Annual Report and Financial Statements

For the year ended 31 March 2025

Published July 2025

YorkshireWater

How to view this document

Contents page

Our contents page links to every section within this document. Clicking on a specific section will instantly take you to it.

1 Click on the contents button to return to the contents page.

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There are also many other clickable links within this document which we've made easy to spot by underlining and **highlighting** them in blue.

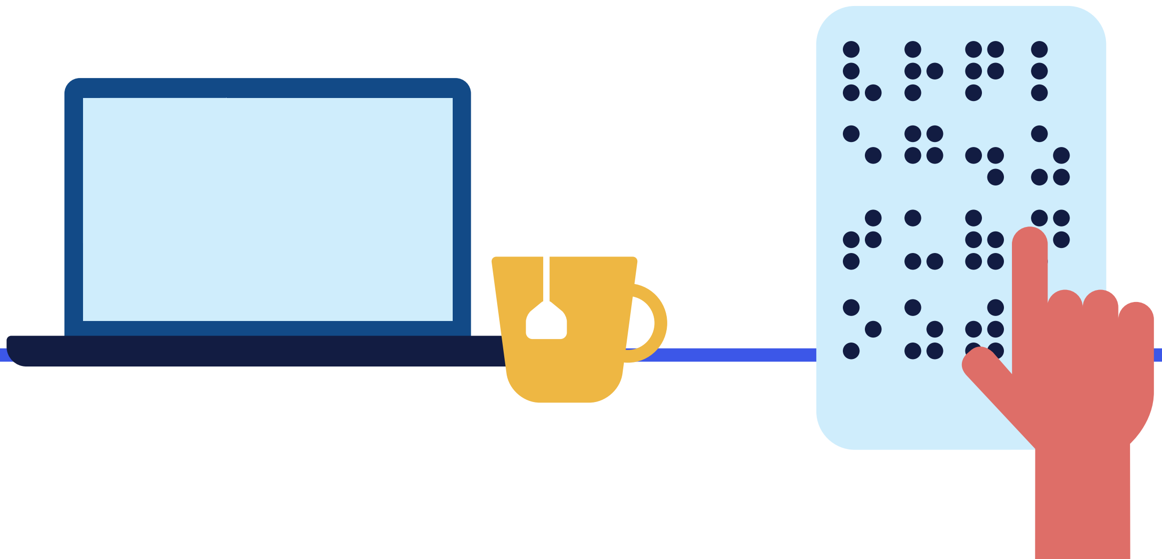
Accessibility matters.

That's why we want all of our customers to be able to engage, navigate, and understand our Annual Report and Financial Statements.

By using assistive technology like screen readers, text-to-text speech programmes and Braille displays, we can provide equal access to anyone with visual, mobility, or cognitive impairments.

We've taken steps to ensure this document supports additional accessibility needs:

- Screen readers will recite content in a logical order, as well as identifying headers and providing alternative text for images.
- Table of contents and bookmarks to aid navigation.
- Easy-to-read text that's structured using headings, clear paragraphs and tables.
- Comfortable colour contrast.



Get in touch with us

We welcome your comments and feedback on this Annual Report and Financial Statements. If you have any questions, comments or would like to give us feedback on this or any of our other publications, please get in touch with us.

There are lots of ways to get in touch:

Email us
publicaffairs@yorkshirewater.co.uk

Send comments via our website link
yorkshirewater.com/get-in-touch/

Facebook message us
@yorkshirewater

X message us
@yorkshirewater

LinkedIn message us
linkedin.com/company/yorkshire-water

Or write to us
Western House, Western Way, Bradford, BD6 2SZ

Throughout this report, unless otherwise stated, we refer to each financial year by the year-end date, so "2025" refers to the financial year ended 31 March 2025. We will make it clear if we are referring to a calendar year.

The water industry operates in five-year periods which are called Asset Management Periods or "AMPs". AMP7, which is the seventh Asset Management Period since privatisation, is the five-year period that ended on 31 March 2025. AMP8 began on 1 April 2025.

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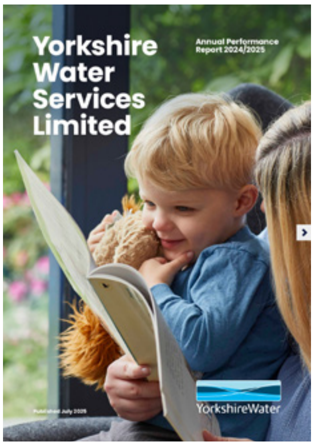
Our other publications

This Annual Report is supported by a number of other publications which can be found on our website:



[Our Annual Performance Report]

[Our Modern Slavery Statement]

[Our Contribution to Yorkshire]

[Our Water Resources Management Plan]

You can access all of these reports by visiting [yorkshirewater.com]

Yorkshire Water at a glance

We provide some of life's most essential services to the people and businesses of the Yorkshire and Humberside region, playing a key role in the region's health, wellbeing, and prosperity. We do this by supplying water and wastewater services and being custodians of essential infrastructure and the natural environment.

We serve **5.5 million individual customers**, in **2.3 million homes** and **139,000 businesses**.

We manage **32,000 km** of **clean water pipes** and **53,000 km** of **sewer network**.

We collect, treat and return to the environment **1.9 billion litres** of **wastewater** and **rainwater every day**.

We supply **1.3 billion litres** of fresh tap water every day, that is around **500 Olympic-sized swimming pools**.

Our vision is for a thriving Yorkshire, right for customers and right for the environment.

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We manage just under **70,000 acres of land** and **countryside**. That is the same as around **44,000 football pitches**, making us the **second largest landowner in Yorkshire**.

We supply **essential services** to **65 hospitals, 12 universities** and **2,500 schools** and **colleges**.

We employ **4,004 colleagues** and our latest investment programme **supports** a further **8,000 jobs across our suppliers**.

We are investing £1.5 billion over the next five years to make improvements to storm overflows.

Our annual performance

Annual Lost Time Injury Rate (LTIR) of 0.14
(2024: 0.10)
See **Our people** section for more details.

Reduced leakage by 15.1% since 2020
(2024: 12.7%)
See our **Right for customers** section for more details.

Two-star Environmental Performance Assessment rating
(2024: two-star)
See our **Right for the environment** for more details.

Supported nearly 167,000 customers with their bills
(2024: 125,000)
See our **Right for customers** section for more details.

Tenth position in Ofwat's Customer Measure of Experience (C-MeX) league table out of 17 companies
(2024: ninth position)
See our **Right for customers** section for more details.

£343.3m increase in total Regulatory Capital Value (RCV) to £9,475.5m
(2024: £9,132.2m)
See our **Chief Financial Officer's report** for more details.

Return on Regulated Equity (RoRE) of 2.52%
(2024: 6.2%)
See our **Chief Financial Officer's report** for more details.

Annual investment in our capital programme of £889.8m
(2024: £684.6m)
See our **Chief Financial Officer's report** for more details.

Find out more about what we do here:
yorkshirewater.com

Strategic report

Our corporate strategy

In 2023, we launched a strategy focused on helping Yorkshire thrive - something that still guides us today and in the future. Over the past year, we have taken a close look at our corporate strategy to make sure it still fits our goals. We found that it continues to reflect what we are aiming for, with just a few small updates needed as we head into the next five years.

Our vision

At Yorkshire Water we know that everything we do has an impact on Yorkshire. We want Yorkshire to thrive, and we want to do what is right for customers and for the environment.

We see ourselves as an anchor institution in the region. Our business plan for the next five years includes £8.3 billion in total expenditure, which we will use to invest in infrastructure, to create and sustain jobs, to support skills development and education, and to work with other organisations to deliver better outcomes across the region. We know that we face many challenges, including a loss of trust in the sector, the effects of climate variability, and the impact of increasing costs, which affects both our business and our customers. We want to deliver great value for Yorkshire, to be an inspiring and motivating place to work, and to improve the environment around us.

'Right for customers' means that we will provide safe, clean, great tasting water and return wastewater safely to the environment. We will do this in a way that delivers good value for money, with bills that everyone can afford. Our bills have increased from 1 April 2025 as we need to invest more in our infrastructure, but at the same time we are offering even greater support to customers who struggle to pay their bills.

We want to be an easy organisation to interact with, with a tailored and reliable service which offers multiple ways for our customers to get in touch, to cater for the diverse range of needs that we know our customers have.

We listen to our customers and communities so that we can keep improving our customer experience.

More information on what we have delivered for our customers in the year can be found in the section on **Right for customers**.

'Right for the environment' means making our water go further and minimising the impact of wastewater on the natural environment of Yorkshire. We are extremely focused on reducing pollution and sewer flooding and improving our river and coastal water quality. This will take time, but we are cracking on and investing £1.5 billion over the next five years to improve storm overflows, as well as working to improve our internal processes, to bring about change as quickly as possible.

We also want to protect our water resources in the face of climate change and a growing population, which means reducing leaks and increasing customer awareness around water usage. We are seeing this particularly in the first half of the 2025 calendar year which has seen the driest start to a year since records began, and reservoirs at significantly lower levels than we would normally see in the first half of the year. We have a big role to play in addressing climate change, and are working towards achieving net-zero carbon emissions in our operations, and reducing the emissions created in building our assets.

More information on what we are doing for the environment can be found in the section on **Right for the environment**.

Achieving our vision

Strategic pillars

Our strategy has three pillars which are our key areas of focus to reach our vision.

Improving asset performance

During the year we have updated this pillar from improving asset health to improving asset performance. This is to reflect the fact that we are managing our assets to get them to deliver, and we invest in them, sometimes to increase capacity and sometimes to improve asset health. Asset performance is critical to delivering services to our customers and protecting the environment. By 'assets' we mean our water and wastewater assets, which include our pipe network, the treatment works where water or wastewater is treated and all the assets that link these together. We need to keep investing in pro-active maintenance to reduce asset failure, as well as building new assets to improve the quality, resilience and capacity of the services we provide. Our aim is to do this while keeping bills as low as we can and protecting the environment through choosing nature-based solutions where possible. More information on how we are improving asset performance can be found in the sections on **Right for customers** and **Right for the environment**.

Creating an engaged, high-performing team

Our people are our biggest asset and represent the heart of Yorkshire Water. We want Yorkshire Water to be an inclusive workplace where everyone feels safe, respected, and encouraged to do a fantastic job. This also applies to our contract partners who we work closely with to drive continuous improvement in our performance. More information on how we are creating an engaged, high-performing team can be found in the section on **Our people**.

Taking a joined-up approach

In order to deliver what is right for Yorkshire, we need to work together, both across our organisation and externally with our customers and other stakeholders.

By working together, our people, our supply chain and our stakeholders can achieve more than any of us could by working alone. More information on our partnership working can be found throughout this report, including in the sections on **Right for the environment** and **Our communities**.

Our Foundations

Our strategy has two key foundational areas which underpin the rest of our strategic activity; strategic change and sustainable business:

Strategic change

This foundation was previously called 'modernisation' which was a strategic change programme for AMP7. This covered people, technology, processes and data and looked at how these needed to evolve to enable us to achieve our strategy. One example of the modernisation programme was changing our ways of working in our wastewater function to group colleagues around geographical areas, to help improve our customer response times and to build greater understanding of issues specific to certain areas of Yorkshire, as well as including more technicians in our call centres to be able to diagnose issues more quickly when a customer calls us. Our modernisation programme is now drawing to a close, but there is more strategic change required so we have changed the name of the foundation to encompass all strategic change.

Sustainable Business

Our strategy is built on the foundation of long-term responsible business practices. In other words, we are seeking to do the right things today so we can keep going into the future. This includes looking after the health, safety and wellbeing of our colleagues, partners and everyone else impacted by our activities, and ensuring we have a stable and sustainable business financially, so that we continue to provide good value for our customers and all those who work with us. We have also now included compliance as a specific part of our sustainable business foundation, given its significance to our business. Our aim is for 100% compliance, with all of our statutory and regulatory obligations and all of our processes and procedures, 100% of the time.

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Delivering our strategy

Last year we reported on the things that we had asked for in our Price Review 2024 submission to Ofwat, which were the things that we knew our customers wanted, were right for Yorkshire, and for the environment. We were delighted that Ofwat agreed with our plan and has allowed us £8.3 billion in funding for the five-year period which started on 1 April 2025.

We know that now it is time for us to crack on, and we have spent the last year focusing on delivering the rest of our AMP7 plan and preparing for AMP8.

Amongst other things, this year has seen us:

- Doing **right for customers** through the completion of our new structure in wastewater around geographical areas, to enable faster responses to customers and better identification of issues when customers contact us;
- Doing **right for the environment** through the delivery of over 300 projects under the Water Industry National Environment Programme, to reduce phosphorus in our Yorkshire rivers;
- **Improving asset performance** through £889.8m of investment, including upgrades to sewage pumping stations, improving our water and wastewater treatment works, and creating additional stormwater storage capacity;
- **Creating an engaged high-performing team** through the roll-out of a career toolkit across our organisation, to support our people in having careers-based conversations so we can identify how people want to develop and can ensure they are getting the right support; and
- Demonstrating a **joined-up approach** through the start of our new Storm Overflow Alliance, working collaboratively with other organisations to reduce storm overflow discharges through innovation and sharing best practice.

All of this has been done while driving our modernisation programme through to completion, and ensuring our business is on a sustainable footing. This includes a focus on our work being done safely and compliantly, while we continue to ensure we have financial resilience well into the future.

More information on how we are cracking on over the next AMP is contained throughout this report.

The six capitals

As part of doing what is right for customers and the environment, it is essential that we understand the impact that we have on our surrounding area, beyond just a financial impact. To do this we have used the concept of the 'six capitals' for a number of years and this influences key decisions that we make at Yorkshire Water.

The six capitals approach considers value in the broadest sense and helps us to understand the total value we deliver in six key areas.

Using the six capitals framework helps us to make more informed decisions with a fuller understanding of their wider environmental and social implications, both now and in the future. It also provides a means by which to measure progress towards our strategic objectives.

We undertake an annual assessment of the impacts of our business activities and investments, and we publish this in a report called *Our Contribution to Yorkshire*. This is available at **yorkshirewater.com/capitals**

We also have a sustainable finance framework which enables us to raise debt to support the financing or refinancing of assets and expenditure of a sustainable nature. This means we can only spend the money raised on assets or expenditure that meet strict sustainable definitions, and we report back to our framework investors each year on how the money raised has been allocated and the impact that this has had from the perspective of each of the six capitals. You can find more details about the framework at **keldagroup.com/investors/sustainable-finance/sustainable-finance-framework/**

Six capitals

The resources we rely on and that we impact positively and negatively through our activities.

Financial capital
Our financial health and efficiency

Manufactured capital
Our pipes, treatment works, offices and technology

Natural capital
The materials and services we rely on from the environment

Human capital
Our colleagues' capabilities and wellbeing

Intellectual capital
Our knowledge and processes

Social capital
Our relationships and customers' trust in us

Our business model

What drives us

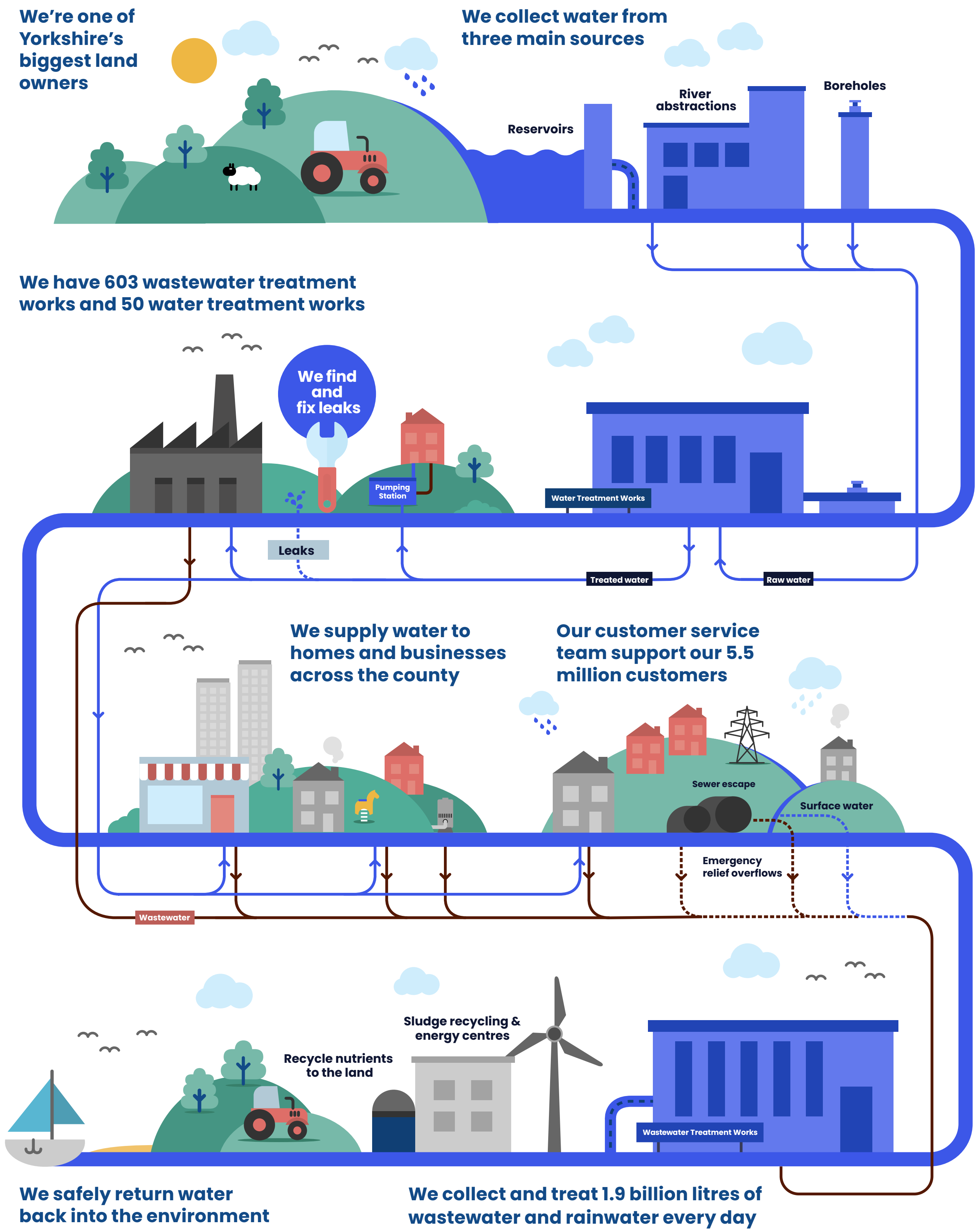
The purpose set out in our Articles of Association is to conduct business and operations for the benefit of our members as a whole whilst delivering long-term value for our customers, the Yorkshire and Humberside region and the communities we serve whilst seeking positive outcomes for the environment and society.

This aligns to our vision of **a thriving Yorkshire, right for customers and right for the environment.**

Resources and relationships

- We own and manage 603 wastewater treatment works, 50 water treatment works and 2,633 sewage pumping stations.
- We also own and manage a vast water supply network, including 115 reservoirs, over 100 impounding reservoirs, 50 groundwater sources, and just under 70,000 acres of land.
- We supply 1.3 billion litres of clean, high-quality water to 5.5 million customers, including 2.3 million homes and businesses daily.
- We have 4,004 colleagues, of whom 90% are based in the Yorkshire region.
- We work with over 1,100 suppliers and partners, of whom nearly a third are based locally in Yorkshire.
- We work within a highly regulated framework. Our key regulatory bodies include Ofwat, the Environment Agency, the Drinking Water Inspectorate, the Health and Safety Executive, the Information Commissioner's Office, and the Department for Environment Food and Rural Affairs.

What we do


We're one of Yorkshire's biggest land owners
We collect water from three main sources
Reservoirs
River abstractions
Boreholes
We have 603 wastewater treatment works and 50 water treatment works
We find and fix leaks
Pumping Station
Water Treatment Works
Leaks
Treated water
Raw water
We supply water to homes and businesses across the county
Our customer service team support our 5.5 million customers
Sewer escape
Surface water
Emergency relief overflows
Wastewater
Sludge recycling & energy centres
Recycle nutrients to the land
Wastewater Treatment Works
We safely return water back into the environment
We collect and treat 1.9 billion litres of wastewater and rainwater every day

Our business model continued

Creating value for our stakeholders

Customers

We create value for customers through providing clean, safe drinking water and removing and treating wastewater, and returning it safely to the environment. Our aim is to continually improve our services to customers, while spending their money wisely, and anticipating changing customer needs over time.

