September 2026

Consultation on change of ownership for Southern Water Services Limited

Ofwat

About this document

Ofwat has been notified of a change in ownership that affects a regulated company[1], Southern Water Services Limited ("Southern Water"). This document is a consultation on whether any issues arise out of the recent change of control.

A change of control occurs when there is any change in who can materially influence the direction, strategy, or activities of a business. We do not limit our definition of change of control to a situation in which shares in a company are transferred to another party.

Our assessment has been undertaken in accordance with the approach we have set out in Section 2 of our Change of Control General Policy[2]. In carrying out our assessment we reviewed information provided by the new owner and Southern Water, and we have separately carried out our own investigations on the new corporate structure using publicly available information.

Specifically, this document sets out:

Our assessment of the ownership structure.

Our assessment of the new owner as well as their capacity to be an owner of a regulated water company.

Our understanding of how the governance arrangements, which are relevant considerations in identifying the new Ultimate Controllers of Southern Water, have changed following the change of control.

Our considerations in identifying the new Ultimate Controllers of Southern Water.

We ask for views on our assessment of the new owner of Southern Water and of the entity we have identified as an Ultimate Controller.

[1] For the purpose of this document, a reference to a water company or company means a company holding an appointment as a water and/or sewerage undertaker under the Water Industry Act 1991.
[2] Our policy approach as set out in section 2 of [Change of control – general policy](#)

Contents

1. Introduction

Owners of water companies have an important role to play in ensuring that the regulated company is delivering a high-quality service to customers, protecting the environment and maintaining the company's resilience in the long term. It is important that we assess changes in the ownership of the companies we regulate against these objectives and, where appropriate, use our powers to modify licence conditions if we believe that customers need additional protection.

The licence defines an “Ultimate Controller” as any person which, whether alone or jointly and whether directly or indirectly, is, in the reasonable opinion of Ofwat, in a position to control or materially influence the policy or affairs of the water company, or of any holding company of the water company.

In the interests of customers and in accordance with our statutory duties, in particular our duty to secure that water companies properly carry out their functions, we aim to ensure that any Ultimate Controller of a water company has the capability, operational and financial, to run such an essential public service as a water utility and both understands and is committed to these responsibilities.

Our aim is to take a proportionate approach when there is a change of ownership or control of a water company. In this case we are consulting as a new investor has taken a substantial minority stake in a holding company of Southern Water, and in our view meets the licence definition of Ultimate Controller.

2. Responding to this consultation and next steps

We welcome any comments on this consultation. Please email your response to financial.resilience@ofwat.gov.uk or post it to:

Financial Resilience Change of Control consultation response, Ofwat, Centre City Tower, 7 Hill Street, Birmingham, B5 4UA.

The closing date for this consultation is 30 October 2026. If you have any questions about this consultation, please contact us at financial.resilience@ofwat.gov.uk.

We intend to publish responses to this consultation online, on the relevant consultation platform. Subject to the following, by providing a response to this consultation you are deemed to consent to its publication. If you think that any information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), you should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response. An automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. We will consider your request when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

In relation to personal data, you have the right to object to our publication of the personal information that you disclose to us in submitting your response (for example, your name or contact details). If you do not want us to publish specific personal information that would enable you to be identified, our privacy policy explains the basis on which you can object to its processing and provides further information on how we process personal data.

In addition to our ability to disclose information pursuant to the Water Industry Act 1991, information provided in response to this consultation, including personal data, may be published or disclosed in accordance with legislation on access to information – primarily the Freedom of Information Act 2000 (FoIA), the Environmental Information Regulations 2004 (EIR) and applicable data protection laws.

Please be aware that, under the FoIA and the EIR, there are statutory Codes of Practice which deal, among other things, with obligations of confidence. If we receive a request for disclosure of information which you have asked us not to disclose, we will take full account of our explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances.

3. Southern Water – background and assessment of the new owner

In this section we set out an overview of the changes to the ownership of Southern Water (company number: 02366670). We also assess the capacity of the new investor to be an investor of a regulated water company.

To assess the new owner of Southern Water we reviewed information that we received from Southern Water and the new investor itself, funds managed by Asterion Industrial Partners SGEIC, S.A. ("Asterion"). Asterion is registered in Madrid and regulated by the Spanish financial regulatory agency, CNMV[3], with register number 138. In addition, we have separately carried out our own investigations using publicly available information.

