



WHEN TRUST MATTERS



SOUTHERN WATER SUSTAINABILITY BOND 2024



Document title: Second Party Opinion on Southern Water Sustainability Bond 2024

Prepared by: DNV Business Assurance Services UK Limited

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This assessment is valid so long as the evidence provided to DNV remains materially unchanged and remains applicable in the context of the financial instrument being assessed.

SOUTHERN WATER SUSTAINABILITY BOND 2024

DNV ELIGIBILITY ASSESSMENT

Scope and objectives

Southern Water Services (hereafter referred to as “Southern Water” or the “Company”) is a water and wastewater services provider, operating in the South of England, spanning 10,550km² throughout Kent, East and West Sussex, Hampshire and the Isle of Wight, and small parts of Wiltshire, Berkshire and Surrey. The Company provide water services to 2.5 million customers and wastewater services to more than 4.7 million customers.

Southern Water published its first Sustainable Finance Framework (hereafter referred to as the “Framework”) in 2020. The company is targeting to raise a bond (hereafter: “Bond”) to support the (re-)financing of a range of environmentally and socially sustainable assets and expenditures (see [Schedule 1](#) for further detail). This has been done to better reflect the changes in the wider water industry and the economy, to support the Company’s aim to transition to a more sustainable business model and achieve its sustainability ambitions.

DNV Business Assurance Services UK Limited (henceforth referred to as “DNV”) has been commissioned by Southern Water to provide an assessment of the eligibility of the Framework. Our methodology to achieve this is described under the ‘Work Undertaken’ section as detailed below. We were not commissioned to provide independent assurance or undertake any other audit activities. No assurance is provided regarding the financial performance of any finance undertaken on the Framework, the value of any investments in the Bonds, the alignment of the Bonds with Regulatory requirements, or the long-term environmental/social benefits of the debt raised. Our objective has been to provide an assessment that the debt to be raised against the Framework will support the (re-)financing of assets and expenditures of a sustainable nature, on the basis as that set out below.

Responsibilities of the Management of Southern Water and DNV

The management of Southern Water has provided the information and data used by DNV during the delivery of this review. Our statement represents an independent opinion that is intended to inform Southern Water’s management and other interested stakeholders as to whether the Framework is aligned with the International Capital Market Association (ICMA) Green Bond Principles 2021 with 2022 Appendix (GBP) and the Social Bond Principles 2023 (SBP). To assess the eligibility of the Sustainability Bond, our assessment is supplemented with international guidelines and standards, as well as DNV’s own technical expertise.

In our work, we have relied solely on the information and the facts presented to us by Southern Water. DNV is not responsible for any aspect of the nominated assets referred to in this opinion, and cannot be held liable if the estimates, findings, opinions, or conclusions are incorrect. Thus, DNV shall not be held liable if any of the information or data provided by Southern Water’s management, and that used as a basis for the assessment were not correct or complete.

Basis of DNV’s opinion

We have adapted our Sustainable Finance Framework eligibility assessment methodology to create a Southern Water-specific, “**Sustainability Bond Eligibility Assessment Protocol**” (henceforth referred to as “Protocol”) – see [Schedule 2](#). Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion.

As per our Protocol, the criteria against which the Framework has been reviewed, are grouped under the following four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of sustainable finance must show how the funds raised will be used to finance eligible green, social and sustainable activities. The eligible activities should produce clear environmental and/or social benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer of green, social and sustainable debt should outline the process it follows when determining the eligibility of an investment using finance undertaken on the Framework and outline any green/social impact objectives that it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a Framework should outline how funds should be tracked within the issuing organisation, that a separate portfolio should be created when necessary, and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the requirement that at least annual reporting of the use of the proceeds to the investors should be made, and that quantitative and/or qualitative performance indicators should be used, where feasible for both allocation reporting and impact reporting.

Work Undertaken

Our work constituted a high-level review of the information provided to us by Southern Water based on the understanding that this information was provided to us in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us.