More information on what we are doing for our customers and how we engage with them can be found in our **Right for customers** section.

Environment

We seek to minimise our environmental impact whilst protecting and enhancing our reservoirs, rivers, bathing waters, coastal waters and catchment areas.

More information on what we are doing for the environment can be found in our **Right for the environment** section.

We have provided over

£115m

of support to customers

since 2020.

We have invested

£701.4m

over the last five years,

into our Water Industry National Environment Programme, to improve the environment in Yorkshire through the removal of phosphorus from rivers.

We have improved our relative customer experience from

12th to 10th

in the sector

when comparing the previous Service Incentive Mechanism in 2019 to the Customer Measure of Experience in 2025.

We have reduced discharges from storm overflows by

23.6%

since 2021.

Colleagues

We create value for our colleagues by ensuring they have the right level of support, opportunities for development, a safe and healthy working environment, and are fairly rewarded.

More information on what we are doing for our colleagues can be found in the **Our people** section.

Communities

We create value for the communities that we operate in by opening up our land for recreational use, providing educational programmes to local schools, and providing volunteering support to local charities and not-for-profit organisations. We also support the local economy, through employing local people, using local businesses in our supply chain, and paying rates to local government.

More information on what we are doing in our communities can be found in the **Our communities** section.

Our colleague engagement

has increased from

6.3 to 7.6

over the last two years.

Our Lost Time Injury Rate has improved

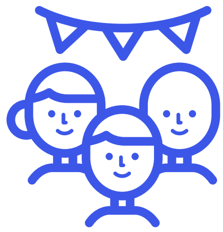
by 39% from

0.23 to 0.14

since 2020.

We have reached over

120,000 adults and children



over the last five years with educational support relating to water, the environment and career pathways.

Our people have volunteered for

over 7,000 hours

over the last five years to support local charities, schools and not-for-profit organisations.

Investors

We aim to create value for investors by managing our risks carefully to ensure an appropriate return on their investment, as well as making wise investments in our assets to ensure growth and resilience over the long-term.

More information on the returns we are delivering for investors can be found in our **Chief Financial Officer's report**.

Suppliers

We create value for suppliers by working in partnership with them and adhering to our Code of Ethics in our dealings with them, as well as our Modern Slavery commitments.

More information on our engagement with suppliers can be found in our **Section 172(1) statement**.

We have delivered a Return on Regulated Equity of

2.52%

during the year.

During the year we have paid our suppliers on average within

34 days

Over the last five years

we have invested nearly

£3.0bn

in fixed assets to ensure resilience into the future.

Our latest investment programme will support an average of

8,000 jobs

within our supply chain.

How we apply money from our customers

Every £1 we receive from our customers is broken down as follows:

- **48p** pays for the day-to-day operational and people costs of running our business. This includes paying our 4,004 colleagues who work hard to keep water flowing every day, from our call centre colleagues to our engineers who fix the pipes, and keeping our huge network running across the whole of Yorkshire.
- **17p** is spent on making improvements to our ways of working. This includes investing in new technology and innovations so we can do things better for customers and the environment.
- **7p** pays for all the energy it takes to supply clean drinking water to our customers and take away and treat wastewater.
- **23p** goes on funding the financing that we use to invest in assets. We have to invest in our assets to make sure our services can continue into the future, and we borrow money to fund this investment, and pay it back over time to debt-holders, in the same way that someone buying a house takes out a mortgage and pays it back over time. This means that the cost is fairly spread across generations.
- **5p** goes towards the taxes and licenses we need to pay to deliver our services.

If you want to know more on our customer bills, visit yorkshirewater.com/bill-explained

Letter from the Chair

The 2025 financial year was one of progress and change, both for Yorkshire Water and the sector as a whole. Throughout the year, the Board has remained focused on delivering our corporate vision of 'a thriving Yorkshire, right for customers, right for the environment'.

The year was the final year of our investment programme for AMP7, and I am pleased to see the progress we have achieved over the last five years across a range of areas that we know are important for our customers and the environment.

In 2025 Yorkshire Water delivered its highest ever investment in our region, with just under £890m of capital expenditure and £613m of operational expenditure. This step-up in investment will increase further over the next five years through AMP8, helping to drive improved outcomes over the longer-term.

Our performance this year

We are pleased that our investment and commitment to operational improvements over the year yielded positive outcomes, with our performance improving across nine of the 12 key common regulatory performance commitments for 2025.

We know, however that we have further to go to improve our performance for customers and the environment.

This year saw the conclusion of a three-year investigation by Ofwat into the management of our wastewater treatment works and networks. This investigation is sector-wide and Yorkshire Water was one of the first three companies investigated. We have done much to improve our wastewater management since the investigation began and were pleased that this was acknowledged by Ofwat in their conclusions. We know that there is still more to do, however, and we have agreed with Ofwat that we will invest an additional £40 million in improving the quality of rivers in Yorkshire over the next five years, and have committed to sharing our ongoing improvement plans with Ofwat in October this year. We are pleased that our commitment to improvement was recognised by Ofwat in their announcement of the agreed undertakings in March 2025.

On behalf of the Board, I would like to thank colleagues across the company, our contractors and partners for their continued hard work in helping us drive performance improvements. Further detail on investment and performance can be found in the Chief Executive's overview and throughout this document.

The PR24 Final Determination

We were pleased to secure regulatory support in the year for our AMP8 Business Plan, which will enable us to deliver what is right for Yorkshire over the next five years.

Following the submission of our Business Plan, Ofwat's Final Determination in December 2024 endorsed a significant rise in overall expenditure to £8.3bn across the five-year period, allowing greater investment in areas that matter to our customers and stakeholders.

At the same time, we are mindful of the increase in customer bills that is needed to pay for this investment and the additional pressure it will put on household budgets, and we have committed to providing significant extra support over the next five years to help customers on low incomes.

While the Board had strong concerns with the overall balance of risk and return in the Final Determination and Ofwat's approach to some issues, it decided in February not to request a referral of Ofwat's decision to the Competition and Markets Authority. Instead, the Board chose to focus the company's efforts on delivering the AMP8 investment programme and advancing service and environmental enhancements for customers.

Political focus

Following the General Election in June 2024, the water sector has been a high priority for the new Government, with the introduction of the Water (Special Measures) Act, passed in February this year, and the launch of the Independent Water Commission, led by Sir Jon Cunliffe, to review regulation in the water sector.

This ongoing review of the regulatory framework has been a key area of focus for Yorkshire Water, and we will continue to engage with the Commission and the Government as it takes forward reforms in due course.

The Board has continued to hold its meetings across Yorkshire and to take advantage of these opportunities to visit our operational sites and to meet with stakeholders. For example, during our meeting in Hull in November, the Board visited the flood mitigation scheme that Yorkshire Water has been involved in delivering through the Living With Water partnership.

Board changes

We have seen a number of changes to our Board during the year and since the year-end. I am delighted that Furqan Alamgir joined the Board as an independent non-executive director in October 2024. As the founder and CEO of Connexin, a leading technology company based in Hull, Furqan knows Yorkshire extremely well. He has a wealth of experience in smart city infrastructure and digital innovation, which will be invaluable as we continue to modernize our operations.

We also welcomed Simon Beer to the Board, as an investor director, in November 2024. Simon was previously an observer who attended our Board meetings on behalf of one of our shareholders and therefore brings considerable knowledge of the business and the sector to the Board, as well as experience from other utility companies.

After the year-end our Chief Financial Officer, Paul Inman, retired from the Board and we have welcomed Martin Gee to Yorkshire Water, as his replacement. Paul has achieved a great deal in his short-time with the business and we are extremely grateful for the contribution he has made.

One of our investor directors, Russ Houlden, also stepped down from the Board in June 2025, following a change of fund management for one of our ultimate shareholders. Russ has brought much sector expertise to the business and made a significant contribution to our PR24 Business Plan, for which we are very grateful.

Looking forward

Looking ahead, we are now embarking on a period of increased investment during AMP8, with confidence that our programme will deliver real benefits for the communities we serve and the environment in which we operate.

The Board and senior leadership will continue to engage with the Government's review of the sector and to work with stakeholders to establish a new regulatory framework for the water sector that builds long-term confidence from customers and stakeholders, and supports our vision for a thriving Yorkshire.

I would like to thank all those who have contributed to our work at Yorkshire Water over the last year, including my fellow Board members who continue to contribute considerable time and effort in an often challenging environment, helping us to strive towards our vision of a thriving Yorkshire.

Vanda Murray

Vanda Murray OBE DBA
Chair
10 July 2025

Chief Executive's overview

During 2025, we made our largest ever annual investment in the region, completing projects that will reduce sewer discharges, improve wastewater treatment works, enhance water supplies, and lessen our impact on bathing waters.

The year also saw the conclusion of our 2025 to 2030 business plan process, which will enable us to continue investing record amounts in Yorkshire's water infrastructure and make further progress towards achieving our vision of **'a thriving Yorkshire, right for customers, right for the environment.'**

Investment is crucial to improving performance and reassuring our customers that we are delivering for Yorkshire. I am therefore pleased that the £889.8m (2024: £684.6m) of capital expenditure in the year, was the largest ever investment in Yorkshire's water and wastewater networks.

That programme of investment included the delivery of significant projects such as the £60m phosphorus removal scheme at our Knostrop wastewater treatment works, which serves most of Leeds. Major schemes like these are often complex to deliver, but when completed they enable us to deliver better performance every day for our environment and our customers.

We also got our programme of more environmentally friendly wastewater treatment schemes well under way with the opening of an aerated reed bed at Killinghall.

We have faced a number of challenges, with our performance against regulatory targets falling short in key areas, and the award of a significant fine for historic service failures. It is important that we learn where things have gone wrong, and our team have action plans to drive performance improvements and ensure compliance with our regulatory requirements.

For several years we have been drawing up our business plan for 2025 to 2030, to secure regulatory support for investment in the areas that our customers and stakeholders have told us are important. In December 2024 Ofwat published its Final Determination endorsing the scale of investment in our plan and ensuring we can continue to improve our networks.

Operational performance

Extreme weather events can have a significant impact on our networks, and with five named storms in the period from September 2024 to January 2025, and the driest Spring period in Yorkshire for 132 years, we saw both sides of weather-related challenges in the year. While we are investing to increase the resilience of our networks, these events do have an impact on resources and overall performance, as our teams prioritise the delivery of critical day-to-day services.

Improvements to our networks across the year should help us be better placed to meet these challenges in the future.

Heavy rainfall can cause capacity issues in our sewer networks, leading to the discharge of very dilute wastewater into waterways to prevent properties being flooded. Last year saw the completion of our Storm Overflow Reduction Plan, which we launched in 2022 with the intention of reducing overall discharges by 20% by March 2025, by investing £180 million in storm overflow improvements. With 120 projects completed, including building extra capacity and removing some surface water from our network, we have already prevented thousands of discharges from our assets.

Our increased investment programme has provided opportunities to innovate, and the past year has seen the increased use of nature based solutions, including the construction of several wetlands at wastewater treatment works. These schemes are embedding sustainable practices and reflect the importance we attach to improving environmental performance, however the concepts are new and the planning processes behind them are therefore slow. We are working closely with local authorities and the Environment Agency to improve this.

During each AMP we are challenged to deliver a range of performance commitments by our regulators, with metrics often becoming steadily more stringent across the five-year period. During 2025, we improved performance for nine of the 12 key performance commitments compared with the previous financial year. Despite this improving trend, we only hit regulatory targets for four performance commitments, reflecting the challenges associated with delivering year-on-year improvements in many areas.

We successfully met targets for the Priority Services Register, leakage reduction, mains repairs, and sewer collapses. While there were notable improvements across per capita consumption, supply interruptions, water quality, unplanned outages and internal sewer flooding, we fell short of meeting our performance commitments in these categories. The three areas where our performance declined were pollution incidents, treatment works compliance, and customer satisfaction.

This level of performance had financial consequences for the company, and we recognise it is not the standard of service that our customers want from us. In 2026, the first year of AMP8, we are seeking to deliver improved performance across all metrics, and striving for heightened customer satisfaction.

Based on our performance in the 2024 calendar year, we expect our Environmental Performance Assessment rating to remain at two-stars. While this is still subject to confirmation by the Environment Agency, this outcome is disappointing and falls short of the level of performance that our team is working to achieve.

Looking forward, one of the most critical challenges we need to address is pollution incidents, including the most serious pollution incidents that cause harm to our customers and the environment. As part of our response to this challenge, we have instigated a company-wide focus on compliance and adherence to key processes, so that we can achieve '100% compliance, 100% of the time'.

Ofwat Undertakings

In March 2025 Ofwat announced that it had concluded the outcome of its investigation into historic compliance issues at Yorkshire Water's wastewater treatment works and networks. We have agreed a package of undertakings with Ofwat, including:

- £36.6m to be invested in 2025 to 2030 to reduce discharges from storm overflows across Yorkshire and improve river health;
- £3.4m of support to the Great Yorkshire Rivers Partnership to clear artificial barriers in Yorkshire's rivers and support increased biodiversity; and
- Committing to an action plan to ensure our wastewater network is fully compliant with legal requirements.

The cost of the redress package will be paid for by Yorkshire Water and its shareholders, and I hope the measures demonstrate our dedication to meeting regulatory requirements and driving environmental improvements. We appreciate Ofwat's agreement to retaining this funding within our region so that it benefits Yorkshire's environment and customers.

Financial resilience

During the year we have taken further steps to ensure our long-term financial resilience, with a further £100m being received by Yorkshire Water from our investors as partial repayment of an outstanding inter-company loan. This follows a £400m repayment received during 2024, with a further £437m due by March 2027 to settle the remaining loan in full.

As we transition into AMP8, the increased levels of investment required underline the importance of the steps we have taken to ensure the company's financial resilience, and will be critical to delivering further improvements for our customers and safeguarding the environment.

Our business plan for 2025 to 2030

Our business plan for 2025 to 2030 was created to meet the broad range of regulatory and legislative requirements that we need to comply with. We also conducted significant engagement with our customers and stakeholders to ensure our plans reflected their needs and expectations. I am pleased to say that 84% of customers supported our plans for the next five years.

The development process for our business plan stretched over several years, and while we had significant concerns with Ofwat's Draft Determination in July 2024, we were pleased that Ofwat accepted the majority of the evidence we provided prior to the Final Determination in December 2024, and endorsed our proposed £8.3 billion business plan for the 2025 to 2030 period.

While this increased investment is vital for improving services and addressing environmental challenges, we recognise that it comes with financial implications for our customers. The rise in overall investment will result in an increase in the average bill of £135 in 2026, equating to around £11 per month. Recognising the financial strain this will place on some households, we have significantly expanded the support framework we offer to customers. More details on these measures are outlined later in this report.

Over the next five years, we will be spending an average of £3.2m every day on improving water services, tackling pollution and making sure the region's infrastructure is fit for the future.

Building on the strong foundations of our Storm Overflow Reduction Plan, our £1.5bn storm overflow programme over the next five years aims to reduce storm overflow discharges from an average of 34 to 16 per year, improving over 450 storm overflows. We will spend a further £361m to reduce phosphorous levels in final effluent across over 80 sites in Yorkshire, including Naburn, Wombwell, and Harrogate South.

We will be improving our performance by making our network smarter and more intelligent, enabling our 24-hour central control teams to access live network performance information, spotting problems before they occur, and taking action sooner.

To support these efforts, we are installing 92,000 new monitoring devices on our wastewater network, and we plan to deliver a 25% reduction in internal and external sewer flooding over the next five years. In 2026 initiatives include replacing 225 kilometres of water mains, installing 200,000 smart meters, and enhancing pressure management across key areas of the network.

Customer support

Over the past year, Yorkshire Water has provided support to customers facing financial difficulties, including through the use of innovative partnerships with key regional organisations such as councils and charitable groups. Often these service providers are closer to people facing challenging circumstances, and we are grateful for their partnerships with us to ensure people requiring our support schemes have access to them.

Nearly 167,000 customers benefited from the company's bill support schemes during the past financial year, which included debt assistance, social tariffs, and contributions to the community trust. This means that since 2020, Yorkshire Water has provided over £115m in bill support, helping alleviate financial burdens for many people in our region.

We also worked to increase the number of customers registered on our Priority Services Register, which allows us to be aware of those people who may require additional support. Our Register grew by 30,000, bringing the total to 10.6 per cent of customers.

We understand that increasing the level of customer bills will be concerning to many, and through the introduction of a banded tariff this year we've ensured that 60,000 low-income customers will see their bills going down in 2026.

Over the next five years, our WaterSupport and WaterSure schemes will provide around £375m in bill reductions to help 345,000 customers struggling to pay their water bills. This is an increase of over 100,000 households receiving support from Yorkshire Water compared to the AMP7 period.

Future of regulation

In October, we welcomed the Government's decision to launch a review of water sector regulation. The review is being undertaken by the Independent Water Commission under the leadership of Sir Jon Cunliffe, and will be the first comprehensive review of the overall framework since the 1990s. We believe there are significant improvements that can be made to support a more streamlined and joined-up approach to regulation.

As the Government takes forward the Commission's recommendations, we will engage with policymakers and stakeholders to ensure the proposed changes align with the needs of our customers and the environment, while fostering a more efficient and collaborative regulatory framework.

The retirement of Paul Inman

Paul Inman, our Chief Financial Officer, retired in May this year. Paul has made a significant contribution since joining the business in 2023, and has played an active role in improving our financial resilience. I am grateful to him and wish him a very happy retirement.

Paul has been succeeded by Martin Gee, most recently the Chief Operating Officer at Lanes Group. Martin brings wide experience of the water sector, and I am delighted that he has chosen to join the leadership team at Yorkshire Water.

Looking forward

The last year in AMP7 came with challenges in performance, but the work of the team set the stage for what lies ahead. As we step into AMP8, we are focused on becoming more sustainable and leveraging the latest technology to enhance services for customers and the environment. Changes to regulations are expected to streamline processes, enabling us to work more effectively and deliver significant improvements across our network, helping us achieve our vision of a thriving Yorkshire that benefits both customers and the environment.

Nicola Shaw CBE
CEO
10 July 2025

Yorkshire Water in context

The water sector

There are 11 water and sewerage companies in England and Wales and six water-only companies. Yorkshire Water is the fifth largest of the water and sewerage companies.

Many of the companies in the sector are privately owned, with shareholders ranging from members of the public to pension funds, businesses or other investment funds.

A regulatory framework is in place to seek to ensure customers receive high standards of service for a fair price. Under this framework there is a five-year Price Review process, where all companies in the sector submit a business plan to Ofwat, having consulted with their customers and stakeholders and taking into account their statutory and other obligations. These business plans set out the services they want to deliver and the investments they need to make over the next five years. These are reviewed by Ofwat and they then decide how much companies can charge customers for the next five years.

The latest pricing decisions made by Ofwat were published in December 2024 as part of the 2024 Price Review, which is also known as 'PR24'. This has set the prices which can be charged by the sector from 1 April 2025 to 31 March 2030.

Each five-year period is called an Asset Management Period or 'AMP'. The current AMP from 1 April 2025 is known as AMP8 as it is the eighth AMP since the water sector was privatised.

Independent Commission into the water sector and its regulation

In October 2024 the Government announced a full review of the water sector and its regulation, led by Sir Jon Cunliffe. The aim of the review is to help ensure a sufficiently robust and stable regulatory framework to attract the investment needed in the sector to achieve better environmental outcomes, faster infrastructure delivery and improved public confidence.

At Yorkshire Water we have welcomed the review and have provided a considerable amount of evidence and information in response to the Call for Evidence that was published on 27 February 2025. We expect the final report to be published later this year.

Climate change

Climate change is impacting everyone across the world, and the water sector is no exception. Severe weather events have significantly impacted the sector in recent years with both drought conditions and extremely heavy rainfall. In the period from September 2024 to January 2025, there were five named storms in the United Kingdom, compared to ten in the previous year and just one in the year before that, showing the significant variability in the weather each year. The calendar year 2025 has also seen the driest Spring in Yorkshire for 132 years. Such events have a crucial impact on our clean water and wastewater networks and we have set out where this impact has been felt elsewhere in our report.