3.1 Overview of changes in Southern Water ownership structure

Southern Water is a privately owned regulated water and wastewater company. As of 31 March 2025, Greensands Holdings Limited ("GHL") was Southern Water's ultimate parent company. GHL's majority shareholder was MSCIF Wight Bidco Limited, acting on behalf of infrastructure funds managed by Macquarie Asset Management ("MAM"). Between 2021 and 2023, MAM-managed funds invested more than £1.6 billion into the group.

In July 2025, Southern Water announced it had secured a further equity package of up to £1.2 billion from its investors (led by funds managed by MAM) to support its AMP8 investment programme.

At the same time, as part of the equity injection process and wider group restructure, MAM acquired, via a newly established investment company Sandstone Bidco Limited ("SBL"), the issued share capital of Greensands Junior Finance Limited ("GSJF") and Southern Water (Greensands) Financing plc ("SWGF ") from Greensands (UK) Limited, an intermediate holding company. Accordingly, GSJF replaced GHL as the parent company, while Southern Water remained the principal subsidiary and MAM-managed funds remained the majority shareholder.

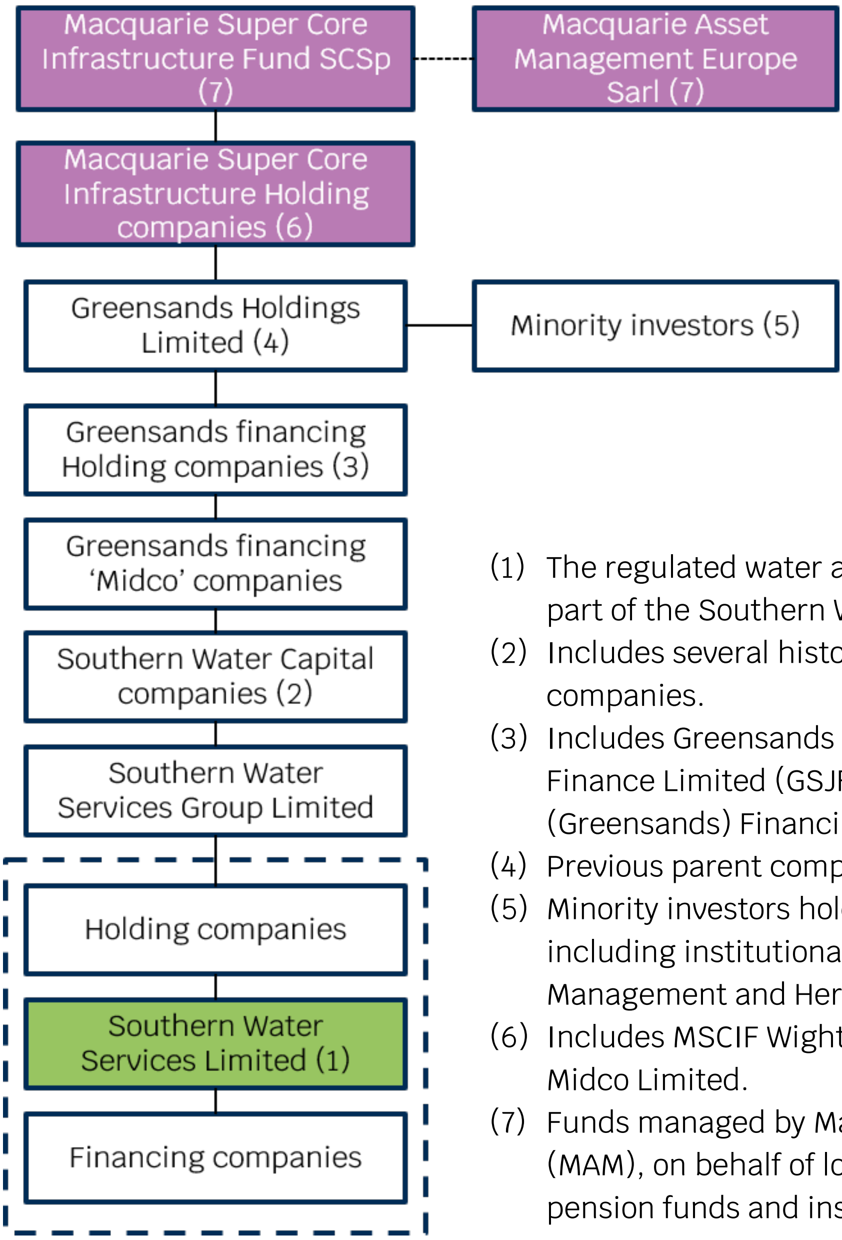
In March 2026, Southern Water announced it had received, in line with commitments, new equity totalling £900 million from SBL, via funds managed by MAM, and confirmed SBL's intention to provide up to a further £300 million of binding equity commitments and to support the company to further reduce its leverage.