The work that was undertaken to form our opinion included:

- Creation of a Southern Water-specific Protocol adapted to the purpose of the Sustainable Finance Framework as described above, and in [Schedule 2](#) of this assessment.
- Assessment of the documentary evidence provided to us by Southern Water on the Framework, supplemented by high-level desktop research. These checks refer to current assessment best practices and standards methodology.
- Discussions with Southern Water management, and a review of the relevant documentation and evidence related to the criteria of the Protocol; and
- Documentation of the findings against each element of the criteria.

Our opinion as detailed below is a summary of these findings.

Findings and DNV's Opinion

DNV's summary findings are listed below, with further detail provided in [Schedule 2](#).

1. Principle One: Use of Proceeds

Southern Water is issuing a Bond under its **Sustainable Financing Framework 2020**. An amount equivalent to the net proceeds of the issuance is to be allocated to (re)-finance the acquisition or improvement of new assets, and cover expenditures related to Southern Water and its business operations.

The assets and expenditures to be (re)-financed that form part of Southern Water's Sustainability Bond fall under the following Eligible Sustainable Categories:

Green Eligible Categories

- Renewable energy.
- Energy efficiency.
- Pollution prevention and control.
- Environmentally sustainable management of living natural resources and land use.
- Sustainable water and wastewater management.
- Climate change adaptation.
- Eco-efficient and/or circular economy-adapted products, production techniques and processes.

Social Eligible Categories

- Affordable basic infrastructure.
- Access to essential services.
- Food security
- Socioeconomic advancement and empowerment.

See [Schedule 1](#) for a more detailed summary.

DNV concludes that the expenditures of the Bond fall within the eligible green and social categories as defined above and are consistent with the categories as set out by the GBPs and SBPs.

2. Principle Two: Process for Project Evaluation and Selection

Southern Water's Framework provides an overview of the governance process that all assets (re-)financed by the Bond have undergone. All capital expenditure has been reviewed by different boards internally to assess their business case and evaluate projects based on the costs and benefits of each investment. The risk management and procurement policy are summarised within the Framework.

Each asset has gone through the stages outlined in the Framework which include preliminary risk identification, solution selection, and a cost/benefit analysis before being continuously monitored at each gateway and throughout the life of the project. Southern Water's board has approved all projects being (re)financed under the Bond.

The Asset Steering Group and the Investment Committee have reviewed all projects which comply with the relevant thresholds. The final step is through a further committee made up of Treasury, Corporate Finance and Sustainability teams who formally assess investments for eligibility against the defined eligible criteria. Southern Water have confirmed the Committee meets at least once a year where they review the asset and expenditure categories submitted for inclusion and to confirm their alignment with the Eligible Social and Green Categories. Following selection and evaluation against the criteria, the investments may be included in the Eligible Sustainable Portfolio.

Based on the provided information, DNV concludes that the Bond aligns with Southern Water's Framework which describes the process of project evaluation and selection and is therefore in line with the requirements set out in the GBPs and SBPs.

3. Principle Three: Management of Proceeds

Southern Water has confirmed that the Treasury team will be responsible for managing the sustainable transactions.

The tracking of the proceeds allocated to the eligible assets and expenditures within the Eligible Sustainable Portfolio will be supported by an internal tracking system (an allocation log) ensuring the accuracy of information and the avoidance of double counting. Southern Water's Treasury team will ensure that the total amount represented by the Eligible Sustainable Portfolio exceeds or at least matches the net amount of finance raised through the Framework.

In the event that the proceeds are not immediately allocated, the funds will be stored in deposits with money market funds or bank counterparties as set out in Southern Water's Treasury Policy. None of the proceeds from this bond will be allocated to projects contrary to the Framework.

DNV has reviewed the evidence supplied by Southern Water and we can confirm that the Company has committed to appropriately managing the proceeds arising from the Bond, and this is in accordance with the criteria as set out by the GBPs and SBPs.

4. Principle Four: Reporting

Southern Water has committed to continue reporting in the form of a combined, or a series of reports, on the allocation and impact (where possible) of the net proceeds to its investors within one year of the Bond issuance.