Cost of living

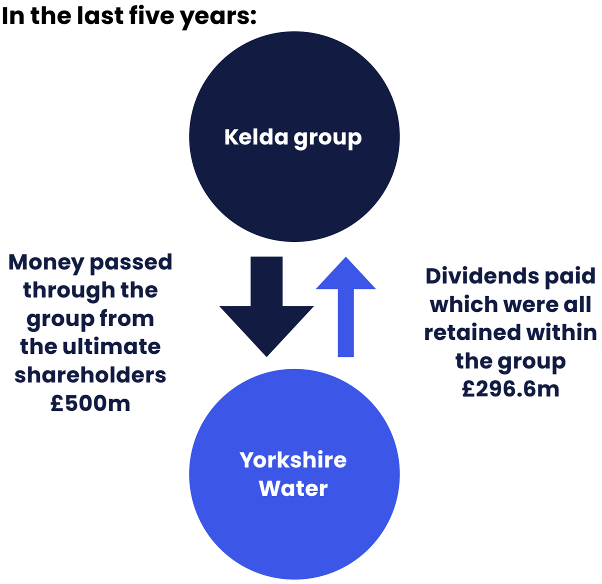
The cost of living crisis has continued to impact many of our customers and communities during the year, particularly as food, energy and rental costs have remained high. We have continued to offer support to those who are struggling to pay their water bills through various schemes that we have in place. We cover these in more detail in our section on **Right for customers**.

Media perceptions of the sector

There has been much in the media about the water sector over recent years, in particular in relation to dividends, executive pay, wastewater discharges into rivers and coastal waters, and drinking water quality. We know that trust in the sector is low and we are doing what we can to restore that trust.

At Yorkshire Water, over the last five years the company has paid dividends of £296.6m, however none of this has been paid to our ultimate shareholders. It was all retained within our group and used to repay interest and capital on loans held at a group level. In addition, in 2023 our shareholders invested a further £500m into the group, which was paid to Yorkshire Water in two parts as repayment for an existing intercompany loan.

In the last five years:



Before any dividends are approved, our Board considers the current and future financial needs of the business, whether the business is delivering for customers and the environment, and whether risks are being managed appropriately and the business is being run efficiently.

We are grateful to our shareholders for their continuing support of the business, and in particular our significant investment plans.

Decisions on executive remuneration are taken by our Remuneration Committee, which is entirely independent from our executive directors, who have no say in what they are paid. The Committee has clear processes in place to ensure that our executives are paid fairly, are not paid for poor performance and that any measures used to calculate variable pay are independently assured before any payments are made. More information on our executive pay can be found in our Directors' remuneration report.

Wastewater discharges into rivers and coastal waters are a matter of great public concern and we entirely understand why. We remain focused on eradicating harm from wastewater discharges. This is something that everyone in Yorkshire Water wants to achieve, but it is not something that can happen overnight.

The wastewater network is designed to allow the discharge of very dilute wastewater into watercourses when the network becomes too full, as this prevents wastewater from flooding our homes, gardens and streets. The picture below illustrates how these storm overflows operate:

Whilst the whole water sector has committed to reducing the number of these discharges, a study by Stantec has shown that around 55% of the cost of meeting Government requirements in this area falls on Yorkshire Water and United Utilities, whose customers make up only 22% of the population. This reflects the high number of combined sewers in these areas and the higher rainfall. Combined sewers are those which collect both surface water and wastewater.

It is a lengthy and expensive process to add significant additional capacity to the wastewater network, particularly in an environmentally friendly way, but we have detailed plans in place to do this over time, and we are making significant investments in this area. Further information on this can be found in our **Right for customers** section.

Drinking water quality in this country is verified by extensive sampling at all stages of the treatment and distribution process, including at customer taps. Compliance across the sector is consistently high, with 99.97% compliance across nearly four million tests.

The United Kingdom is one of only four nations in the world with the maximum score possible for Sanitation and Drinking Water in the 2024 Environmental Performance Index produced by Yale University, showing that our drinking water quality is amongst the best in the world.

What makes Yorkshire different

We love the county in which we operate and our ambition is for a thriving Yorkshire. There is much that is breathtaking about our county, but there are also some factors that influence our performance which are unique to Yorkshire.

Yorkshire has the second lowest household income in England, and the second lowest disposable income.

We have around 320,000 customers on a very low income or benefits, and 188,000 customers who are in 'water poverty'. Water poverty means that the water bill is more than 5% of the disposable income of the customer after other housing costs have been taken into account.

Employment in Yorkshire is also below the national average, and in the 2021 census almost 7% of the population in Yorkshire classified themselves as either not speaking English at all or not very well.

All of these factors increase the importance of the affordability of our bills, as well as how understanding and inclusive we are in our interactions with customers. You can find out more about how we approach our customers, and the support we provide to our most vulnerable customers in our **Right for customers** section.

As well as the second highest proportion of combined sewers in the country, as noted earlier, we also have a very high number of properties with cellars at 262,000, compared to other companies in the sector. These two factors, along with high urban rainfall, means that Yorkshire is more susceptible to sewer flooding. We are working hard to significantly reduce the number of sewer flooding incidents each year and we have achieved considerable improvements in this area, but are still falling short against the targets set for us by Ofwat, which is something we are continuing to focus on. You can find out more about what we are doing to improve further in our **Right for customers** section.

Annual performance review

Each year Ofwat publishes an annual review of water company performance. Having been considered 'lagging' for the two previous years, we were pleased to have moved up to 'average' in the report published in October 2024. Whilst no companies in the sector were considered 'leading', clearly that is our goal and we are continuing to work hard to improve our performance.

More information on our operational performance in the year can be found later in this report.

Key performance indicators (KPIs)

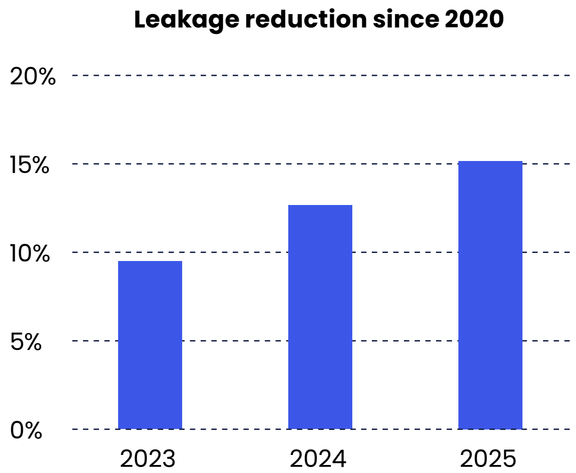
We use a number of financial and non-financial KPIs to monitor our business throughout the year. These include multiple operational measures which are reflected here in the Outcome Delivery Incentives KPI. More detail on these operational measures can be found later in this report.

Leakage reduction since 2020

2025: 15.1%
2024: 12.7%
2023: 9.5%

We have continued to reduce leakage year-on-year, and we are pleased to have achieved our 15% leakage reduction target from the 2020 baseline position despite an abnormally cold winter and multiple snow related freeze and thaw events.

In order to continue the work we are doing, we have various new projects and plans in place to help reduce leakage from the start of the new AMP. More information on leakage can be found in the **Right for customers** section of this report.



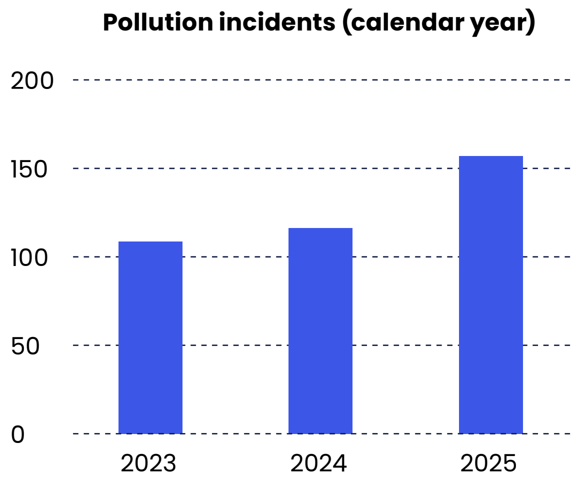
Contents

Pollution incidents (calendar year)

2025: 151
2024: 137
2023: 117

We are extremely disappointed to have seen an increase in pollution incidents again this year.

We know that we need to do better, both as a company and across the industry, and we are taking significant steps to improve our performance, including increasing training in this area, investing in new technology, investing in assets to improve resilience and increase storage, and recruiting a dedicated Pollutions team to focus on investigating and preventing incidents more quickly. More information on these steps can be found in the **Right for the environment** section of this report.



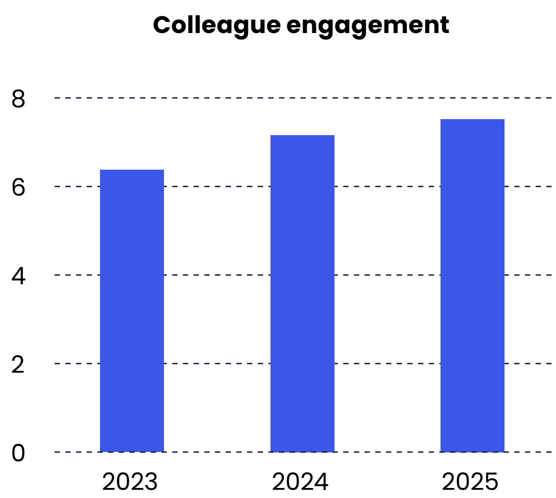
Colleague engagement

2025: 7.6
2024: 7.2
2023: 6.3

The Yorkshire Voice is our internal companywide colleague engagement survey and runs twice a year, in September and March. The scores above represent the year-end score in each year.

Covering multiple topics and themes, the survey anonymously captures colleagues' sentiment and how connected they feel to the business. It provides us with an overall score of colleague engagement and covers 14 engagement drivers which we feel are important for building a high performing and connected team.

We were delighted to see an increase in the engagement score for the third year in a row. Also, on average 76% of our colleagues participated in the survey, an increase of 9% from the prior year. The engagement score marks a move away from the bottom quartile when compared to other utility companies, but we still have more to do to progress to being a top quartile company, which is where we want to be.



After each survey we communicate the results to our colleagues through our various communication channels. We also draw up improvement plans based on the results and communicate these to colleagues, with updates as these are implemented. More information can be found in the **Our people** section of this report.

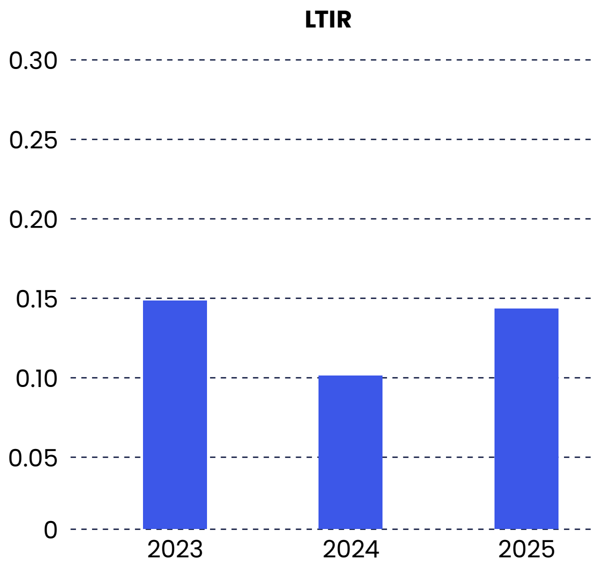
Contents

Lost Time Injury Rate (LTIR)

2025: 0.14
2024: 0.10
2023: 0.15

The LTIR is calculated as the number of hours lost as a result of an injury sustained at work, per 100,000 hours worked. Last year we achieved our best ever result of 0.10, and are disappointed not to have maintained this in 2025, although 0.14 represents our second best ever result.

Health, safety, and wellbeing is paramount in all that we do, and we monitor a number of health, safety, and wellbeing metrics every month and report these to the Board and Executive team. LTIR is also a metric used in the performance measures of our Executive Bonus Plan. Further detail on this can be found in the **Directors' remuneration report** and further detail on our health and safety measures can be found in the **Our people** section.

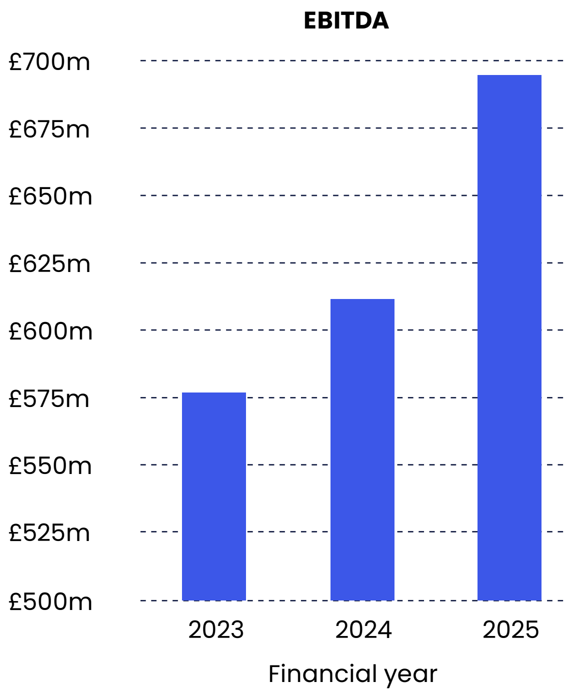


EBITDA

2025: £686.4m
2024: £611.9m
2023: £577.4m

EBITDA is earnings before, interest, tax, depreciation, and amortisation. This is the key profit indicator used by the company to track and assess financial performance. It does not represent the total profit made in the year but the amount of money we have available to fund interest, tax, depreciation and amortisation. This is reported monthly to the Board and the Executive team. EBITDA is also used as a performance measure in our Executive Bonus Plan. Further detail on this can be found in our **Directors' remuneration report**.

EBITDA has increased year on year. Revenue increased in the year, largely due to allowed inflation. Our operating costs have decreased in the year, with lower energy and contracted activity costs, offset by increased bad debt charges, employee costs, water quality permit charges and business rates. We continued to strengthen our cost controls across the business throughout the year which has mitigated some of the additional operational pressures resulting from severe weather.



A reconciliation to the statutory measure is included in our **Alternative finance performance measures** section.

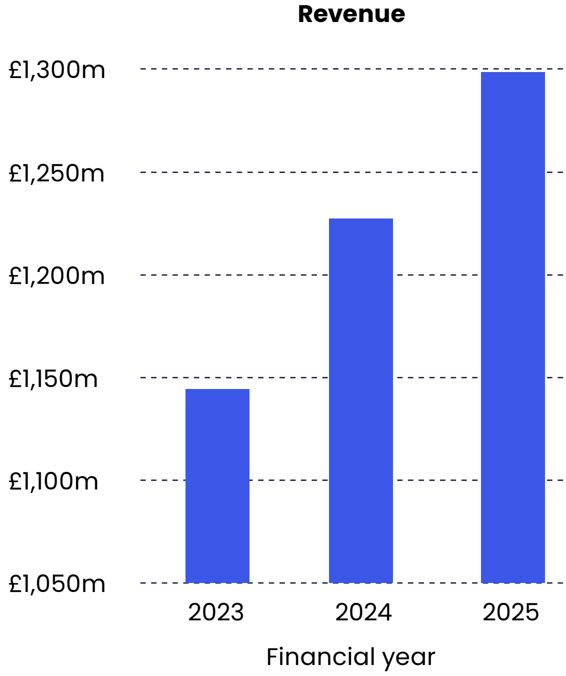
Contents

Revenue

2025: £1,299.4m
2024: £1,227.0m
2023: £1,144.7m

Revenue reflects a combination of our allowed regulated tariffs (including the impact of Outcome Delivery Incentive reward or penalty from two years prior) and other non-appointed income, offset by adjustments for amounts we do not expect to recover from customers.

In 2025, revenue allowances rose by around 5.9% due largely to allowed Consumer Prices Index increases including owner occupiers' Housing costs (CPIH) inflation of 4.2%.



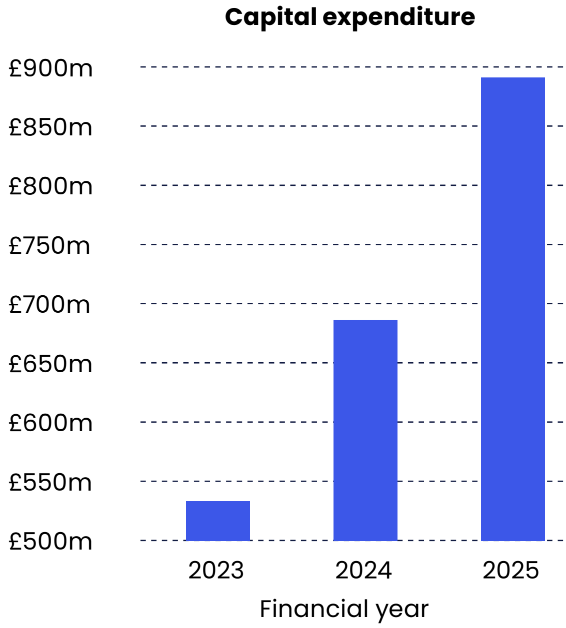
Capital expenditure

2025: £889.8m
2024: £684.6m
2023: £534.1m

Capital expenditure is a key measure showing our investment activity and is closely monitored by Ofwat. Here we use tangible asset additions (see **note 11** of the **Financial statements**) as a proxy for the regulated measure – this will differ slightly from the regulatory capital allowance figure we report in our Annual Performance Report which is available on our website at **yorkshirewater.com/about-us/reports/**

We continue to see large increases year on year in our capital expenditure. This is due to the phased delivery of the Water Industry National Environment Programme within AMP7 and delivery of other capital schemes with regulatory completion dates in this, the last year of the AMP, which are all part of delivering better environmental outcomes and a more resilient service for customers.

We anticipate that 2026 expenditure will increase further as we move into AMP8 with a further step change in investment in our infrastructure.



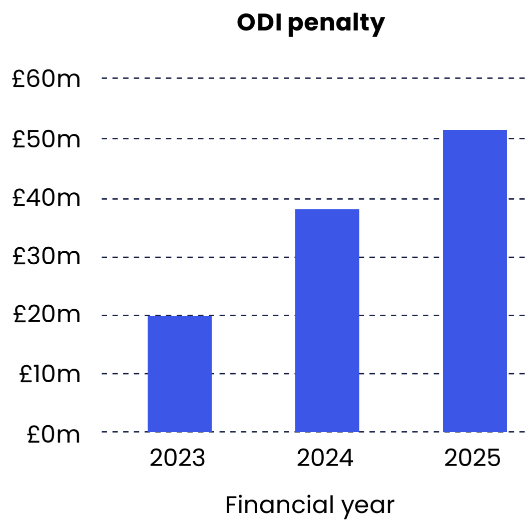
Outcome Delivery Incentives (ODIs)

2025: £51.9m ODI penalty
2024: £38.2m ODI penalty
2023: £19.8m ODI penalty

Some of our regulatory performance commitments have a financial penalty or reward attached to them by Ofwat. The targets are set by Ofwat at the start of each AMP and are designed to challenge us to improve the level of services we provide to our customers. Often the targets become more challenging as the AMP progresses.

We have seen another deterioration in the net penalty that we have incurred in the year, which is extremely disappointing. We have achieved 19 of the 44 performance commitments. Further information on our performance in relation to specific commitments, and the actions we are taking to improve, can be found later in this report.

We are expecting a positive adjustment against our 2025 ODI penalty of £2.3m taking the overall penalty to £49.6m. The adjustment is against the per capita consumption and bathing water performance commitments. More information can be found within our ODI report with is available on our website at **yorkshirewater.com/about-us/reports/**



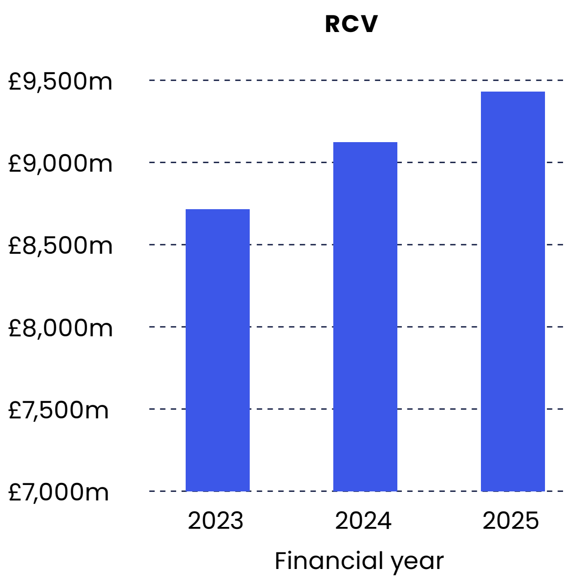
Regulatory Capital Value (RCV)

2025: £9,475.5m
2024: £9,132.2m
2023: £8,714.6m

RCV reflects the value of regulatory assets used to deliver services to our customers. Investors often use RCV as a guide to the value of the regulated business. The RCV has been developed for regulatory purposes and is used in setting allowed revenues and capital returns.