[3] Comisión Nacional del Mercado de Valores

In June 2026, Southern Water announced that it had secured the additional £300 million commitment, with the majority to be funded by new investor Asterion (through subscriptions for new shares) and the balance by MAM managed funds. The equity commitment was unconditional except for receipt of clearance under the EU Merger Regulation, in respect of Asterion's investment (on the basis that EU turnover thresholds had been triggered).

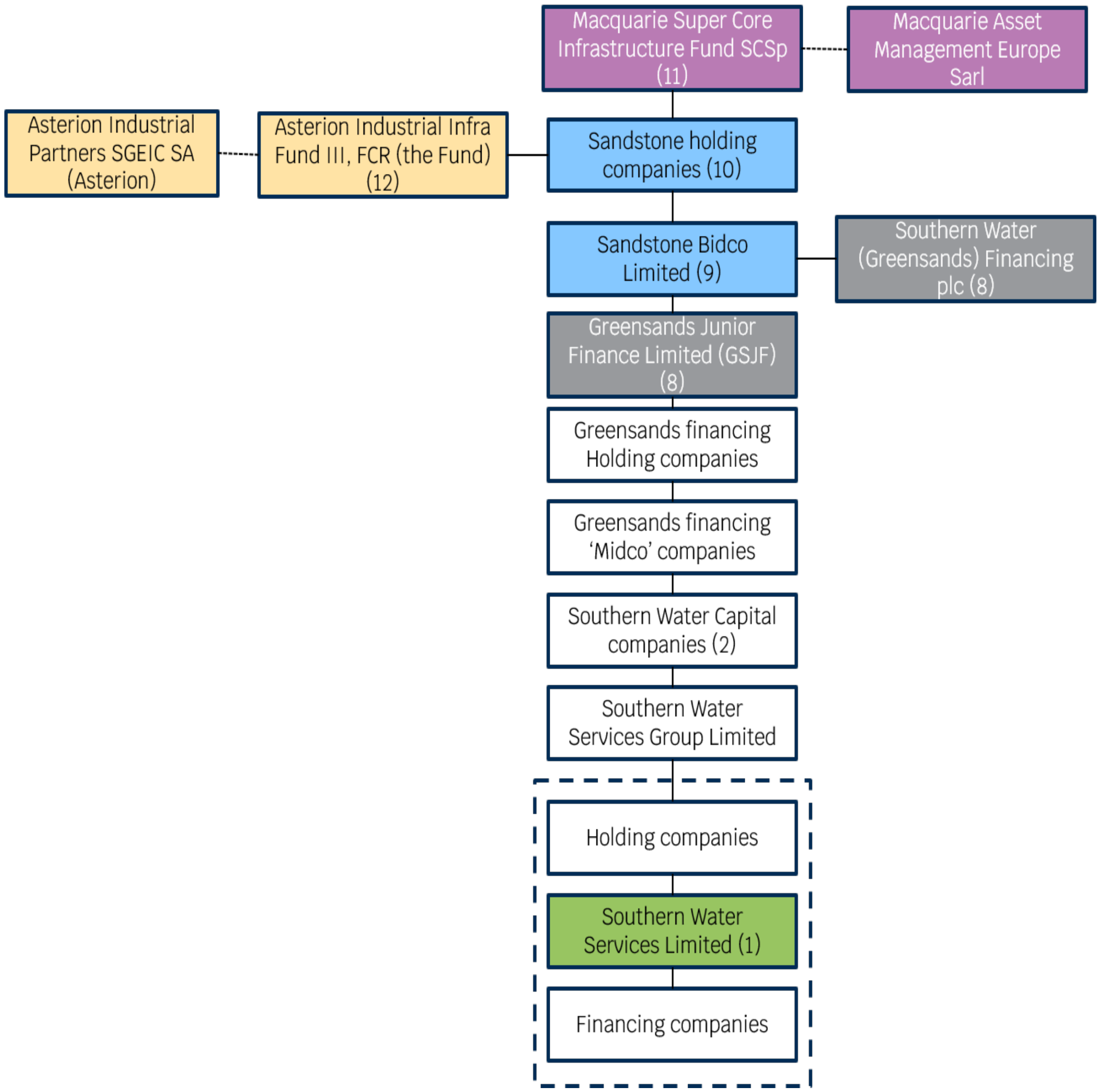
In July 2026 the European Commission cleared the acquisition, concluding no competition concerns, and the transaction completed in August 2026 with Asterion taking a 20% minority shareholding in the group. The equity commitment to Southern Water is binding with no conditionality (and is expected to be drawn down in full on or around 31 March 2027).