The Allocation Report will detail:

- How much of the financing raised has been allocated and to which sub-portfolio (Social, Green and/or both).
- A brief description of assets financed and re-financed with the proceeds and selected case studies if applicable.
- The division of the allocation between new financing and refinancing.

Southern Water has committed to providing annual impact reports, and whenever feasible, until the investment matures. These reports will outline the effects of investments in their Eligible Sustainable Investments across various environmental and sustainability indicators, including the following:

Pollution Prevention and Control:

- The number of Category 1-3 pollution incidents.
- The number of Category 1-3 pollution incidents per 10,000km of sewers as reported in the Environmental Performance Assessment.

Water and Waste Regulatory Compliance:

- Company % compliance with discharge permits from its treatment works as reported in the Environmental Performance Assessment.
- The Compliance Risk Index (CRI).

Leakage reduction:

- A three-year rolling average for the company's leakage level, expressed in megalitres per day (MI/d).
- Total level of leakage, expressed in megalitres per day (MI/d).

DNV concludes that Southern Water has made the appropriate plans to produce reporting on the allocation and environmental and social impacts of its future sustainable transactions, which are in line with the requirements of the GBPs and the SBPs.

On the basis of the information provided by Southern Water and the work undertaken, it is DNV's opinion that the Bond meets the criteria established in the Protocol and that it is aligned with the stated definition of Sustainability Bonds within the Green Bond Principles, Social Bond Principles and with the Sustainability Bond Guidelines.

for DNV Business Assurance Services UK Limited

London, 06 March 2024.



George Oakman

Sustainable Finance Consultant & Project Manager

DNV – Business Assurance



Niki Hutson

Head of Sustainable Finance & Reviewer

DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight. With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 13,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF PROJECTS TO BE FINANCED BY THE BOND

Southern Water has confirmed that the proceeds will be used to finance or refinance the below projects falling under the respective ICMA categories. Southern Water keeps an investment matrix which tracks the extent to which each project contributes to each of the Green and/or Social Eligible categories. Some are listed below:

Eligible Green Category	Projects
Renewable Energy	<ul style="list-style-type: none"> • CHP Emission Failures
Energy Efficiency	<ul style="list-style-type: none"> • Installation of AMR meters • Operational Technologies Transformation Programme • Operational Asset Management
Pollution Prevention and Control	<ul style="list-style-type: none"> • Goddards Green Odour Reduction • Wencelling Rising Main • Digitisation - Waste Network • Manhole Repairs Reactive` • Horsham WWTW • HazRev Ground Water Phase 2 • WTW Compliance Operational Year 1 • Wastewater Pumping Stations Reactive • Bioresource Operational Direct CAPEX

<p>Sustainable water and wastewater management</p>	<ul style="list-style-type: none"> • Domestic meter replacement • Installation of AMR meters • Billingshurst WTW -AMP6 Planned Works • Drainage Wastewater Management Plans • WRMP Future AMPs Planning • Hailsham South WTW - Habitats • AMP7 - WW UPM Scoping Study • AMP6-2 Planned Cowfold WTW • Hailsham North WTW - Habitats
<p>Environmentally sustainable management of living natural resources and land use</p>	<ul style="list-style-type: none"> • Supply & Demand Tranche (Intelligent Network) • Operational Asset Management • Installation of AMR meter • Billingshurst WTW -AMP6 Planned Works • Woolston New WTW' • Domestic meter replacement • Southwick WTW
<p>Climate change adaptation</p>	<ul style="list-style-type: none"> • Domestic meter replacement • Installation of AMR meters • Drainage Wastewater Management Plans • WRMP Future AMPs Planning • Supply & Demand Tranche (Intelligent Network) • CHP Emission Failures • Operational Technologies Transformation Programme • Operational Asset Management