RCV has increased year on year due to the addition of the allowed capital investment, partially offset by allowed depreciation, together with inflationary growth of the opening balance. A further £177m has been added to RCV at 31 March 2025 reflecting the PR24 Final Determination adjustment for AMP7 performance reconciliations.

Further information on RCV can be found in our Annual Performance Report which is available on our website at **yorkshirewater.com/about-us/reports/**

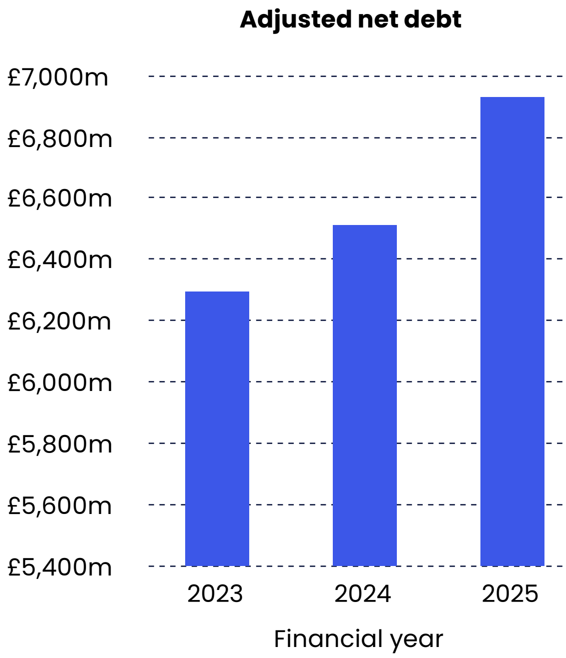


Adjusted net debt

2025: £6,873.9m
2024: £6,467.4m
2023: £6,303.9m

Adjusted net debt comprises cash and cash equivalents along with short and long-term borrowings with adjustments for balances excluded for the purpose of our financial covenant calculations. For these covenants net debt is presented for the Yorkshire Water Financing group (Yorkshire Water Services Ltd, Yorkshire Water Services Finance Ltd and Yorkshire Water Finance plc).

Adjusted net debt has increased year on year through funding of our capital expenditure programme and the impact of inflation on the inflation linked element of our debt portfolio. More information on adjusted net debt, including a reconciliation to the statutory measure, can be found in our **Alternative finance performance measures** section and **Chief Financial Officer's report.**

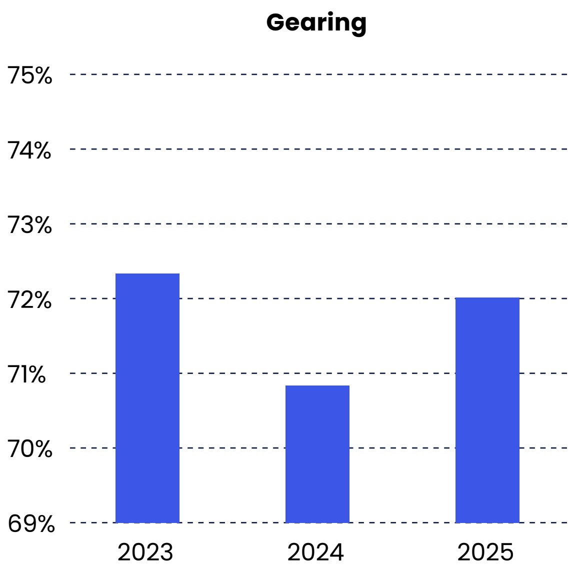


Gearing

2025: 72.5%
2024: 70.8%
2023: 72.3%

Senior net indebtedness for the Yorkshire Water Financing Group to RCV (Senior Regulatory Assets Ratio or gearing) is a key covenanted gearing ratio within our financing arrangements, and actual and forecast gearing levels are monitored on a regular basis. On a regulated basis, which accounts for swap liabilities differently to the covenanted gearing shown here, the gearing was 70.3%, which is within the 72% target in our Ofwat undertaking.

The year-on-year increase in gearing reflects a comparatively higher rate of growth in adjusted net debt compared to RCV as a result of different annual phasing between actual and allowed capital expenditure. The receipt of a £100m intercompany loan repayment from Kelda Eurobond Co Limited reduced the required level of new debt issuance. This followed the receipt of a £400m repayment in 2024. More information on gearing, including a reconciliation to the statutory measure, can be found in our **Alternative finance performance measures** section and our **Chief Financial Officer's report**.



Alternative finance performance measures (AFPMs)

Yorkshire Water uses a number of AFPMs to assist in presenting information in this report in a form that is easy to analyse and compare.

We use such measures consistently within our published interim financial statements and our annual reporting and reconcile them as appropriate. The Board believes the AFPMs provide a meaningful basis upon which to analyse financial performance and position.

These measures have been defined internally and may therefore not be comparable to similar AFPMs presented by other companies. The reconciliation of AFPMs has been included below, alongside a summary of why these metrics are important to the business.

EBITDA:

EBITDA is the primary measure used by management and the Board to assess the financial performance of Yorkshire Water as it provides a more comparable assessment of trading performance year-on-year. It is also a key metric used by investors to assess the performance of our operations.

EBITDA is calculated as follows:

	2025 £m	2024 £m
Profit before tax	**429.6**	99.1
(Deduct)/add back net interest (income)/charge (notes 6 & 7)	**(105.4)**	137.5
Operating profit	**324.2**	236.6
Add back depreciation and impairment of tangible assets (note 11)	**311.7**	331.9
Add back amortisation of intangible assets (note 10)	**50.5**	43.4
EBITDA	**686.4**	611.9

Adjusted profit after taxation:

Adjusted profit after taxation excludes fair value derivative movements. This excludes volatile balances and provides a more stable view of profitability to management and is therefore a valuable metric to the business.

Adjusted profit after taxation is calculated as follows:

	2025 £m	2024 £m
Profit before taxation	**429.6**	99.1
Deduct fair value movement on derivatives (note 7)	**(309.6)**	(71.6)
Adjusted profit before effects of taxation	**120.0**	27.5
Effects of taxation[1]	**(36.8)**	(13.8)
Adjusted profit after taxation	**83.2**	13.7

[1] Effects of taxation represents the total tax charge (current and deferred tax) on adjusted profit. This is calculated by adjusting the total tax charge included in the profit and loss account as shown in note 8 to the Financial statements for the deferred tax associated with the adjusting items noted above.

Adjusted net debt and gearing:

Adjusted net debt comprises cash and cash equivalents along with short and long-term borrowings with adjustments for balances excluded for the purpose of our financial covenant calculations. This calculation takes the adjusted net debt as a percentage of the published Regulatory Capital Value (RCV). Management use these measures to monitor debt funding levels and compliance with funding covenants. Adjusted net debt is a key metric used by debt rating agencies and the investor community as a key measure of liquidity and the ability to manage current obligations.

Adjusted net debt is calculated as follows:

	2025 £m	2024 £m
Net debt (note 16)	**5,764.0**	5,318.8
Net amounts owed from group companies (note 16)	**437.2**	537.2
Fair value movements in amounts owed to subsidiary companies (note 16)	**31.8**	31.6
Unamortised issue costs (note 16)	**127.0**	116.2
Intercompany loans (note 16)	**(7.6)**	(8.9)
RPI bullet accrued (note 17)	**522.3**	473.2
Adjusted net debt (Yorkshire Water)	**6,874.7**	6,468.1
Yorkshire Water Finance Plc cash	**(0.8)**	(0.7)
Adjusted net debt (Yorkshire Water Financing Group)	**6,873.9**	6,467.4

Gearing

	2025 £m	2024 £m
Adjusted net debt (Yorkshire Water Financing Group) (above)	**6,873.9**	6,467.4
RCV	**9,475.5**	9,132.2
Gearing	**72.5%**	70.8%

Further information can be found in our Chief Financial Officer's report.

Right for customers

We want our customers to find us easy to interact with, to know that we care about them, and to see the value that we bring.

Our people really care about our customers and we have introduced a number of changes in the year to try to improve the experience of our customers:

We have changed our internal structures – we have reorganised our wastewater response teams into geographical regions, and created new technical roles within our call centre, so that when a customer calls we can have a better understanding of the issue upfront and how we can resolve it.

We have upgraded our technology – we have improved some of our systems so that we have better real-time information to give to both colleagues and customers, which helps us manage our customer visits more effectively.

We have created new digital channels for customers – we have continued to develop our digital channels, which can help customers report issues and track their job status. Customers can also view their bill and make payments online, as well as notify us of changes such as house moves. Over 50% of customer interactions are now completed via our digital channels.

We have implemented a new service for bottled water deliveries – when things go wrong, we now have a new service model for getting bottled water to our vulnerable customers, which means they will all get water within five hours of an incident being identified.

We do not get it right all the time and our Executive team and senior leader group have spent time in the year looking at specific customer journeys that have not gone to plan, to understand how we can prevent this from happening again.

Our company behaviours have recently been updated and now reflect the attitude that we want all colleagues to display when they interact with customers, by ‘bringing your best’, ‘making it better’, and ‘seeing it through’.

How we listen to customers

We want to hear from our customers so that we can understand what matters to them and how they are feeling as a result of their interactions with Yorkshire Water.

We engage with our customers in multiple ways:

- Through our daily interactions; by monitoring calls and complaints, sending surveys to customers via text message, reviewing website interactions and our social media channels;
- Through our Your Water online community, which is a bespoke community that allows customers to provide quick and effective feedback, informing our strategic initiatives and future plans;
- Through tailored research to understand specific customer needs and preferences, to support immediate service improvements as well as long-term planning;
- Through the Your Yorkshire Water, Your Say platform, which is an independently run session which allows customers to ask questions and provide feedback on various topics; and
- Through the Yorkshire Forum for Water Customers, which is an independent group that challenges and guides us to ensure customer views are reflected in our business plans and performance commitments.

During the year we have also spoken to customers about what they want to hear from us, and how they would prefer to get this information. As a result of this, we developed a campaign plan to raise awareness of what we are investing in, what action we are taking to take care of our customers and how we are making improvements for Yorkshire and the environment.

We ran the '**Doing Right by Yorkshire**' campaign during an eight-week pilot across Leeds using multiple channels and messaging approaches. The campaign was successful, with customer trust, and perception scores increasing during the campaign. We are now looking to embed this campaign into our wider brand and communication strategy.

Our customer experience measures

Our customer experience is measured through an Ofwat metric called the Customer Measure of Experience (C-MeX). We also have a Developer Measure of Experience (D-MeX) which measures the experience of housing developers who interact with us. These measures are applied to all water companies so that the ratings can be compared across the sector.

This year our C-MeX rating was tenth out of 17 companies, including water only companies, across the sector.

Key measure:
C-MeX Ranking:
2024: 9^{th} against a target of 10^{th}
2025: 10^{th} against a target of 8^{th}

Our D-MeX rating was 16th, despite our scores improving on the prior year.

Key measure:
D-MeX Ranking:
2024: 15^{th} position against a target of 9^{th}
2025: 16^{th} Position against a target of 9^{th}

We are extremely disappointed to have missed our targets on both measures, and particularly to be so far away from our target on D-MeX. Our ambition is to move to being a top quartile company and we are putting a lot of work in to achieve this.

We have moved to a new delivery partner in March 2025, which should help us provide a better service to customers. We are also replacing more of our technology systems to enable our customer-facing colleagues to have better data when they are interacting with customers.

For developer services we have already implemented greater use of technology to make the customer experience easier and more effective. We have also spent time with our developer customers to gain insight into the areas in which we need to improve, which is now built into our delivery plan for the next AMP.

Handling complaints

In September 2024 we asked the Consumer Council for Water to complete an assessment of our complaints processes and customer experience. We were really pleased that they noted that our customer-focused culture shone through and were impressed by the quick resolution of complaints, the empowerment placed in our colleagues to get it right for customers and the best practice use of different communication channels. Their assessment also highlighted areas for opportunity and improvements, which we have now implemented.

Supporting our more vulnerable customers

We know that some of our customers need extra help and we have retained our ISO 22458 accreditation in the year for Inclusive Customer Service. The standard requires us to demonstrate that our systems, processes, and organisational commitment is right for all our customers, regardless of their needs.

bsi Inclusive Service Water Services Provision KITEMARK™

During the year we launched our 'By Your Side' strategy that seeks to ensure we deliver high standards of service and support to all customers. Through this strategy we offer customers a variety of additional support; including using ReciteMe and British Sign Language on our website, adding 'translation services' to our Priority Services Register to help customers who speak English as a second language, directing customers to support outside of Yorkshire Water, such as financial and mental health services, and offering free leak repairs for customers struggling to pay their bills.

During the year we have been focused on increasing the number of customers registered for our Priority Services Register. Being on the register gives customers access to services such as bills in alternative formats; bottled water in the event of a water outage; access to an interpreter to communicate with us; or a password for additional security should we need to visit their property.

In the last year, we have increased the number of customers on the register by over 30,000.

This is a regulatory target, and we are pleased to have exceeded our target for the year. This is the final year of this measure as a performance commitment, but this is an area on which we will continue to focus to make sure we are doing right for customers.

Key measure:
Percentage of customers on our PSR:

2024: 9.2% against a target of 9.1%

2025: 10.6% against a target of 10.0%

How we are cracking on

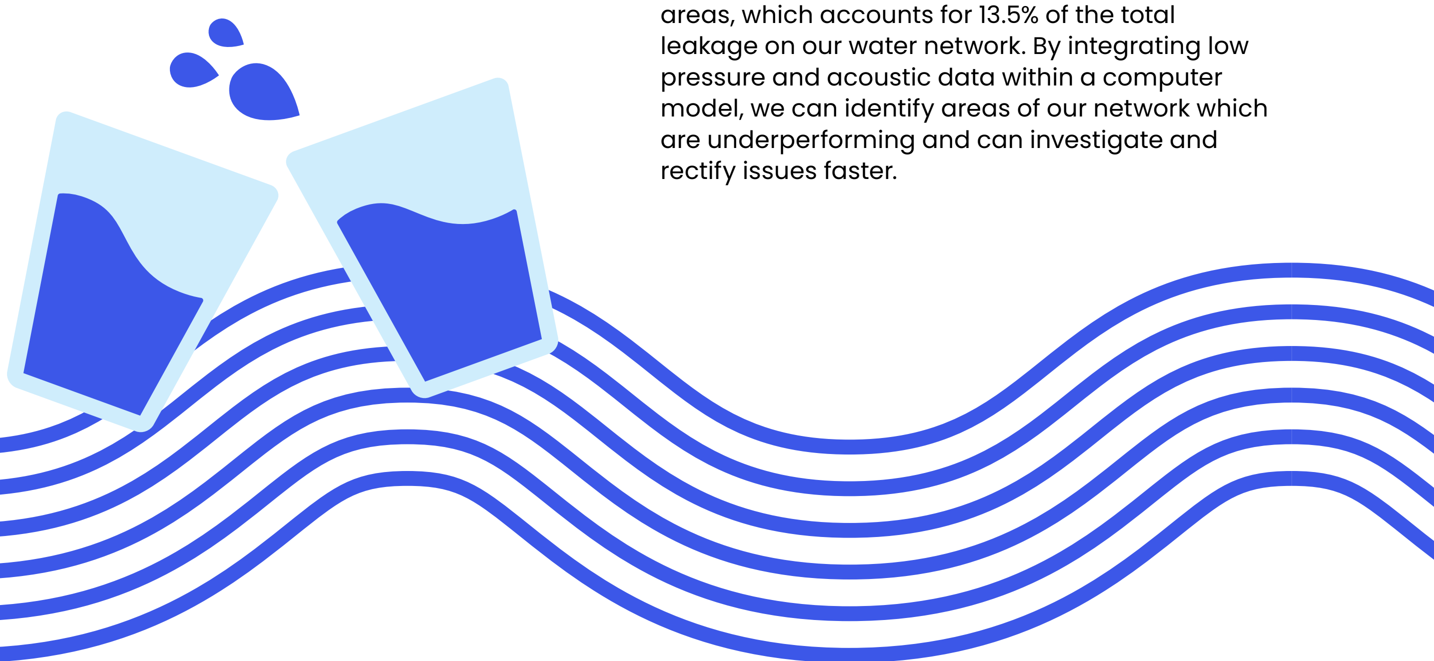
We are making a number of improvements to our customer systems, to make it easier for our customers to interact with us, and to improve the information available to our colleagues when they are responding to customers. By using artificial intelligence, and video and photograph upload technology, we will be able to get to the right outcome for customers more quickly.

Making sure water is always there

We collect, treat and distribute 1.3 billion litres of water every day. This is equivalent to around 500 Olympic-sized swimming pools.

We want to ensure that we have the resources available to continue to provide the water that Yorkshire requires, so we have a long-term plan in relation to this. The latest version of our Water Resources Management Plan was published in January 2025 and can be found on our website. This sets out how we will ensure that demand is carefully managed, while supply is increased to meet demand as the population grows. The Plan contains a number of initiatives which will be implemented over the next ten to 15 years.

This year demand was slightly higher than the previous year, and the summer of 2024 was dry, with June, July and August ranked as the third driest in the past 28 years. 2025 also saw the driest Spring in Yorkshire for 132 years. We ended the financial year with water stocks at 87.0%, which is the lowest year-end level since 1996. We are continuing to monitor this closely as the year progresses and are taking steps to try to ensure that there is enough water where it is needed around our region as we go through the summer.



Reducing leakage

Part of our work to ensure there is always enough water involves reducing leakage as far as possible. In 2020 we committed to reducing leakage by 15% by 31 March 2025 and we are delighted to have achieved this.

Key measure:

Percentage reduction of leakage from 2020 baseline:

2024: 12.7% against a target of >11.7%

2025: 15.1% against a target of 15%

2026: Target set at 18.4%

We have achieved this through our Leakage Reduction Plan, which combines several initiatives around a 'Prevent', 'Aware', 'Locate' and 'Mend' model.

This included deploying more acoustic loggers across our water network to help detect and locate leaks. These loggers enable us to pinpoint leakage more accurately.

During the year we replaced 3,000 acoustic loggers, bringing the total number of devices in operation to over 32,000 since the roll out began in 2018.

We have also created a Digital Twin Network, covering 120 of the most challenging network areas, which accounts for 13.5% of the total leakage on our water network. By integrating low pressure and acoustic data within a computer model, we can identify areas of our network which are underperforming and can investigate and rectify issues faster.

Using smart meters to reduce water loss

In January 2025 we transitioned to smart meters for new housing developments and customers replacing their meters. We now have smart meters at over 100,000 properties, where customers benefit from early leak detection and water loss prevention.

The smart meter programme is currently focusing on South Yorkshire in 2026, with expansion then planned into West Yorkshire.

Managing pressure on our network

We have also been able to reduce leakage by managing pressure fluctuations on our network, which helps to reduce strain on our pipes and reduces bursts. We do this through Smart Pressure Control Valves which help to stabilise the average network pressure. Over the past year, we have installed an additional 326 valves, taking the total number to 1,226 across the network, benefitting over 900,000 properties.

We also recently completed a city-wide resilience scheme in Hull, which controls the water flow and pressure to over 100,000 properties. We are now working with industry experts to expand this model to other cities across Yorkshire.

Interruptions to water supply

During the year we have seen a reduction in the number of customers experiencing water supply interruptions lasting over three hours, compared to the previous three years. The majority of long duration interruptions in the year were caused by power failures and third-party damage to our water network.

Key measure:
Water supply interruptions (Mins : secs):

2024: 10:35 against a target of <5:23

2025: 8:27 against a target of 5:00

2026: Target set at 5.00

We understand the importance of being able to quickly restore services to customers whenever a supply interruption occurs, and we have been focussing in the year on the delivery of several initiatives to bolster our response to service failure. For the first time we now have exclusive access to four dedicated emergency tankers, available around the region, 24 hours a day, 365 days a year to help minimise interruption to supply and make sure any customer impact is minimal. We are also focussing on the root cause of failure to reduce the frequency of interruption events through further optimisation of our network and reducing operating pressures and increasing resilience.

Water quality

Drinking water quality in the United Kingdom is amongst the best in the world, with the United Kingdom being one of only four nations across the globe with the maximum score for Sanitation and Drinking Water in the 2024 Environmental Performance Index produced by Yale University.