Corporate and ownership structure as of 31 March 2025



(1) The regulated water and wastewater company. Forms part of the Southern Water Financing Group.
(2) Includes several historic non-regulated and dormant companies.
(3) Includes Greensands UK Limited, Greensands Junior Finance Limited (GSJF) and Southern Water (Greensands) Financing plc (SWGF).
(4) Previous parent company.
(5) Minority investors holding approximately 13%, including institutional investors advised by UBS Asset Management and Hermes Infrastructure funds.
(6) Includes MSCIF Wight Bidco Limited and MSCIF Wight Midco Limited.
(7) Funds managed by Macquarie Asset Management (MAM), on behalf of long-term investors including pension funds and insurance companies, holding 87%.

Current corporate and ownership structure



(8) Parent company from 4 July 2025. The external debt held by SWGF was removed as part of the group restructuring.
(9) Investment company that acquired the group on 4 July 2025.
(10) Including Sandstone Water Holdings Limited (SWHL), the last UK holding company and the company through which funds are invested in Southern Water.
(11) MAM-managed funds remain the majority shareholder in the Southern Water group.
(12) New investor and minority shareholder in the Southern Water group, Asterion.

3.2 Assessment of the incoming owner

When a change of ownership takes place, we look at how much relevant experience the new owner has in delivering, managing, or investing in the infrastructure sector. We do this to gain insight into the new owner's knowledge and capabilities in owning a regulated entity.

The capacity to be shareholder of an appointed water company

We also want to be satisfied that any change of ownership does not compromise the effective management of the appointed water company. To help with this, we look at relevant information including ownership data and other publicly available information about the investor, in each particular case, to help satisfy us that a new owner has the operational and financial capacity to assume the role of owning a water company. We also consider whether the licence should be modified to ensure customers are better protected.

3.2.1 The new owner of Southern Water

The new ownership structure is set out in section 3.1 above.

Asterion Industrial Infra Fund III, FCR ("the Fund") is the legal holder of the minority investment in Southern Water. The Fund has a diverse investor base that includes pension funds, endowments, insurance companies, asset managers, family offices and sovereign wealth funds (with no single majority investor).

Whilst the legal holder of the investment, as the Fund is a pool of assets without legal personality, under applicable Spanish statutory and regulatory frameworks, its management and representation must necessarily be carried out by a management company.

In respect of the Fund, the management, representation and powers of control have been vested in Asterion, and all professionals responsible for sourcing, analysing, approving, executing and monitoring its investments operate through Asterion. Accordingly, Asterion is the entity that exercises effective control over the Fund (without being owner of the Fund).

3.2.2 Technical and professional capability

Asterion is an independent European infrastructure investment manager established in 2018, headquartered in Madrid.

Asterion has substantial and relevant infrastructure experience across Europe with the UK as one of its core geographies. It manages significant capital and has completed investments across energy, utilities, digital and mobility sectors.

Although Southern Water is the Fund's first direct investment in an appointed water and sewerage undertaker in England and Wales, Asterion's senior leadership brings direct UK sector expertise with several team members previously holding key roles at South Staffordshire Plc (including positions of CEO and Chairman). This is supported by a broader European portfolio of regulated and essential infrastructure positions.

3.2.3 Economic and financial standing

Asterion has set out its position as a long-term engaged infrastructure investor, able to provide strategic support, challenge and sector expertise to support delivery of Southern Water's AMP8 capital programme and regulatory obligations, alongside the company's turnaround.

The Fund has a stable long-term institutional capital base, with an investment mandate that is focused on long-term ownership of essential infrastructure and regulated utility assets and creating long-term value through investment.

3.2.4 Conflicts of interest

Any relationship between Southern Water and other activities of their Ultimate Controllers has the potential to create a conflict of interest. We therefore expect the Ultimate Controllers and the board of Southern Water to maintain an appropriate policy in relation to dealing with potential conflicts of interest and to comply with licence requirements including to conduct the Appointed Business as if it were substantially the Appointee's sole business and a public limited company separate from any other business carried out by the Appointee. In addition, where Southern Water enters into arrangements with an Associated Company such arrangements must comply with the ring-fencing conditions of its licence including meeting the transfer pricing requirements set out in the Regulatory Accounting Guidelines ("RAGs").