<p>Eco-efficient and/or circular economy, adapted productions, production technologies and processes</p>	<ul style="list-style-type: none"> • Domestic meter replacement • Supply & Demand Tranche (Intelligent Network) • CHP Emission Failures • Operational Technologies Transformation Programme • Operational Asset Management
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<p>Eligible Social Category</p>	<p>Projects</p>
<p>Affordable Basic Infrastructure</p>	<ul style="list-style-type: none"> • Chichester Development Phase 2 • Logger Maintenance • Gorrel Tank • Auto Reset System (200 sites) • Drainage Wastewater Management Plans • Testwood UV • Testwood SWA • Communication pipe replacements Reactive • WRMP Future AMPs Planning • AMP7 - WW UPM Scoping Study • HIT Trial Kent (Air valves and pumps) • AMP6-2 Budds Farm Havant WTW - Sludge • Appley 1050 Sewer Collapse

<p>Access to essential services</p>	<ul style="list-style-type: none"> • Otterbourne Ph 2 • Sewer Rehabilitation reactive 20 -25 • Stop Taps • Western Grid Programme • Bioresource Operational Direct CAPEX • River Itchen effluent re-use • Sutton Nitrate • Testwood Capital Maintenance • Chimington Green Ashford Growth
<p>Food security</p>	<ul style="list-style-type: none"> • Burham WSW Stage 2 Cap Maint • Domestic meter replacement • Installation of AMR meters • Brighton Nitrates • Thanet PR19 OPTION 2 • EDM - SW_MON • Wingham Nitrates • Reservoir Reactive Maintenance • Havant Thicket

<p>Socioeconomic advancement and empowerment</p>	<ul style="list-style-type: none">• HazRev Ground Water Phase 2• WTW Compliance Operational Year 1• Wastewater Pumping Stations Reactive• Rising Mains Reactive 20 - 25• Otterbourne Ph 2• Stop Taps• Western Grid Programme
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SCHEDULE 2: SOUTHERN WATER SUSTAINABLE FINANCE FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

1. Use of Proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
1a	Type of Bond	<p>The Sustainability Bond must fall within one of the following categories, as defined by the Green and Social Bond Principles:</p> <ul style="list-style-type: none"> Green/Social/Sustainability Use of Proceeds Bond Green/Social Sustainability Use of Proceeds Revenue Bond Green/Social/Sustainability Use of Proceeds Project Bond Green/Social/Sustainability Securitised Bond 	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainable Finance Framework 2020 Southern Water CPI-linked Bond Draft Term Sheet Sustainability Bond Investment Matrix 2024-25.xls 	<p>DNV can confirm that the Sustainability Bond falls within the categories of a “Green Use of Proceeds” and “Social Use of Proceeds” Bond.</p>
1b	Green/Social Project Categories	<p>The cornerstone of a labelled bond is the utilisation of the proceeds which should be appropriately described in the legal documentation for security.</p>	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainable Finance Framework 2020 Southern Water Bond Draft Term Sheet Sustainability Bond Investment Matrix 2024-25.xls 	<p>DNV has reviewed the evidence provided, and we can confirm that the projects to be financed fall under the eligible green and/or social categories, as follows:</p> <p>Green Categories:</p> <ul style="list-style-type: none"> Renewable energy. Energy efficiency. Pollution prevention and control. Environmentally sustainable management of living natural resources and land use. Sustainable water and wastewater management. Climate change adaption. Eco-efficient and/or circular economy-adapted products, production techniques and processes.

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<p>Social Categories:</p> <ul style="list-style-type: none"> Affordable basic infrastructure. Access to essential services. Food Security. Socioeconomic advancement and empowerment. <p>We conclude that the utilisation of proceeds is appropriately described in the legal documentation for the Sustainability Bond and the Green Project Portfolio.</p>
1c	Environmental/ Social benefits	All designated Green/Social Project categories should provide clear environmental and/or social benefits, which, where feasible, will be quantified or assessed by the issuer.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainable Finance Framework 2020 Sustainability Bond Investment Matrix 2024-25.xls 	<p>Based on the evidence reviewed, it gives DNV the opinion that the Sustainability project categories will provide clear environmental benefits across a range of relevant areas. This includes the operational business model of Southern Water and the community it serves, which is important to the company. Its expenditure represents investment in infrastructure and core services such as protecting customers' health and wellbeing, supporting the economy, and safeguarding the natural environment.</p> <p>DNV can confirm that finance being undertaken on this Framework will have environmental and/or social benefits, and that these benefits will be tracked and reported on an annual basis as outlined in section 4a of this Schedule.</p>