We want to maintain that high standard, and so have intensified the large-scale maintenance activities on our water network. These include flushing our water mains to remove the non-harmful iron and manganese deposits that naturally accumulate over time.

Despite these efforts and the high quality achieved, we saw a slight increase in the number of customers contacting us regarding their water quality. Such contacts mostly relate to milky water, taste and odour, but are not necessarily indicative of poor water quality.

Key measure:
Drinking water contacts per 10,000 properties:

2024: 8.9 against a target of <8.9

2025: 9.4 against a target of <8.1

New measure set as; drinking water contacts per 1,000 properties:

2026: Target set at 0.84

Whilst these increases in contact levels are disappointing, our long-term trend remains positive we have improved considerably from the opening position of 11.4 in April 2020.

To further improve performance, we are focusing on better communication to customers, alongside more investment in our network, which includes upgrading water pumping stations, installing further Smart Pressure Control Valves and replacing 238km of pipes over the next five years.

Compliance Risk Index

Another measure of water quality is our Compliance Risk Index score, which is a measure from the Drinking Water Inspectorate that tracks the quality of our water. We have continued to invest in our treatment and distribution assets to ensure high levels of water quality compliance, as well as seeking to improve the environment in our raw water catchments to improve the quality of the water that we treat.

Key measure:
CRI score:

2024: 9.27 against a target of 0.00

2025: 3.61 against a target of 0.00

2026: Target set at 0.00

We are delighted with the significant improvement from the prior year, which reflects the investments made in our assets and treatment processes.

How we are cracking on

Over the next five years, we will focus on improving our asset health and network resilience in a number of ways:

We have a huge water mains renewal programme that will see us delivering 225km of renewals in 2026, which is more than in the whole of the last five years. By 2030 we will have renewed 1,085km of water mains, which is further than travelling from Lands End to John O'Groats. Replacing water mains reduces leaks and bursts, and also reduces the risk of any taste or odour issues.

We will also be completing two new service reservoirs at Harton and Malton, both near York, which will provide more water to support new homes in the area. We also have plans to upgrade and refurbish water treatment works across the region over the next five years.

Keeping wastewater in our pipes

We collect approximately 1.9 billion litres of wastewater every day from homes and businesses across our region. Our job is to treat this, along with rainwater from roads, driveways, roofs and public spaces, and return it safely to the environment.

At times, mainly due to blockages, wastewater can escape from our sewer network and can cause sewer flooding incidents, either internal or external to a customer property. We know that this is an awful thing for customers to experience, and therefore we are prioritising improving our sewer flooding performance.

We have invested significantly in our wastewater operations over the last five years, and have moved to a geographically based internal structure to help improve our planning, scheduling and response processes. We are pleased to have seen a significant reduction in both internal and external sewer flooding events since 2020, at 52.8% and 20.4% respectively.

In the year we have beaten our target for external sewer floodings and achieved our best ever performance for internal sewer floodings, but we know there is more to do.

Key measure:
External sewer flooding incidents:

2024: 5,873 against a target of <6,053

2025: 5,684 against a target of <5,674

2026: Target set at 23.05 per 10,000 km of sewer

Key measure:
Internal sewer flooding incidents per 10,000 km of sewer:

2024: 2.78 against a target of <1.44

2025: 2.21 against a target of <1.34

2026: Target set at 1.54

We are disappointed not to have met our stretching target on internal sewer flooding. We know that 310 of the 530 incidents in the year were the result of blockages, and we have expanded our efforts to tackle this problem, including increasing our campaign to educate customers about what not to flush or pour down the sink.

The campaign has been targeted at 'hotspot' areas across the county and has seen an 18% reduction in soft blockages, a 22% reduction in internal sewer flooding, and a 13% reduction in external sewer flooding in those areas.

Case study: Customer Sewer Alarm Award

We have invested significantly in the last year in network monitoring and have deployed 40,000 customer sewer alarms, with the aim of reducing internal and external sewer flooding. These devices provide alerts when the pressure within the gully exceeds a threshold for a sustained period of time. The alerts trigger proactive interventions to clear blockages before they impact the customer. This project received the Smart Water Networks Award in the year and we are planning to extend the programme with the deployment of a further 160,000 devices over the next five years.

Case study: Micro POP Bio-Blocks

In October 2024, we teamed up with Cobra Hydra UK Limited to install 'Micro POP Bio-Blocks' within the sewer network in the first large-scale deployment in the UK. The dosing blocks are environmentally friendly and slowly dissolve in the sewer, releasing microbes and enzymes that help to break down fats, reducing the likelihood of blockages. The trial has been running for a year in central York, and we have seen fantastic results with a significant reduction in the number of incidents caused by fats where the blocks were installed.

Keeping our services affordable

We are very aware that many of our customers continue to be impacted by the cost of living crisis and a significant increase in household expenses.

We also know that over the next five years our customer bills will increase, with the largest increase being an average of £11 a month in 2026. We know is too much for some of our customers. As part of our business plan for the next AMP we have made sure that we have built in additional support for customers who will struggle to pay their bill. We will be helping 345,000 households across the next five years through our bill reduction schemes. That is 100,000 more households than in the last five years.

Our bill help includes:

- Tailored payment arrangements;
- Bill reduction schemes;
- Income maximisation referrals for low-income customers across our region;
- Debt support, including payment matching schemes and Community Trust hardship payments; and
- Signposting external help including well-being, financial and debt support.

Throughout the year under review, we have continued to target our bill help towards those customers who require additional help the most. Utilising robust data sources and partnerships across the region, we have ensured our help has reached those geographical areas and customer segments that are most under-represented.

We have two regulatory measures that focus on affordability. The 'Direct Support to Customers' performance commitment demonstrates the extent of the bill support we provide for customers with greatest financial vulnerability.

Key measure:
Number of customers provided with bill support:

2024: 124,396 against a target of ≥79,000

2025: 166,906 against a target of ≥83,000

2026: Target set at just over 200,000

We continue to significantly overperform this measure and have provided more than £45m worth of bill reductions this year for customers in the most vulnerable circumstances.

The largest volume of support continues to be provided through our social tariff, WaterSupport. This scheme reduces customer bills to a fixed amount, regardless of consumption. For the third year we have been able to further reduce this tariff through company funding, this year only increasing charges by inflation. This has protected customers with the lowest incomes from other bill increases.

What schemes do we have to provide financial support to our customers?

WaterSure	WaterSupport	Yorkshire Water Community Trust	Water Direct	Resolve
This is a bill cap scheme for customers who have a water meter, claim an income-based benefit, claim Universal Credit and need to use extra water because they have a medical condition or three or more children.	This is a bill cap scheme for customers who have a low household income below £20,000 or below £26,000 with dependents.	This is a debt support scheme, funded by Yorkshire Water, for customers who have arrears with Yorkshire Water between £50 and £1,500 and at least one priority debt.	This is a debt support scheme for customers who receive a deductible income-based benefit.	This is a debt support scheme for customers who are struggling to catch up on previous water bills.

Our second regulatory measure is in relation to 'voids', which is the number of properties in Yorkshire that do not receive a bill.

Key measure:
Percentage of voids:

2024: 3.66% against a target of ≤3.98%

2025: 3.77% against a target of ≤3.80%

By minimising the number of unbilled properties, we help to keep bills lower for all customers in future years. The weighted average voids performance for the full year has continued to exceed our target.

Our support for customers in vulnerable circumstances continues to benefit significantly from the additional £15m investment we reported in 2022, to help customers through to 2025. This year the investment enabled us to maintain the increased funding into the Yorkshire Water Community Trust; provided significantly more customer bill reductions via our social tariff; allowed us to fund an additional bill reduction for customers on the national tariff, WaterSure; and maintain all our initiatives from last year to reach the customers who are struggling the most.

Our ambition over the next five years is to further expand the help we provide for bill affordability. In our PR24 Business Plan, we have committed to providing:

- Financial support for over half a million customers over the five-year period;
- Water bill support for 345,000 customers; and
- Over £350m worth of financial support across our suite of help schemes.

Utilising customer insight and population data from across our region we have continued to expand how we support customers by working with others. For example, we have;

- expanded our broad spectrum of signposting practices for those customers needing help beyond their water bill. This includes such organisations as health, energy and debt support organisations;
- continued to support customers referred via 'Breathing Space' legislation by paying their water charges during the 60-day period;
- auto-enrolled customers on to bill reduction schemes where data can verify eligibility without customers needing to apply.

How we are cracking on

As part of our plans for the next five years we have transformed our social tariff to ensure it meets the needs of low-income customers across our region.

We have evolved the bill reductions we provide for customers through WaterSupport to be more tailored to meet customer circumstances. Rather than a single, capped tariff for all, as provided in the current AMP, from next year our social tariff will provide three levels of discount based upon customer household incomes. This will ensure those customers with the lowest incomes across our region can access a bill affordable to them.

As the tariff is funded by both the company and customer cross-subsidy, this approach also ensures that we can utilise the funding we have available for the tariff in the most effective way.

Right for the environment

Our environmental performance has not been where we want it to be, with a number of our measures worsening over the last year. We are taking this seriously and have been doing a lot of work to investigate the reasons for this and what we can do to put it right.

We are extremely disappointed that the number of pollutions in the year has risen, and we are doing all we can to ensure our performance improves across all of our measures.

Over the next five years we are delivering a huge investment programme which will improve our environmental performance. £1.5 billion will be invested in reducing monitored discharges from our storm overflows. We have set up a new Storm Overflow Alliance specifically to deliver this, which means we are working in alliance with other organisations to deliver innovative and cost-effective solutions.

Our environmental principles

During the year we have worked on a new set of principles through which we make environmental decisions. These include:

- Catchment thinking, which means thinking about entire catchment areas when making investment decisions. A catchment is the area of land that contributes to a specific water body, such as a river, lake or reservoir;
- Nature First, which is our commitment to using nature-based solutions as our preferred way to deliver services. There is more on this later in this report.;
- Partnership working, which means we will work collaboratively with our partners to achieve common objectives for the benefit of all; and
- Being data led, which means we will always base our decisions on data and evidence.

The principles also set out our aims to reduce our impact on the water environment, improve the resilience of our water resources, reduce our carbon emissions to net zero, and adapt to the challenges of climate change. More information on all of this can be found later in the report, as well as in the section on **Right for customers**.

We will be investing £165m to reduce our overflows into coastal waters, and we aim to get 16 out of our 21 bathing waters to a good or excellent status within the next five years.

Serious pollutions

We are extremely disappointed to have seen an increase in the number of serious pollution incidents in the year, from five to 13. A 'serious pollution' is one that is considered to have had a serious or significant impact on the environment. We know that any serious pollution is one too many, and we want to take every single possible step to ensure we are doing what is right for the environment.

In January 2025 our CEO, Nicola Shaw, personally led detailed investigations into each of the serious pollution incidents in the 2024 calendar year, to understand the root causes and review the investigations undertaken at the time of the incidents, to ensure the right actions had been taken to prevent these incidents from occurring again, either in the same location or in other parts of our sewer network. We found that some of our processes and procedures needed updating, and we need greater assurance that these are always being followed. We have made a number of changes as a result of these investigations, and are continuing to look for ways to improve as we embed a culture of 100% compliance, 100% of the time. We are making substantial investments, however, given the challenges we have uncovered, we expect 2026 to continue to be a difficult year for pollutions and serious pollutions.

Pollution performance

Key measure:
Pollution incidents per 10,000 km of sewer:

2024: 26.21 against a target of 22.40

2025: 28.89 against a target of 19.50

2026: Target set at 25.02

Reducing all pollutions is a priority for us but we have seen a decline in our overall pollution performance in the 2024 calendar year to 151 incidents, with 13 of these classified as serious. As noted above, we take this extremely seriously and are spending much of our time focusing on how to improve our performance, from our frontline colleagues all the way to our Board. We are fully aligned in our desire to achieve zero serious pollutions.

We have taken immediate steps, for example, refreshing our pollution training which is being rolled out across frontline wastewater operations in face-to-face interactive sessions. Our senior leader population has also undertaken e-learning on pollution at the start of the 2026 financial year, and now report back on pollution risk when they visit our sites.

Furthermore, we have also reviewed, revised and accelerated our investment strategy to reduce pollutions using new technology as well as investing to improve the resilience of those assets most at risk of failure.

During the year we have also recruited a dedicated Pollutions team, to improve our response times when the risk of an incident is detected, using the right equipment to investigate and prevent incidents, or reduce their impact. We are now looking to replicate this approach in other parts of our business.

Storm overflow discharges

We are pleased to report that we have seen a reduction in the use of storm overflows in the year, with a 20.6% reduction in the number of discharges. Normalising this performance to account for rainfall shows that a reduction of 10.2% has still been achieved.

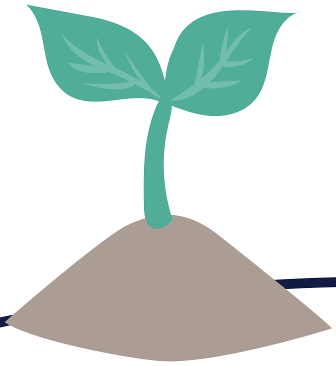
This improved performance is a direct result of our capital investment, including a dedicated £180m for storm overflows, alongside our River Health team of technical specialists focused on optimising asset potential to reduce storm discharges.

We have clear plans for the next five years to focus on high priority storm overflows, coastal overflows and high discharging sites to reduce environmental impacts and improve river water quality.

Building on our learning from AMP7, we will take every opportunity to maximise current asset potential, separate stormwater and slow the flow alongside managing stormwater with grey storage and blue-green nature-based solutions.

Case Study:
Increasing storage capacity

We are seeking to increase storage capacity in many parts of our wastewater network. One example of this is upstream of Howden Wastewater Treatment Works, where we have increased the storage capacity with the use of precast panels. This work has provided an additional 4,000m^3 of storage. This scheme will increase the resilience of our network, holding stormwater ready for treatment.



Wastewater treatment discharge permit compliance

Key measure:
Discharge permit compliance:

2024: 99.7% against a target of 100%

2025: 98.4% against a target of 100%

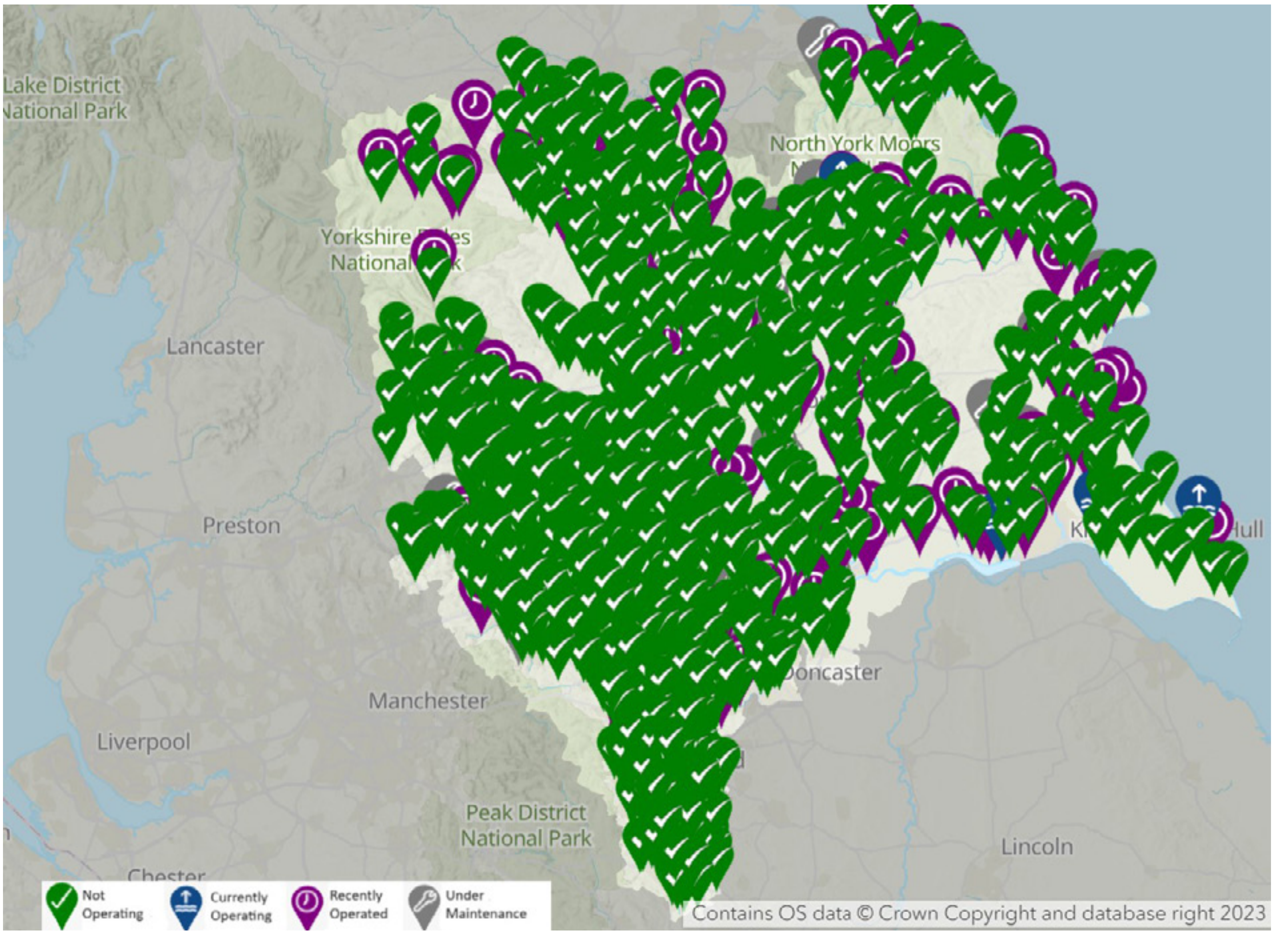
2026: Target set at 100%

We have always had a strong track record in this area, and are very disappointed that we have had five failing wastewater treatment works this year, compared to just one in the prior year. We have taken robust steps to understand the root causes and have taken immediate corrective actions to get us back on track.

The Ofwat wastewater network investigation

In March 2022 Ofwat started a sector-wide investigation into the management of wastewater treatment works and networks. This investigation is being carried out in groups and Yorkshire Water was part of the first group of companies to be investigated. Ofwat announced their findings for Yorkshire Water in March 2025, and found that we had failed to meet some of our obligations and there were improvements to be made. We worked closely with Ofwat throughout the investigation to provide the information they needed, and we also took steps at the same time to strengthen our internal processes, which Ofwat recognised in their conclusions. We know that there is more for us to do and we have agreed a number of undertakings with Ofwat which will ensure compliance in these areas in the future. The undertakings include an additional investment of £36.6m to bring forward work to improve the quality of rivers in Yorkshire over the next five years. We are obviously unhappy that our performance has not been as it should have been, and we are fully committed to improving the environment, which has been recognised by Ofwat, who praised our commitment to getting things “back on track as soon as possible” in their announcement.

Over the next five years we will deliver our biggest ever environmental programme and will be investing over £2m every day in 2026 to improve how our assets perform.



Providing real-time data to our communities

In April 2024, we introduced a map to our website which shows all of our storm overflows and when they are operating, using near real-time data.

The map continues to be used regularly by community members and was viewed over 5,500 times between 1 June 2024 and 30 April 2025. We are continuing to be as open and as transparent as possible about discharges across our region and the location and intensity of these discharges.

Our real-time data map can be viewed on our website at **yorkshirewater.com/environment/storm-overflows/live-map/**

How we are cracking on

Over the next five years we will deliver our biggest ever environmental programme and will be investing over £2m every day in 2026 to improve how our assets perform. This includes upgrades to our treatment works, and improvements to storm overflows and pumping stations.

Over the next five years we will be making our wastewater network smarter by installing 92,000 new monitoring devices. These will help us spot problems before they occur and to take action sooner to prevent our customers being impacted.

We are bringing in more resource, and external help, to improve our response times and to increase our maintenance activities, which will also help to prevent more incidents before they occur.

Keeping our rivers healthy

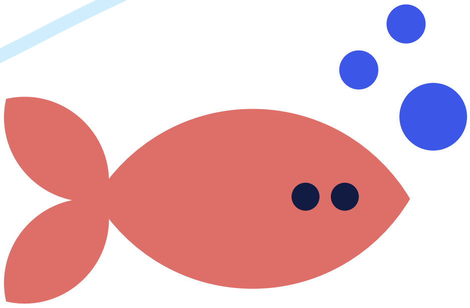
Our rivers are more than just sources of water; they are places for people to enjoy, for wildlife to thrive and they sit at the heart of our communities. We know that our rivers are under pressure from urban development, pollution, and climate change and we recognise that we have a key role to play in improving our river health.

