

Appendix A. Record of Evidence Reviewed

1. Large Scheme Gated Submission 1 - [redacted] 30 Page Doc Template [redacted] Markup cg15 Sept clear (004).docx
2. Appendix B1 A8-0138-710087 - [redacted] Ceramic Plant R2.pdf
3. Appendix B1 A8-0138-710087 - [redacted] Ceramic Plant R2.xlsm
4. Appendix C1 and C3 250520_[redacted] ASG2 Programme Update.pdf
5. Appendix C1 CMDP - [redacted] Stage 1 - DRAFT Activity Schedule v2.1.xlsb
6. Appendix C2 CM835090 [redacted] Phase 4 DRAFT Risk Register 18 August 2025.pdf
7. Appendix G1 [redacted] Cost to date and Forecast to Submission 2.xlsx
8. Appendix A1 710087-SWS-ZZ-XX-DB-Z-00001- SCORING.xlsx
9. Appendix A1 710087-SWS-ZZ-XX-DB-Z-00002 (002).xlsx
10. Appendix B1 4 Sites Cost Assurance Report v2 (1) (3).pdf
11. Appendix B1 CMDP+ [redacted] Value Proposition - Draft 01-04-25_As_presented.pptx
12. Appendix B1 PR24 Capital Programme Estimating Strategy v04.pdf
13. Appendix B1 PR24 Indirect Costs Benchmarking Report - 23.01.2023 (6).pdf
14. Appendix B1 PR24-CIT-0345 [redacted] Ceramic Plant OutPut Report - Full 16-07-24 (2).pdf
15. Appendix B1 SRN15 Cost and Option Methodology (1).pdf
16. Appendix B1 SW.[redacted]_ESTxxx_Rev_A_DRAFT_WSW_SPRINT_ISSUE 29.11.2022.pdf
17. Appendix D1 4 site plan report v1.1.docx
18. Appendix F1 CMDP - [redacted] Stage 1 - DRAFT Activity Schedule v2.1.xlsb

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