2. Process for Project Evaluation and Selection

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2a	Investment-decision process	<p>The issuer of a Sustainability Bond should outline the decision-making process it follows to determine the eligibility of projects using proceeds.</p> <p>This includes, without limitation:</p> <ul style="list-style-type: none"> • A process to determine how the projects fit within the eligible Green/Social Projects categories identified in the Principles. • The criteria making the projects eligible for using the proceeds; and • The environmental sustainability objectives. 	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Southern Water Sustainable Finance Framework 2020 	<p>DNV can confirm Southern Water has specified the eligibility criteria for each type of green and social project to be covered under the Use of Proceeds section of its Framework.</p> <p>Southern Water has confirmed that there is a process in place for the evaluation and selection of eligible projects. Southern Water’s proposed investments to be classified in the Framework have undergone a costs and benefits analysis and need to gain approval from various boards as they progress.</p> <p>The process for approval involves:</p> <ol style="list-style-type: none"> 1. Identifying risks 2. Selecting solutions 3. Conducting cost-benefit analyses 4. Maintaining continuous oversight at each stage from gateway to project completion. <p>Southern Water’s Board confirm annual capital expenditure budgets and five-year AMP plans. All capital spending requires approval from Asset Steering Group with the level of management approval based on project value, and delegated authority schedule.</p> <p>Projects and programs that meet the criteria are subject to a formal evaluation based on their environmental contribution and their effects on the categories.</p> <p>This evaluation is overseen by a “Committee” that is comprised of representatives from the Treasury, Corporate Finance, and Sustainability teams.</p> <p>DNV concludes that based on the evidence provided, Southern Water has clearly outlined the decision-making process it takes to determine the eligibility of the associated green and social projects, and to avoid double counting.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
2b	Issuer's environmental and social and governance Framework	In addition to the information disclosed by an issuer on its Green/Social/Sustainability Framework process, criteria and assurances, Green Finance investors/lenders may also take into consideration the quality of the issuer's overall Framework and performance regarding social and environmental sustainability.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainable Finance Framework 2020 	<p>Based on the evidence reviewed, we can confirm that Southern Water has made a commitment to improving its sustainability performance across its operations. This includes a reliable service for customers, while safeguarding the environment and ensuring the safety and well-being of its colleagues.</p> <p>DNV concludes that based on the information provided, the objective of the Framework aligns with Southern Water's approach to managing sustainability and supports the sustainable development of the sector. Southern Water has made prioritisation to pollution prevention, reducing water consumption and leakage, and achieving Net Zero emissions.</p> <p>The company is also committed to working with its partners across the value chain, as well as focusing on its own operations and using sustainable resources to achieve the above reductions.</p> <p>Southern Water's target is for its global supply chain to share a commitment to the continuous improvement of the water environment and wider sustainable development.</p>

3. Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3a	Tracking procedure	The net proceeds of Green/Social/Sustainability instrument should be credited to a sub-account, moved to a sub-portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Green/Social Projects.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainability Finance Framework 2020. Sustainability Bond Investment Matrix 2024-25.xls 	<p>Southern Water has confirmed that the "Treasury Team" will manage the proceeds from any sustainable finance transaction.</p> <p>DNV concludes that the Framework outlines an appropriate process for the tracking of funds that is attested to by a formal internal process.</p> <p>Southern Water has confirmed that they will maintain an allocation log to ensure debt is not allocated to the same expenditure more than once, and hence, safeguarding against double counting.</p>
3b	Tracking procedure	So long as the finance is outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible green investments or disbursements made during that period.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainability Finance Framework 2020. Southern Water Treasury Policy 	<p>Southern Water's Treasury team will guarantee that the value of the Eligible Sustainable Portfolio will at least match the amount of financing obtained through the Framework.</p> <p>Southern Water aims to allocate the entire sum of funds within the 24-month period after the issuance of the Framework.</p> <p>DNV concludes there is a clear process in place for the tracking of the balance of the proceeds which accounts for any disbursements.</p>
3c	Temporary holdings	Pending such investments or disbursements to eligible Green Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainability Finance Framework 2020 Southern Water Treasury Policy 	<p>Southern Water aim to allocate as much of the funds from the Bond immediately.</p> <p>In the event that the proceeds are not immediately allocated, the funds will be stored in deposits with money market funds or bank counterparties. None of the proceeds from this Bond will be allocated to projects contrary to the Framework.</p> <p>DNV concludes that Southern Water has appropriately described how it intends to hold the balance of unallocated proceeds.</p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
3d	Over-Collateralisation	The issuer shall demonstrate that the value of the Sustainability Bond is smaller than, or equal to, the financing needs of the eligible nominated projects.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> • Southern Water Sustainability Finance Framework 2020 • Sustainability Bond Investment Matrix 2024-25.xls • Southern Water Bond Draft Term Sheet • Southern Water Treasury Policy 	Southern Water will provide over-collateralisation of at least 20% of eligible projects at all stages of the life of the Bond.

4. Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which proceeds have been allocated including - where possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	<p>In addition to reviewing the evidence below, we interviewed senior managers within Southern Water.</p> <p>Evidence reviewed:</p> <ul style="list-style-type: none"> Southern Water Sustainability Finance Framework 2020 	<p>Southern Water intends to disclose to investors details about the assets and expenses that have been financed or refinanced through the Framework, as well as the expected impact.</p> <p>With regards to Allocation Reporting, we can confirm that Southern Water will make available the below information to its investors immediately after the issuance, for the refinanced projects:</p> <ul style="list-style-type: none"> List of eligible projects financed. Aggregated amount of allocation of the net proceeds in the Eligible Green/Social Category. Balance of unallocated proceeds; and Share of new financing and refinancing for the Eligible Green/Social Category. <p>For new projects under financing, Southern Water will report on the Bond allocation within one year of the issuance. They will subsequently report allocation every year until the proceeds of the Bond are fully allocated.</p> <p>With regards to Impact Reporting, Southern Water has also stated it will share with its investors on an annual basis, reports detailing the impact of investment in their Eligible Sustainable Investments, across a diverse range of environmental and sustainability metrics.</p> <p>These include:</p> <p><u>Pollution Prevention:</u></p> <ul style="list-style-type: none"> Pollution Incidents. No of Category 1-3 pollution incidents. No of Category 1-3 pollution incidents per 10,000km of sewers as reported in the Environmental Performance Assessment. <p><u>Regulatory Compliance:</u></p>

Ref.	Criteria	Requirements	Work Undertaken	DNV Findings
				<ul style="list-style-type: none"> • (Waste) Treatment works compliance; and • Company % compliance with discharge permits from its treatment works as reported in the Environmental Performance Assessment. <p><u>Water quality compliance:</u></p> <ul style="list-style-type: none"> • The Compliance Risk Index (CRI). This is a measure designed to illustrate the risk arising from treated water compliance failures. It aligns with the current risk-based approach to water supply regulation used by the Drinking Water Inspectorate (DWI). All compliance failures are assessed and scored by the DWI. <p><u>Leakage reduction:</u></p> <ul style="list-style-type: none"> • Leakage (three-year rolling average). • The company's level of leakage, including customer supply-pipe losses as a three-year rolling average, expressed in megalitres per day (Ml/d). • Leakage (in year). • Total level of leakage, including customer supply-pipe losses, expressed in megalitres per day (Ml/d). <p>DNV can confirm that Southern Water has committed to reporting on the green, social, impacts of the assets and expenditures (re-)financed through the Framework, and that reporting is in line with the requirements as set out under the GBPs, the SBPs.</p>