We primarily impact upon rivers in three ways, these are:

- **Abstraction:** This involves the extraction of water from rivers to supply drinking water to our customers. We do this in the most sustainable way possible to minimise the impact to river flow levels and preventing harm to river ecosystems. We monitor these abstractions very closely to ensure compliance with our permits in this area.
- **Treated effluent:** This refers to the release of treated wastewater back into rivers. We operate 603 wastewater treatment works across the region which treat wastewater from homes and businesses and safely return it to the environment.
- **Storm overflows:** In Yorkshire, the majority of our network is combined which means that when it rains, a proportion of the rainfall makes its way into our sewers. Storm overflows provide a relief valve for the wastewater when our pipes reach capacity, which happens more regularly in periods of wet weather. This activity is something that is legally permitted by the Environment Agency and published on our live storm overflow map. Unfortunately, we cannot just remove storm overflows from our network as this could result in sewage flooding into homes and businesses, and escaping into public areas.

Occasionally, when things go wrong, we can have uncontrolled releases from our assets which can lead to pollution incidents. We work hard to minimise pollution events, and we are continuing to invest in this area to minimise any impacts to the environment.

Our River Health team is now well established, with over a year spent driving improvements to help us achieve our vision for ‘a thriving Yorkshire, right for customers and right for the environment’. The team is responsible for leading our enhancement of water quality across Yorkshire’s rivers and the broader water environment.



Our Thriving Rivers Plan

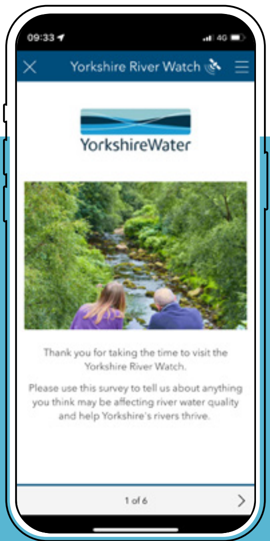
We are launching our Thriving Rivers Plan as we embark on our largest ever environmental improvement programme over the next five-years.

This plan represents a pivotal step in our commitment to improve the health of Yorkshire's rivers. It outlines a comprehensive strategy that combines innovative practices to improve our own operations, with community engagement, and collaboration with all stakeholders, to tackle the challenges facing our rivers.

Our plan will focus on four key areas:

1. Enhancing our rivers by reducing the impact of our operations. For example, we will be reducing phosphorus by 75% from a 2021 baseline and reducing discharges to deliver an average of less than 20 discharges per storm overflow by 2030;
2. We will work collaboratively with others to look after rivers and work with the Rivers Trust to deliver solutions that benefit everyone;
3. We will use robust data to create our plans, and share them openly and transparently; and
4. We will create places for people to enjoy and wildlife to thrive.

We will be publishing updates as to how we are getting on with the delivery against each of our commitments on an annual basis, working towards our ten-year vision of 'a thriving Yorkshire, right for customers and right for the environment'.



Yorkshire River Watch app

In December 2024, we launched our River Watch app which was developed with the Friends of Bradford's Becks and Aire Rivers Trust. The app allows our colleagues, volunteer partners and customers to report any issues about the health of our rivers, such as discolouration or odour.

Observations submitted into the app are fast-tracked through our call centre for assessment by our field teams, speeding up our response time to protect watercourses from any impact.

Case study:
Improving the health of the River Aire

Knostrop is our largest wastewater treatment site, serving one million customers in Leeds. As part of our latest Water Industry National Environment Programme we have invested £60m in a new treatment process at Knostrop, known as Enhanced Biological Phosphurus Removal (EBPR) to cut down the amount of phosphorus in treated wastewater.

EBPR uses micro-organisms to remove large amounts of phosphorus from the wastewater before it is returned to the environment.

It is a more sustainable, lower energy approach to wastewater treatment than conventional processes, helping us be more energy-efficient while also reducing our carbon emissions.

Reducing the amount of phosphorus in treated wastewater released from Knostrop will help improve local water quality in the River Aire. This project is a key part of our £500m investment in phosphorus reduction schemes across the region between 2020 and 2025, which is benefitting the health and quality of our rivers and waterways.

Our partnerships

Working in partnership with others in a joined-up approach is key to delivering our environmental goals and is a core pillar of our corporate strategy.

We are expanding our approach to partnership working across the region, and have recently embarked on a new partnership with The Rivers Trust and local member trusts, through which we will seek advice and expertise and work collaboratively to deliver solutions with a range of environmental benefits.

Similarly, through the Landscapes for Water programme in West Yorkshire, we are working with the National Trust and other partners to improve upland habitats and make our landscapes more resilient to climate change.

As part of our undertakings to Ofwat, which were signed in March 2025, we have also committed to contribute £3.4m to the Great Yorkshire Rivers initiatives to address the challenges posed by artificial barriers to fish passage. This is a partnership between Yorkshire Water, the Environment Agency and The Rivers Trust. This funding will be spent over the next five years and will reconnect at least 500km of rivers across Yorkshire.

The Water Industry National Environment Programme (WINEP)

The WINEP is a programme of work that water companies are required to undertake to fulfil their obligations arising from environmental legislation and UK Government policy. Each programme covers a five-year period, with the latest WINEP beginning in April 2025.

Our current WINEP includes requirements around managing and improving our land, protecting sources of clean water; managing the environmental impacts of our reservoirs and abstractions; and reducing the impacts of the wastewater we return to the environment.

This year we invested around £266m through our WINEP to improve the environment in Yorkshire and investigate the impact of our activities.

We completed over 300 WINEP obligations, including schemes to reduce the amount of phosphorus we discharge to the environment, installing fish passes to help fish migration in the Yorkshire region, conservation activities to tackle invasive non-native species, restoration of sensitive upland habitats, and installing new monitoring equipment at our treatment works and storm overflows.

AMP8 sees our largest ever environmental improvement plan to protect and improve the quality of water in our rivers and coasts. Over the next five-years, we will be investing to create cleaner, safer water environments that support recreation and biodiversity across Yorkshire and help our region thrive.

Nature First

We reported last year on our commitment to 'Nature First'. This is a commitment to pursue nature-based solutions as a preference over traditional infrastructure to deliver our services.

By using natural processes, or mimicking natural processes, to solve a problem or deliver a service, we can reduce our carbon footprint by allowing nature to provide some of our services for us, which means we are less likely to need new infrastructure. At Yorkshire Water we are transforming the way we work to unlock investment in nature-based assets such as sustainable drainage and treatment wetlands and we are working in partnership across Yorkshire to deliver catchment interventions.

Managing our land

With just under 70,000 acres of land, equivalent to around 44,000 football pitches, we are the second largest landowner in Yorkshire. With this ownership, comes great responsibility to the environment and to the communities in Yorkshire that use our land.

We work with our tenants and other partners to provide environmental benefits including:

- Peatland restoration
- Flood management
- Recreation
- Farming
- Wildlife habitat creation
- Biodiversity creation
- Carbon storage

Our performance commitment to conserve and enhance 15,239 hectares of land has been achieved in AMP7 and we have delivered this through a combination of environmental initiatives.

This includes land on Sites of Specific Scientific Interest, tenancies signed up to our Beyond Nature initiative, local wildlife sites and biodiversity enhancements, much of which we are delivering in partnership with others.

Our partnership with the National Trust, celebrated its first full year of work under the Landscapes for Water banner. The partnership will see us deliver moorland restoration works over some 5,500 hectares of land owned by the partners, which includes tree planting and the installation of natural flood management. So far 73,500 trees have been planted and 320 leaky dams installed across West Yorkshire.

This AMP has seen many interventions focussed on peat hag reprofiling and covering bare peat, and the installation of varying materials including stone, timber, peat, coir and heather in the grips and gullies to help retain more water on the moors by slowing the flow. There has also been substantial planting of dwarf shrubs and sphagnum helping to increase biodiversity and the resilience of these moorland landscapes.

Our Beyond Nature initiative

Most of our non-operational land is tenanted to farmers and throughout the AMP, we have continued with our Beyond Nature initiative with 10,791 hectares now managed under Beyond Nature agreements.

As part of this work, over 100 environmental surveys and 56 farm tenant consultations have been undertaken, and 98 funding advice meetings have helped tenants access grants and implement sustainable practices.

As we move into AMP8 we will be moving away from this being a standalone initiative, to the Beyond Nature principles being applied across all our tenancies, ensuring that we further develop our innovative and sustainable approach to landholding.

As part of the Beyond Nature programme we continue to work with RegenFarmCo, on a site called the Biohub at Ings Farm, which is being developed into a biological platform of social and ecological activity. The project is a regenerative agricultural initiative that is working to develop sustainable crops and ingredients.

Over time, the Biohub will create a continuous productive landscape to capture carbon, increase biodiversity, and produce food crops that are appropriate in our climate and environment.

How we are cracking on

To maximise value from our operational land estate, we review land use and opportunities on a case-by-case basis, taking into account sustainability and environmental benefits. Going forward, we are working on initiatives that include:

- Having biogas converted and supplied into the national gas grid;
- Photovoltaic solar energy for direct supply to our operational assets with several sites now being developed for this; and
- Using partnership working to manage dormant operational land, for example, Sustainable Urban Drainage assets providing for water storage and ecology improvements in predominantly urban areas.

Case study:

Woodland Creation – Cottingham

In February 2025, community volunteers helped start the planting of a new 25-hectare woodland, which will see 38,325 native trees planted in collaboration with the Woodland Trust. The native trees are being planted on land around the Yorkshire Water pumping station, which provides clean drinking water to Cottingham and surrounding areas.

This project is funded by Defra's Nature for Climate Fund under the Northern Forest 'Grow back Greener' grant scheme administered by the Woodland Trust. This project is particularly important as East Yorkshire has significantly less woodland than other areas in the UK.

To date Yorkshire Water has planted almost 300,000 trees across its land, with more woodland creation schemes planned for 2026.

Working with others to restore biodiversity

Over the past five years, through our biodiversity programme, we have invested over £2.5m in conservation projects, collaborating with over 40 partners to restore over 900 hectares of habitats like reed beds and floodplain meadows, as well as conserving and re-naturalising over 180km of rivers.

To help drive action, we have funded ten roles with environmental partners, helping drive interventions around species conservation, wetland restoration, invasive species management and river restoration.

Chalk stream restoration

During the last year, we have worked with the Yorkshire Wildlife Trust and the East Yorkshire Rivers Trust to deliver river restoration benefitting 11km of chalk streams.

During AMP8 we will continue to work with partner organisations, regulators and local landowners to support a flagship restoration project on the Hull headwaters as part of the national chalk stream restoration strategy.

Case study:
Freshwater pearl mussels

In the year, we have worked closely with the Esk and Coastal Streams Catchment Based Approach partnership to deliver a series of investigations and interventions to help deliver the Esk Freshwater Pearl Mussel strategy, protecting the last population in Yorkshire. We have worked with the Freshwater Biological Association to artificially rear thousands of juvenile mussels, funded monitoring studies and river habitat surveys, and funded officer time at the North York Moors National Park, to deliver habitat and water quality interventions in the catchment. Our evidence and stakeholder support has allowed us to drive forward AMP8 investment in the catchment which would otherwise have not occurred.

Understanding our habitats

In October 2024, we completed a multi-year field survey programme, identifying the types and condition of habitats across our estate. Over 24,000 hectares have been surveyed, helping us identify areas of high value to protect, and those of poor condition to improve. The surveys are helping us ensure we target the right investment in the right place and provide a baseline for the new AMP8 biodiversity performance commitment.

To ensure our investment is evidence based, we have also funded three Yorkshire-based PhD projects.

Bathing water

In Yorkshire, there are 18 coastal bathing waters and three inland bathing waters, two of which were newly designated in 2024.

In 2024 eight of these bathing waters were classified as 'excellent', four as 'good', three as 'sufficient' and five, including the three inland bathing waters at Ilkley, Knaresborough and Wetherby as 'poor'. The remaining site at Skipsea is unable to be classified due to the bathing water being closed as a result of coastal erosion removing safe beach access at the site.

The bacteria monitored to determine bathing water quality can come from a variety of sources, including cattle, seabirds, dogs, humans, storm overflows, industrial discharges, and harbour activities. Environmental factors can also influence how and where bacteria are transported, and how long they survive. These external influences can all create significant challenges when trying to make improvements to bathing water quality. We continue to work in partnership with local councils, the Environment Agency and other key stakeholders to investigate potential sources of pollution and co-create solutions.

In AMP8 we are continuing to develop and implement improvement actions from the outputs of the investigatory work, and have committed to reducing permitted discharges into bathing waters to two per season by 2030.

Our planned investment includes more than £100m to reduce storm overflows from our assets within five kilometres of the newly designated inland bathing waters at Knaresborough and Wetherby.

Bioresources

During the year we have treated 141,518 tonnes of sludge at our wastewater treatment works and converted this into 90,675 megawatt hours of electricity. This represents an all-time high for our electricity generation.

At the start of the year, we established an Energy Generation team tasked with achieving quicker responses to sludge processing outages, reviewing our terms with key suppliers and creating long term plans to improve reliability. We are seeing the benefits as we end the year achieving record levels of performance.

During the year we have drawn up and launched a Bioresources Strategy, for which a key enabler is a plan for our flagship Sludge Treatment Facility at Knostrop, to be integrated with a neighbouring Energy from Waste plant which will provide 100% green heat and electricity.

During the year we have been working in partnership with EcoClarity in Hull, and we are the first water company to open a fats, oils and grease reception facility, providing a convenient and efficient commercial option to dispose of fats, oils and grease, preventing it going down the sewer and causing production issues throughout the sludge treatment processes on our sites, and instead refining it into biodiesel.

How we are cracking on

Looking forward into AMP8, we see the start of a £391m investment into bioresources, which will enable us to install systems at three of our largest sites which will optimise our anaerobic digester performance and increase our electricity generation further, as well as rationalising our sludge processes at a number of other sites across the five years.

Over the next five years, we are expecting to reduce our reliance on purchased electricity from the grid by up to 20%.

Energy and carbon reporting

Our energy and net-zero strategies play a key role in ensuring our operational resilience and ability to adapt to climate change, transition to net-zero carbon and mitigate climate impacts. These aspects are addressed in more detail in our **Climate-related financial disclosures** section of this report. Our energy usage this year, reportable carbon emissions in tonnes of carbon dioxide equivalent (tCO_2e), and our management approach and forward improvement plans are outlined below.

Energy

Following on from Energy Savings Opportunity Scheme (ESOS) audits last year, our Energy Strategy Group chaired by our Chief Financial Officer has overseen the prioritisation of identified opportunities and these have been set out in an ESOS action plan that has been submitted as required to Defra. The action plan includes a programme of work to deliver an annual efficiency of 25GWh by the end of 2027 and focuses on the improvement of our existing assets. We will also place additional focus on the energy efficiency of new assets (required to meet growth and tighter compliance), wherever these would result in significant new energy use.

We also have progressed plans to increase our energy generation using renewable forms of energy (biomethane, solar and wind), procurement via private wire agreement of renewable supply and long-term power purchase agreements for grid connected renewables.

The first of our solar projects came online towards the end of this year, and we have implemented further fuel switching and optimisation programmes to improve efficiency and self-generation.

We will also be investing in uninterruptable power supply and power circuit recovery systems. Alongside our energy efficiency and increased generation, this investment will increase our operational resilience for our operations and our customers.

The energy data in the table on the right is reported in line with the UK Government's Streamlined Energy and Carbon Reporting (SECR) requirement for qualifying large organisations to report their energy and use in kWh and energy intensity. Our overall energy use this year is broadly similar to the preceding year, however we have reduced our use of grid purchased electricity and increased our self-generation. Our energy intensity for water treatment is similar to last year while our intensity for wastewater treatment is higher than the preceding year as new treatment has come online as part of our Water Industry National Environment Programme and additional sludge has been transported and treated. Our energy data has been independently assured by Atkins as part of our annual performance reporting.

Carbon

Carbon management has been overseen at a strategic level by our Net-Zero Carbon Committee and Public Value Committee, with the support of task group hubs focused on tactical operational carbon emission reduction and decarbonisation in our large capital programme, including the delivery of our regulatory performance commitments.

Our carbon emissions for the purposes of our annual SECR reporting include both location and market-based emissions in tCO_2e and carbon intensity per megalitre of water supplied and per megalitre of wastewater treated. As outlined last year, our strategic decision to not purchase green energy has resulted in higher market-based emissions.

Emissions are all UK onshore and have been independently verified (this year by BSI) against the ISO 14064-1 greenhouse gas emission verification standard, and our annual performance reporting has also been independently assured by Atkins.

Transitioning to net-zero carbon emissions is a core part of our corporate strategy, AMP8 business plan and long-term delivery strategy. Our plans have been reviewed in detail by our regulator over the last year and Ofwat's Final Determination of our PR24 submission has confirmed allowances for investments required to deliver our wastewater process emission reduction, including nitrous oxide emissions from our activated sludge processes and methane emissions post our digestion processes. We have also been allowed funding for installation of heat pumps and for charging infrastructure to support our transition to electric vehicles.

In addition to elements outlined in the preceding section on energy, which reduces Scope 2 emissions, our AMP8 Final Determination allows for expansion of our electric vehicle fleet from 18% up to 60% by 2030, with our supporting network of charging infrastructure on our operational sites, which will be supplemented with home charging and partnership use agreements.

Pilot schemes to validate the carbon we can sequester through peatland restoration and woodland planting have progressed and we now better understand how we can use these approaches to develop carbon credits (as insets) to reduce our annual emissions, and use these in preference to third party carbon offsets. We have not purchased offsets during this period and will only look to do this in the future when we have taken action to reduce emissions, and offsetting becomes a final step to net off the residual emissions.

Our Scope 1 process emissions have grown this year as we expected. We implemented a compliance programme in particular related to phosphorous removal from wastewater final effluent which requires additional treatment including chemical dosing, which in turn leads to increased wastewater sludge for further processing, and an overall increased demand for process heat and power. As highlighted above, we will be addressing these emissions through our AMP8 investment allowance.

The data presented in the tables below for energy and carbon has been assured as part of our annual performance reporting process, and the GHG emission data has also been independently verified against the ISO 14064-1 standard. For a detailed breakdown of emissions and energy use, please see the Operational Carbon section of the Annual Performance Report which is available on our website at **yorkshirewater.com/about-us/reports**

Energy performance

Fuel use, GWh		**2025**	**2024**
Grid electricity		489	508
Renewable electricity* generated and consumed		91	84
Diesel		64	65
Gas Oil		12	20
Kerosene**		-	-
Natural gas		22	9
Petrol		3	3
Hybrid vehicles***		1	-
Total		**682**	**689**
Intensity ratios[1]	kWh per megalitre of water supplied	619	629
	kWh per megalitre of wastewater treated	575	497

* We are not currently able to report the amount of renewable heat that we generate and consume so we have adjusted the prior year to remove an estimated figure to enable year-on-year comparison.

** Only trace amounts of kerosene are used. *** Hybrid vehicle energy use was de minima in prior years.

[1] Intensity ratio water/wastewater splits are based on best estimates from available information.

For our regulatory performance commitment for the current AMP, we use fixed emission factors and methodologies to show the reduction against our baseline (2020, being the last year of the previous AMP) attributable to performance gains, rather than emission factor changes (for example, grid electricity decarbonisation) or changes in reporting methodology or boundaries. Further details of our performance commitment can be found in our Annual Performance Report, at yorkshirewater.com/about-us/reports/

We report using the water industry standard tool, the Carbon Accounting Workbook, to calculate our emissions, and obtain external verification of our input data to the workbook, aligned with the ISO 14064-1 greenhouse gas reporting standard. Our reporting approach uses 'location-based' and 'market-based' methodologies. Under a location-based approach, we use standard emission factors published by the Government or other bodies. Under a market-based approach, we use supplier-specific emissions values which reflect our procurement decisions.

Scope 1 emissions are those we directly release to the atmosphere, for example, from burning fossil fuels on our sites, driving fossil fuel powered company vehicles, and releasing greenhouse gases (methane and nitrous oxide) during our treatment processes. This does not currently include emissions from our land, and excludes biogenic CO_2 emissions.

Scope 2 emissions are those indirectly released to the atmosphere associated with our purchased electricity, used primarily to pump and treat water and wastewater. We use the grid average mix for location-based reporting and the residual mix emission factors for our market-based reporting. This results in higher market-based emissions.