With the exception of its interest in Southern Water, Asterion has no investment or other interest in any other UK water business.

Asterion has confirmed it is not aware of any actual or perceived conflicts of interests in respect to the investment in the Southern Water group.

3.2.5 Governance

Asterion carries out all portfolio management functions and makes all investment decisions for the Fund (in accordance with its investment mandate).

Asterion operates with an investment committee that submits investment and divestment proposals to Asterion's board of directors.

The Fund's investors are represented by an advisory board with mainly information rights, but members do not sit on the Asterion board or investment committee, and its functions do not extend to any day-to-day activities over portfolio companies.

Personnel responsible for the Fund's portfolio management, investment analysis and decision-making are employed by Asterion and operate through its governance bodies.

Asterion's governance frameworks and processes as set out in the Fund’s management regulations cannot be amended unilaterally.

The Fund's investors and their representatives do not participate in the management of the Fund or the investment decisions.

3.2.6 Conclusion

Based on the information presented and available, Asterion is considered a credible and experienced minority shareholder capable of supporting Southern Water’s long-term performance.

4. Southern Water – Identification of Ultimate Controller

In this section we identify the providers of the Condition P Ultimate Controller undertakings under the new ownership structure. Given the change of ownership affects a regulated company, Southern Water, Ultimate Controller undertakings have been provided by the new Ultimate Controller.

An Ultimate Controller is any person which, whether alone or jointly and whether directly or indirectly, is, in the reasonable determination of Ofwat, in a position to control or in a position to materially influence the policy or affairs of the Appointee or any Holding Company of the Appointee.

Ultimate Controllers are required to provide an undertaking in favour of the appointed water company, Southern Water, confirming that they will provide the Appointee with such information as is necessary to enable the Appointee to comply with its obligations under the Water Industry Act 1991 or under its licence, and that they will not take any action that may cause the Appointee to breach any of its obligations under the Water Industry Act 1991 or its licence. The undertaking will remain in force as long as the person remains an Ultimate Controller of the Appointee. Where the UK Holding Company of the Appointee is not also the Ultimate Controller of the Appointee, it must also provide an identical undertaking in favour of the Appointee.

Under the current corporate and ownership structure (see section 3.1):

- Macquarie Super Core Infrastructure Fund SCSp, Macquarie Asset Management Europe Sarl and Sandstone Water Holdings Limited, having already been identified as Ultimate Controllers, have each provided compliant undertakings. It is considered that the role of each as Ultimate Controller is unaffected by the change in ownership. Accordingly, these undertakings remain in place.

- The Fund is the legal holder of a large minority investment (20% shareholding) in Southern Water. However, in accordance with applicable statutory and regulatory frameworks, all management and representation functions and powers of control, in respect to the Fund and its investments, have been vested in Asterion.

- All professionals responsible for sourcing, analysing, approving, executing and monitoring the Fund's investments are employed by Asterion and operate through its governance bodies.

- The Fund's investors and their representatives do not participate in the management of the Fund or the investment decisions.

- Certain matters are reserved to the board and shareholders of Sandstone Water Holdings Limited ("SWHL") and, under the terms of a shareholders' agreement, certain investors, including Asterion, have a right to nominate one or more non-executive directors for appointment to the board of Southern Water.

- The board of Southern Water continues to have full responsibility for all aspects of the regulated company's business, and its composition is reviewed to ensure it maintains the required balance of independent membership, alongside executive and shareholder representative directors (and all directors must act in accordance with the directors' duties set out in the Companies Act 2006).

4.1.1 Conclusion

Asterion, with effective control over the Fund and a right to nominate for appointment representation on the board of Southern Water, is identified as a person able to exert material influence over Southern Water. Accordingly, Asterion is identified as an Ultimate Controller.

Our assessment of the change in ownership and new investment in Southern Water, has not identified any other Ultimate Controllers in addition to Asterion and those previously identified.

No issues have been identified in respect of our Board leadership, transparency and governance principles and Southern Water has the latest version of the ring-fencing protections in Condition P of its licence.

As an identified Ultimate Controller, Asterion has provided the required undertakings to Southern Water (dated 12 August 2026). We have received a copy of the undertakings, and we are content these are compliant with the licence.

4.2 Consultation questions

We welcome responses to the following questions:

1. Do you have any views on, or our assessment of, the incoming owner?
2. Do you agree with our identification of the Ultimate Controllers?
3. Do you have any further comments on the assessment set out in this document?

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales.

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This document is also available from our website at www.ofwat.gov.uk.

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