Scope 3 emissions are other indirect emissions. We include business travel on public transport and in private vehicles, activities from outsourced operators and emissions from transmission and distribution losses related to the grid electricity we purchase. It is expected that our wider Scope 3 emissions will be incorporated into our reporting over time, and we include additional Scope 3 reporting in our regulatory annual performance reporting.

Our greenhouse gas emissions for the 2025 financial year are detailed below.

Greenhouse gas (GHG) emission performance

We use the latest version of the UKWIR Carbon Accounting Workbook, this year, version 19 which uses 2024 emission factors to calculate these emissions, whereas the environment measure reported in the Annual report on remuneration is calculated using version 16 of the Carbon Accounting Workbook to provide a consistent measure for reporting our current AMP performance (using 2019 emission factors consistent with our AMP7 baseline year).

Measure	Units	2025		2024	
		Market-based	Location-based	Market-based	Location-based
Scope 1	kt CO_2e	88	88	85	85
Scope 2	kt CO_2e	190	102	178	108
Scope 3	kt CO_2e	17	17	18	18
Total GHG emissions	kt CO_2e	**295**	**207**	**281**	**211**
Intensity ratios	kg CO_2e per megalitre of water supplied	242	141	222	144
	kg CO_2e per megalitre of wastewater treated	261	200	224	179

Climate-related financial disclosures (CFD)

Climate change has the potential to impact almost every aspect of our business. That is why it is essential that we assess and manage our climate-related risks, opportunities, dependencies, and impacts.

Climate change is happening – we are already seeing its impact on our natural environment, which in turn affects our customers, the communities we serve, and the way we operate our business.

We are committed to addressing and adapting to the challenges that climate change creates now, and is likely to create in the future.

This section contains information on how our climate-related risks, opportunities and interdependencies are identified and managed, their impacts on our strategy, and the performance metrics and targets we use to monitor and address them. These disclosures align with the climate-related financial disclosures required in section 414CB (2A) of the Companies Act 2006.

Governance

The Board has ultimate responsibility for climate-related matters, including climate-related risks and opportunities. These are considered throughout the year in the following ways:

The principal risks (which include climate change and carbon transition related risks) for the business are reviewed by the Executive team and Board at least annually. This includes consideration of the risk appetite statements, the corporate risks that feed into the principal risks, and the suite of key risk indicators which are monitored by the business.

During the year, the Board has spent significant time considering the PR24 Final Determination from Ofwat, which has included much discussion around physical and transitional climate-related risks. The PR24 Business Plan included the Water Resources Management Plan, the Drainage and Wastewater Management Plan, and the Long-Term Delivery Strategy, all of which have climate-related considerations front and centre.

The Board set-up a PR24 Committee in 2023, specifically to consider the PR24 Business Plan in more detail and there were two meetings of the Committee held during the year, before discussions moved to being held entirely at the Board. These discussions included scrutiny of the climate-related risks, opportunities, assumptions, and plans contained in the PR24 Business Plan submission.

The next diagram shows the flow of information on climate-related matters to and from the Board and its Committees, this includes:

- **Net-Zero Carbon Committee**: Set up in 2022, this has continued to meet several times each year. This is chaired by our CEO, Nicola Shaw, and is responsible for overseeing the plan for delivery of net-zero carbon, providing leadership over operational and capital decarbonisation, and overseeing the net-zero strategy.
- **Energy Steering Group:** Chaired by our CFO, and which has responsibility for energy procurement, expansion of renewable energy self-generation, and energy efficiency.
- **Resilience Steering Group:** Considers risks to business resilience, including climate-related risks.

Details of the other Committees can be found in their committee reports within our Governance report.

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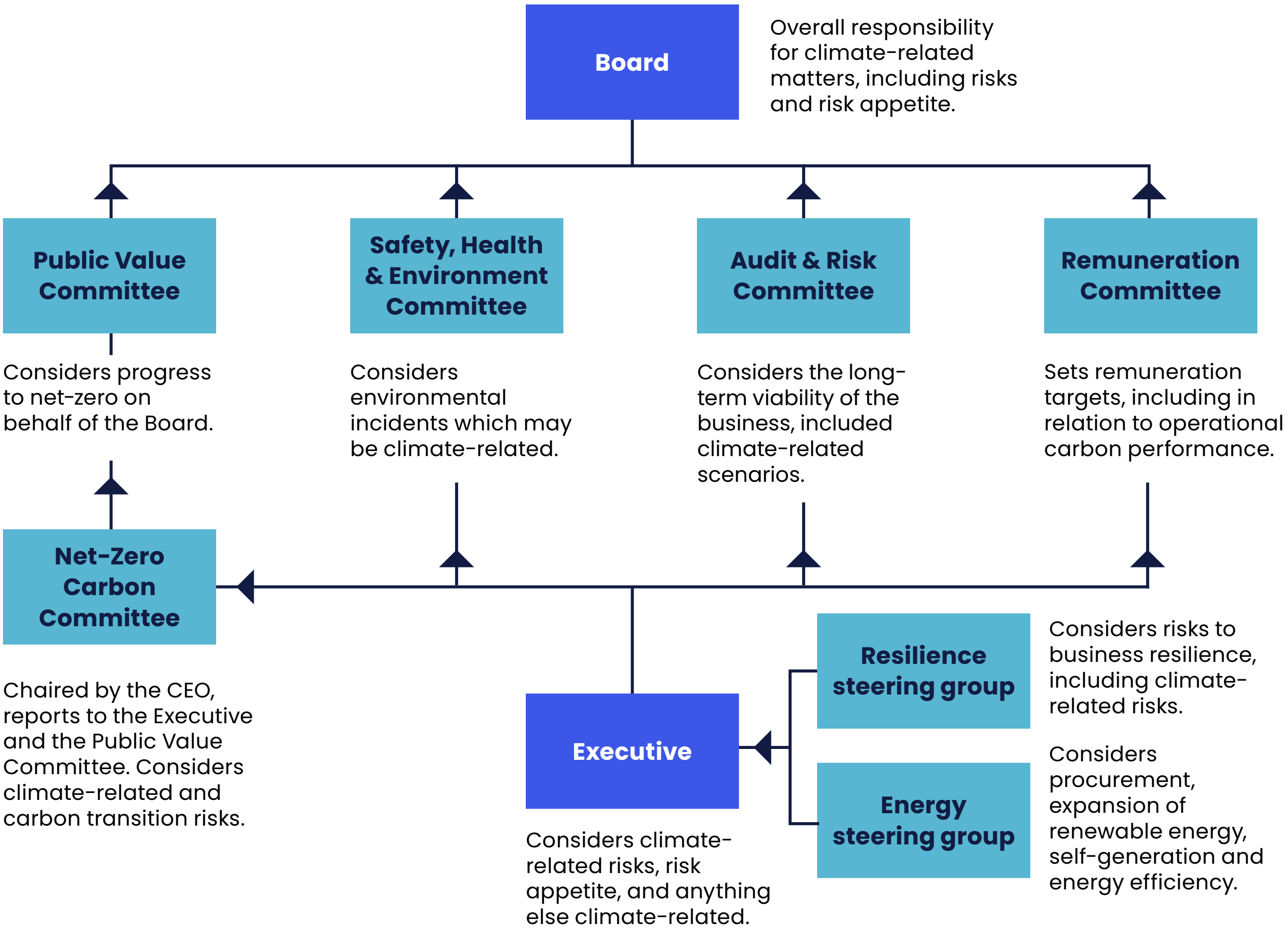


The overarching principal risk of 'climate change and carbon transition' is owned at executive level by our Director of Strategy and Regulation. Our net-zero carbon emissions goal is owned by the CEO, Nicola Shaw, as Chair of the Net-Zero Carbon Committee.

In the event of a risk materialising and a climate-related incident taking place, we have a comprehensive incident and crisis management process in operation, which is categorised by bronze, silver, and gold.

- Gold level incidents are led by senior leaders, with meetings chaired by the CEO or another senior executive, with regular updates on these incidents and the post incident lessons learnt provided to the Board for information.
- Silver and bronze are chaired by senior leaders or appropriate managers, respectively.

Climate-related risk and opportunity management

The Board maintain oversight of risk management across all principal risks, which includes risks to achieving net-zero, net-zero transition and our ability to adapt to climate change. Climate-related risks and drivers are embedded and integrated as part of our corporate approach to **Managing risks and uncertainties**, as set out in this report.

Risk identification takes a bottom up and top-down approach. It is embedded in all our operational systems, with subject matter experts conducting horizon scans to identify emerging risks.

All risk is evaluated based on likelihood and impact assessment, using a corporate risk assessment matrix, to ensure consistency in how risks are measured.

Our leadership team also identifies cost avoidance opportunities, which are identified and assessed using the same model as described above for risks.

We also have strong systems of internal control in place to mitigate risk to an acceptable level. Risk owners monitor early warning signs and implement focused mitigation where key risk indicators highlight the need for action to adjust or adapt.

Climate-related risks are assessed and managed as part of the water industry's strategic planning framework every five years, in line with the methodologies developed in collaboration with our regulators and the wider water sector.

Furthermore, other climate-related risks are also assessed as part of our regulatory frameworks, planning policy, or via our own internal processes.

Our climate-related risks and opportunities have been developed with a focus on Yorkshire Water's activities, so at the subsidiary level, rather than those of the wider Kelda group. This ensures our disclosures are focused on the part of the Kelda group most likely to be affected by climate, which also represents the largest proportion of the group's operations by some margin. More information on the structure of the group can be found in the **Chief Financial Officer's report**.

More detail on our risk and assurance activities can be found in the **Managing risks and uncertainties** section.

Our approach is fed by horizon scanning, which at a strategic level, involves research and annual insight into the medium to long term trends. External climate-risk intelligence provides macro level horizon scans as a key feed into our risk process, with integrated reports providing clear action plans.

At a tactical level, the company Resilience Steering Group is responsible for reviewing the short-term risk landscape once a quarter, ensuring that appropriate preparedness, response, or monitoring capabilities are in place should climate risks realise.

Climate-related risks are integrated into our risk hierarchy, starting at the principal level, which includes physical and net-zero transitional risks.

Climate-related risks are assessed primarily through a regional lens, given the location of our operations, whilst considering national and international insights. This is undertaken on a risk-specific basis to understand the impact periods that fall into line with our business plans and forecasts, helping us assess appropriate risk treatments, as shown in the table below. Time periods for assessing risks are aligned with our ongoing business activities, covering management plans for up to two years ahead (short-term), our five-year regulatory planning cycle (medium-term), and our strategic plans up to 2050 and beyond (long-term).

	Short-term	**Medium-term**	**Long-term**
Time period	0-2 years	Up to 2030	Up to 2050 and beyond
Management approach	Implementation of tactical response plans	Investment through regulatory AMP cycle	Strategic planning activities
Key plans	• Drought plan • Pollution Incident Reduction Plan • Vulnerable asset plans	• Five-year regulatory Business Plan • Capital delivery programmes • Repair and maintenance programmes	• Water Resources Management Plan • Drainage and Wastewater Management Plan • Long-term Delivery Strategy

Each principal risk, including climate and carbon related risks, are accompanied by a risk appetite position and statement and a suite of key risk indicators. Leadership teams monitor these, allowing them to take timely action to treat the risk and develop action plans which are overseen by the Executive team and the Board.

Second line risk assurance and advice are provided to risk owners working with our sustainability subject matter experts. The corporate overview of appetite is used as the initial basis to set materiality and aid prioritisation for decision making.

The risks below have been assessed using the corporate risk matrix, by likelihood and consequence to determine a risk category. The short-term and medium-term target timeframes also consider existing controls and planned interventions, whereas the medium-term and long-term timeframes assess risk without raking further action beyond the short-term. How the five risk categories are defined, is outlined in the **Our Risk Management framework** section of this report.

As we annually assess our risks, some risk scores will have evolved since our 2024 CFD report, reflecting planned investment within the PR24 Final Determination.

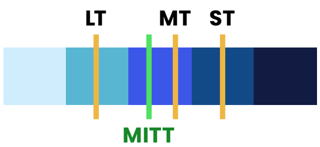
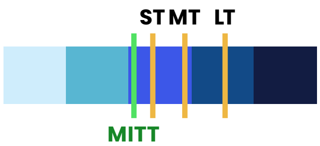
Climate-related risks and opportunities

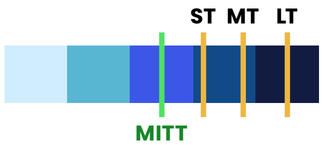
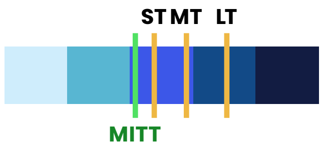
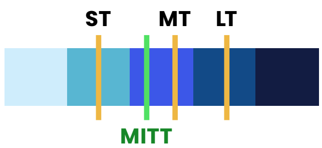
Key: Very low | Low | Medium | High | Very high

ST = Short term (<2027). Our current risk position.
MT = Medium-term (<2030). Our forecasted medium-term risk position if we do not take further action.
LT = Long-term (<2050). Our forecasted long-term risk position if we do not take further action.
MTT = Medium-term target (<2030). Our medium-term risk position that will be delivered by our investment plans.

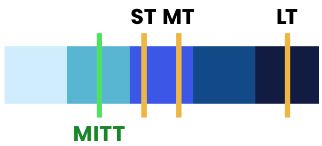
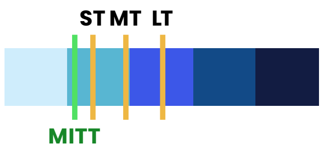
Where multiple timeframes (i.e. ST, MT) are found within the same risk score category (i.e. medium), they should be seen as scoring the same, regardless of the order with which they are displayed on the diagram - there is no subdivision within the risk score categories.

Physical climate risks – acute and chronic

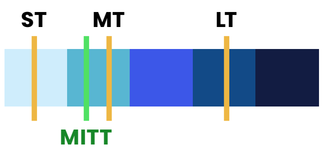
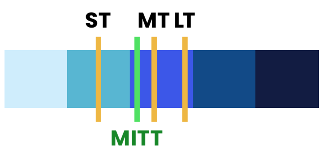
Hazard	Trend	Impacts & mitigations	Risk score	Impact on strategy
Physical - Acute				
Extreme temperature events -cold snaps (inc. snow/ice)	Reduction in frequency, duration, intensity, and severity.	**Impacts:** Burst pipes and increased customer contacts, service disruption and pressure on emergency response. **Mitigations:** Asset management programme, emergency response plans.		Customer, asset performance
Extreme temperature events – heatwaves and hot spells.	Increase in frequency, intensity, and severity.	**Impacts:** Increase in short-term water demand leading to temporary outages. Reservoir misuse by members of the public, creating public health and safety related incidents. **Mitigations:** Drought plan, public education, site rangers, 24/7 Service Delivery Centre monitoring and response.		Customer

Hazard	Trend	Impacts & mitigations	Risk score	Impact on strategy
Extreme rainfall events – flood/ downpours/ flash floods.	Increase in frequency, intensity, and severity	**Impacts:** Flooding of above ground assets, wastewater network inundation, poor quality biosolids and saturated agricultural soils, resulting in service disruption, asset write-offs, pressure on emergency response, sewer flooding, pollution events and restrictions on ability to recycle biosolids to land. **Mitigations:** Flood risk screening for all new capital schemes, physical flood defences, vulnerable asset plans, Drainage and Wastewater Management Plan.		Customer, environment; asset performance
Extreme wind/storm events – coastal storm surge.	Increase in frequency, intensity, and severity	**Impacts:** Damage to physical infrastructure and inundation of coastal assets, resulting in service disruption and pressure on emergency response. **Mitigations:** Physical flood defences, relocation of assets.		Customer; asset performance
Physical - chronic				
Wetter winters	Increase in average rainfall	**Impacts:** Increased soil erosion and runoff of pollutants from uplands, fields, roads, and high ground water levels, resulting in raw water quality deterioration due to contamination of water sources and groundwater infiltration of the sewer network. **Mitigations:** Catchment land management, dynamic source selection, treatment work investment.		Environment

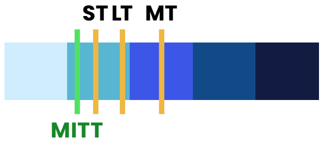
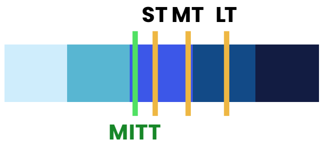
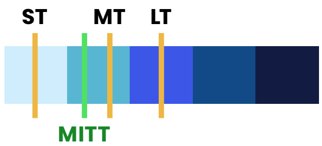
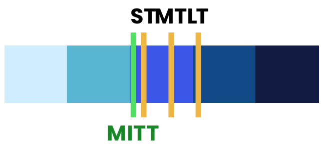
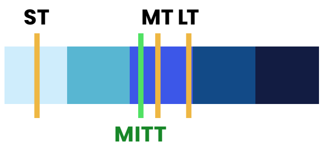
Key: Very low | Low | Medium | High | Very high

Hazard	Trend	Impacts & mitigations	Risk score	Impact on strategy
Drier summers	Decrease in average rainfall	**Impacts:** Pressure on water resources, wildfires and potential degradation of raw water catchments, surface runoff from parched soils, algae growth and cyanobacterial blooms in reservoirs, network blockages, the introduction and spread of invasive non-native species, resulting in temporary use bans, raw water quality deterioration, taste and odour issues, sewer flooding, pollution events, damage to assets and the environment. **Mitigations:** Water Resources Management Plan, catchment land management, dynamic source selection, biosecurity programmes, infrastructure repair and maintenance programmes, smart meters.		Environment; customer; asset performance
Sea level rise	Increase in local sea level rise.	**Impacts:** Coastal erosion, flooding and restricted outfalls, resulting in damage to assets and service disruption. **Mitigations:** Physical flood defences, relocation of assets, community resilience programmes.		Environment; customer; asset performance

Transitional climate risks – technology, policy, legal and reputational

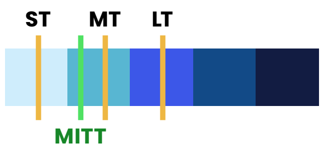
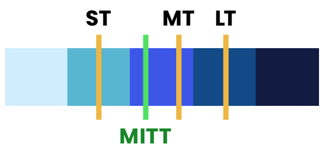
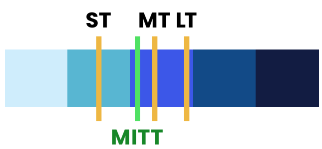
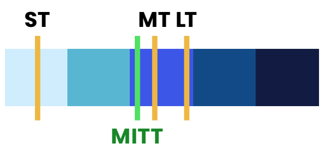
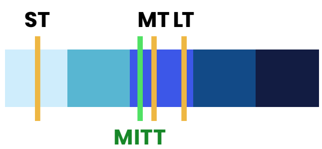
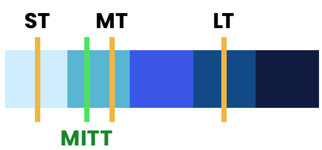
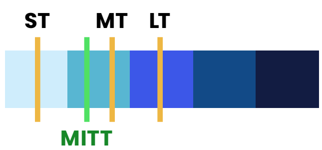
Risks	Impacts & mitigations	Risk score	Impact on strategy
Transition – technology			
Emergence of new technologies with high water demands (e.g. green hydrogen production).	**Impacts:** Increased demand for water resources, resulting in supply interruptions and temporary use bans. **Mitigations**: Customer engagement and incentivisation.		Sustainable business
Lack of supply chain capacity or readiness to decarbonise at the pace required for climate transition.	**Impacts:** Continued reliance on a carbon intensive supply chain, resulting in increased capital and operating costs and reputational impact. **Mitigations:** Long-term strategic planning, asset management programmes, engagement with policy makers and regulators.		Environment, sustainable business

Key: Very low | Low | Medium | High | Very high

Risks	Impacts & mitigations	Risk score	Impact on strategy
Temporary power outages linked to decarbonisation of electricity grid.	**Impacts:** Unexpected shutdowns of electrical equipment, resulting in asset damage and disruption to service provision. **Mitigations:** Investment in power resilience and generation infrastructure, cross-sector collaboration to develop power resilience plans.		Customer, asset performance, sustainable business
Transition – policy			
Introduction of new environmental protection requirements.	**Impacts:** Increased carbon and energy footprint associated with new capital works or changes in operating processes, resulting in increased costs, and slowing of progress to net-zero. **Mitigations:** Long-term strategic planning, asset management programmes, engagement with policy makers and regulators.		Environment, sustainable business
Transition – legal and reputational			
Increased societal expectations to transition to low-carbon economy.	**Impacts:** Demand for further progress for investors, resulting in increased cost of capital if not achieved. **Mitigation:** Stakeholder engagement activities.		Sustainable business
Potential for pace of regulatory change to be misaligned with that of climate transition.	**Impacts:** Insufficient regulatory funding for climate-related investments, leading to lack of resilience and stranded assets. **Mitigation:** Stakeholder engagement activities.		Sustainable business
National emergency water transfer to the other regions.	**Impacts:** Increased demand for water resources, resulting in supply interruptions and temporary use bans. **Mitigation:** Cross-industry collaboration on strategic resource options.		Customer

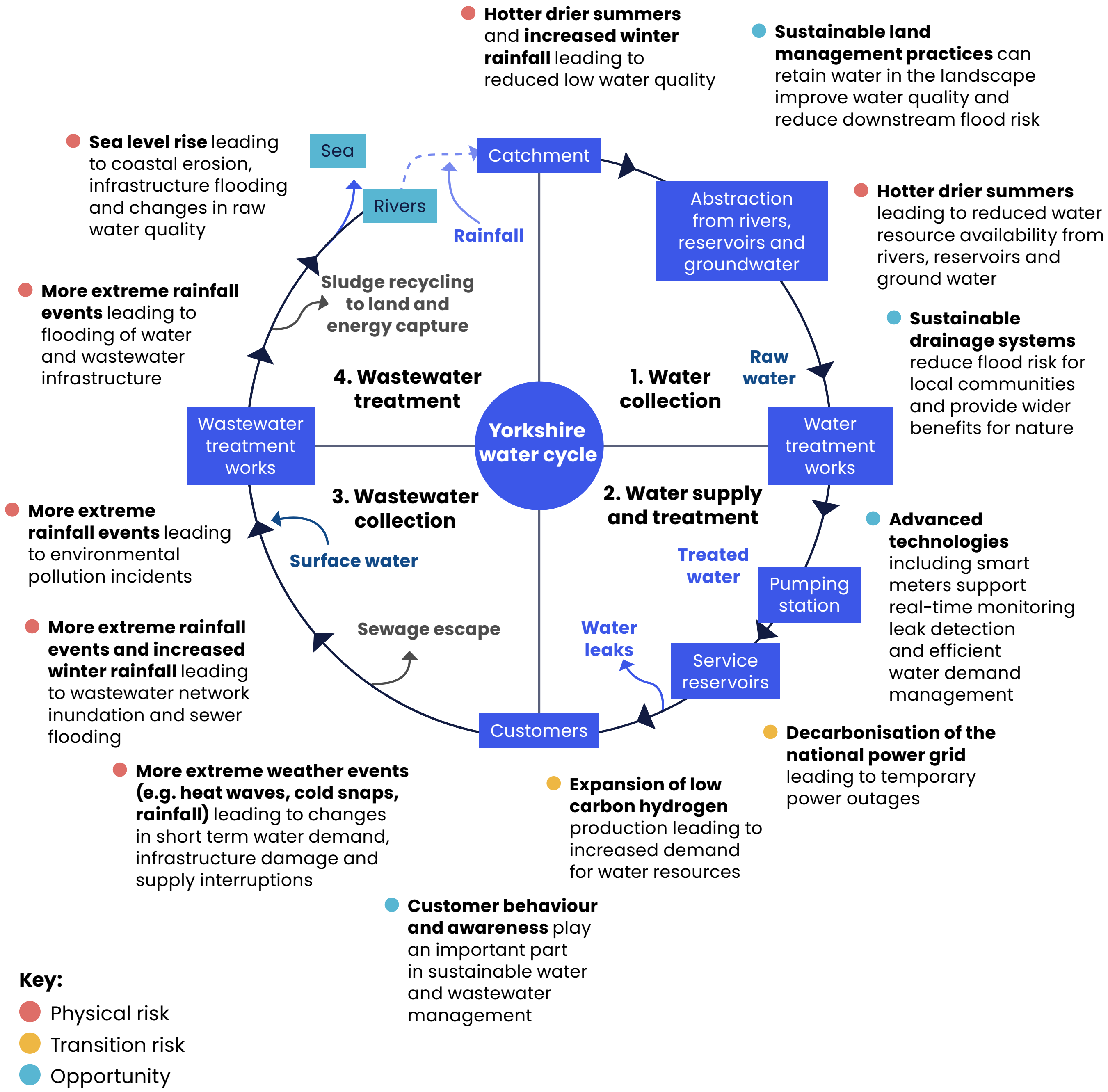
Key: Very low | Low | Medium | High | Very high

Climate-related opportunities – chronic and transitional

Hazard	Opportunity	Risk graphic	Impact on strategy
Physical - chronic			
Hotter, drier summers	Reduced heating demand for wastewater treatment processes, resulting in cost efficiencies.		Sustainable business
Transitional			
Emergency of low-energy or nature-based treatment technologies.	Reduced energy and chemical consumption, resulting in cost efficiencies and reduced emissions.		Environment, sustainable business
Roll-out of smart household water meters.	More effective water demand management, resulting in reduced pressure on water resources.		Environment
Introduction of water efficiency labelling and increased public awareness of water consumption.	Reduction in per capita consumption, resulting in reduced pressure on water resources.		Environment
Lower costs of renewable energy solutions.	Increased renewables deployment on operational sites, resulting in greater security of energy supply.		Sustainable business
Increased demand for low-carbon materials.	Emergence of resource recovery markets, for example, biosolids, resulting in new revenue streams.		Sustainable business
Increased societal expectations to transition to low-carbon economy.	Greater customer support for climate-related activities, resulting in increased likelihood of regulatory approval for climate-related investments.		Sustainable business

Key: Very low | Low | Medium | High | Very high

The following diagram outlines key aspects of what we do as a business, showing where climate-related risks and opportunities identified in this report impact different areas of our operations.



Strategic resilience

Our corporate strategy is set out at the start of this **Strategic report**. As part of our strategy, we have three key documents that set out long-term (i.e., up to 2050) operational plans. These are the Water Resources Management Plan (WRMP), the Drainage and Wastewater Management Plan (DWMP), and the Long-Term Delivery Strategy (LTDS). Climate-related risks are integrated throughout each plan, which are used to inform and shape the development of our five-year business planning cycles, ensuring what we deliver in the short term is aligned with our long-term strategic goals and resilient to the long-term challenges we will face.

Our WRMP, DWMP and LTDS are also based on the adaptative planning principle of accounting for future uncertainties. This means they contain core pathways of low- or no-regrets – expenditure alongside several alternative investment pathways that may be triggered if certain circumstances, such as climate-related changes, come to pass.

'Right for customers' is a core part of our strategy, putting them at the heart of our planning process ensuring that they are involved in shaping our strategic plans. As such, we have carried out several customer engagement activities to gauge their views on our approach to climate change. These found that our customers take the challenges of climate change seriously and are broadly supportive of investment to address climate change risks and safeguard service-levels for the future, despite the recent cost of living crisis.

As with all investments, we are mindful of the need to keep bills affordable for our current and future customers, doing what we can to support a just transition. As such, we will continue to engage with customers on this topic to understand their priorities and concerns, following our adaptive planning approach to avoid unnecessary impacts on customer bills where some investment decisions may not yet need to be taken.

Approach to scenario testing

Our scenario analysis is based on quantitative modelling following national guidance from Defra, Ofwat and the Environment Agency.

The latest UK Climate change projections (UKCP18) are incorporated within the baseline models of our WRMP and DWMP, using the intermediate level of forecasted future emission - Representative Concentration Pathway (RCP) 6.0. This scenario is used to inform our 'core' investment pathways.

We also stress test the resilience of our business plans under more extreme, yet plausible, climate-related scenarios – including RCP 8.5 (high) and RCP 2.6 (low), as shown in the table on the right. This analysis informs the identification of our alternative investment pathways to mitigate future risks, which may be triggered in the future.

We have currently focused on physical climate scenarios as these are most relevant to the key climate-related risks and opportunities facing our business. To enhance our reporting in the future, we are currently working on integrating transitional scenarios within our analysis. We typically renew our climate scenario analysis every five years in line with water industry strategic planning framework cycles.

Physical climate scenarios	Description	Rationale	Key assumptions and estimates
Low UKCP18 probabilistic projections, RCP2.6, 50th percentile probability level.	An approximate 1.6°C warming scenario by the year 2100 – corresponding to an 'optimistic' emissions scenario.	• Scenarios represent a central pathway and plausible extremes of potential physical climate trajectories. • Aligns with requirements of Defra, Ofwat and the Environment Agency.	• No material changes to Yorkshire Water's operational service area. • Regional population growth and water demand evolve in line with current forecasts. • Water and sanitation services continue to be delivered using existing networks rather than decentralised (off-grid) systems. • No material changes in future government policy or legislative requirements. • Changes in climate occur within the envelope of RCP2.6 and RCP8.5 scenarios.
Central UKCP18 probabilistic projections, RCP6.0, 50th percentile probability level.	An approximate 2.8°C warming scenario by the year 2100 – corresponding to an 'intermediate' emissions scenario.		
High UKCP18 probabilistic projections, RCP8.5, 50th percentile probability level.	An approximate 4.3°C warming scenario by the year 2100 – corresponding to a 'worst case' emissions scenario.		

Scenario results and strategic response

Clean water

Climate change represents one of our largest risks to the availability of deployable water output, coupled with other challenges such as projected population growth, loss of an import from Severn Trent Water in 2035, and potential reductions in abstraction in 2035 and 2040 to ensure greater environmental protection.

Our scenario analysis indicates we would face a supply demand deficit of 359 Ml/d (megalitres per day) in 2050 under the RCP8.5 (the high climate change scenario), compared to 321 Ml/d in our preferred plan based on RCP6.0 (the central climate change scenario).

The WRMP outlines intervention options to mitigate these risks include both supply-side improvements and demand-side reductions as part of our core investment pathway.

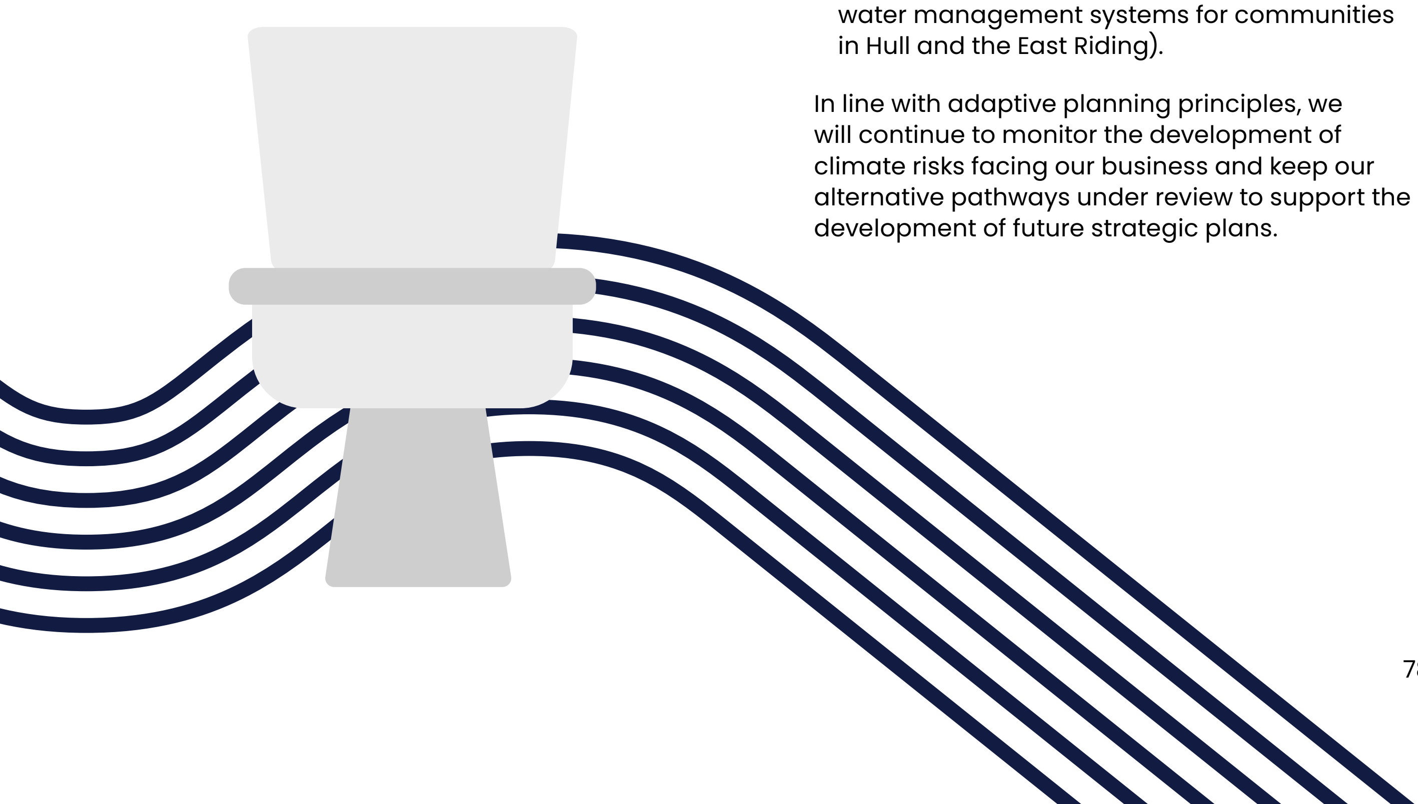
To mitigate the risk of the high climate change scenario, our alternative adaptive pathway would deliver additional supply options to offset the deficit resulting from the high climate change scenario, with a need to make further investments to address the supply-demand deficit. A decision on whether this will be required will be made by 2030 based on the latest climate projections, demand reduction progress, and the outcome of environmental investigations.

Wastewater

The scenario analysis within our DWMP shows climate change as having the greatest risk to the performance of our wastewater network with regards to wastewater discharge and flood risk due to future changes in rainfall.

Our core DWMP pathway includes investment to manage physical climate risks associated with an intermediate level of forecasted future emissions (i.e. RCP6.0). However, modelling indicates that increased rainfall conditions under the high climate change (RCP8.5) scenario would pose significant risks to the operation of wastewater discharges (i.e. storm overflows) and hydraulic sewer flooding that extend beyond those we have planned for in our core pathway.

Mitigating these risks requires us to create additional wastewater network storage capacity, separate a greater volume of surface water runoff at source, and attenuate surface water runoff to slow the speed at which stormwater enters our sewer network. We have an alternative investment pathway which represents the additional expenditure required to mitigate the high climate change scenario risks. We currently forecast this pathway could deviate from our core pathway from 2030 at the earliest. Our tipping point for this pathway will be based on the outcomes of future modelling undertaken as part of our on-going business process.



Other operational areas

For other business areas, scenario analysis did not identify any physical climate risks that warranted additional material expenditure for an alternative investment pathway at this time. We will continue to work to strengthen resilience to climate-related risks across our business as part of our day-to-day operations. This includes:

- Using nature-based solutions as our preferred way to deliver our services, as set out in our Nature First commitment.
- Delivering catchment management activities that enhance environmental processes to improve water quality and reduce flood risk, such as tree planting and peatland restoration.
- Assessing the vulnerability of our infrastructure to the impacts of flooding and, where necessary, installing flood defence measures to manage these risks.
- Working to reduce greenhouse gas emissions by investing in renewable energy generation, tackling process emissions, and reducing embedded emissions (Scope 3) by investing in goods and services with lower embedded carbon relative to current selections.
- Providing our colleagues with training courses to raise awareness and understanding of climate change within our business; and
- Partnership working to tackle shared climate-related challenges facing our region (for example, our Living with Water partnership to build flood resilience and develop innovative water management systems for communities in Hull and the East Riding).

In line with adaptive planning principles, we will continue to monitor the development of climate risks facing our business and keep our alternative pathways under review to support the development of future strategic plans.

Case study:
Nature-based solutions for stormwater management

Most of our wastewater network carries two kinds of waste: rainwater from roofs and roads, and sewage and grey water from homes and businesses. If sewers become inundated during periods of extremely wet weather, they can discharge excess wastewater into the environment to prevent sewers flooding into properties. These discharges could occur more often given the more frequent, heavier storms we expect to see in future – highlighting the need to adapt our wastewater network to ensure we can continue to protect the water environment.

To reduce the number of storm discharges during periods of prolonged or heavy rain, we are making greater use of sustainable drainage systems to store, filter, and slow down water to relieve pressure on our wastewater network. We are also increasing storage capacity across our wastewater network and treatment works. Our plans include using constructed wetlands to provide a natural, sustainable, and low-carbon way to store and treat wastewater before returning it to the environment.

For example, in Pudsey we are repurposing a disused site to create over 25,000m³ of extra storage for stormwater, which will help reduce the number of discharges into Pudsey Beck and improve water quality. Also at our wastewater treatment works in South Elmsall, we are investing £14m to create a wetland spanning over three hectares (or five football pitches) to improve water quality in Frickley Beck – a tributary of the River Don.

As well as these projects, we have invested £180m to reduce discharges at 130 priority sites in 2025, with a further £1.5 billion of investment planned for over 480 sites by 2030. Through our increasing use of nature-based solutions, we aim to build climate resilience to more extreme rainfall events expected in future while also supporting local wildlife and improving the health of Yorkshire's rivers, seas, and coasts.

Metrics and targets

We use metrics and targets to help us assess the progress we make in managing our climate-related risks and opportunities. These include physical and transitional risks alongside our mitigation measures to reduce emissions to net zero.

Adaptation-related metrics and targets

Our metrics and targets for climate adaptation are key to ensuring our assets continue to be resilient in the face of increasing climate related impacts.

This year we have reviewed our adaptation-related metrics and targets to ensure they remain relevant for climate risk management.

As a result, we have removed a metric relating to blue-green solutions to reduce duplication of information provided by other metrics.

We publish an Adaptation Report every few years. Our latest report can be found on our website **yorkshirewater.com/environment/climate-change-and-carbon/**

The report sets out our key vulnerabilities and plans under different climate change scenarios, and links to our targets and mitigation plans to manage risks.

The following table provides a suite of metrics that are utilised to monitor how various aspects of Yorkshire Water are performing under the growing stress of acute, chronic, and transitional climate risks.

Contents

Risk area	Metric	Unit	Performance		Targets	
			2024	2025	2030	2050
Physical – acute	Unplanned outages	Unplanned outage of peak week production %.	2.95	2.48	1.6	1.0
	Total pollution incidents (Category 1-3)	Number of pollution incidents (category 1-3) per 10,000 km of sewer.	26.21	28.89	9.13	0
	Internal sewer flooding	No. per 10,000 sewer connections.	2.78	2.21	1.76	0
	External sewer flooding	No. per 10,000 sewer connections.	24.98	23.72	18.61	8.61
	Discharges from storm overflows to rivers and coasts	Average number of discharges per storm overflow.	34.98	30.72	26.86	9.02
Physical – chronic	Per capita water consumption	% reduction from a 2020 baseline.	1.0%	2.0%	5.0%	18.5%
	Non-household water consumption	% reduction from a 2020 baseline.	Not applicable	Not applicable^	5.0%	11.9%
	Leakage	% reduction from a 2020 baseline.	12.7%	15.1%	27.4%	48.8%
	Water supply resilience*	Return period.	1 in 100	1 in 100	1 in 200 (by 2028)	1 in 500 (by 2040)
Transitional	Greenhouse gas emissions (scopes 1, 2 and 3)	Tonnes CO_2 equivalent	Not applicable	Not applicable	Carbon neutral (Scopes 1 and 2)	Net zero (all scopes)

* Where resilience means avoiding level 4 restrictions, where water supplies can be limited or cut off.

^ baselining is in progress for non-household water consumption and greenhouse gas emissions and performance will be reported next year.

Metrics and targets for net-zero carbon emissions

Our targets and metrics to aid the delivery of our decarbonisation plans are set out in the table on the next page, along with a description of how these are and/or will be delivered. Our overarching target is to achieve a transition to net-zero emissions by 2050 in line with the UK Government's glide path. This target is supported by interim targets out to 2030, including to reduce as far as possible our direct (Scope 1) emissions and those associated with our (Scope 2) purchased electricity and to use offsetting to achieve a carbon neutral position for the residual emissions.

Our wider Scope 3 emissions will require us to set a clear set of science-based targets, and this will form a key part of our preparatory work over the coming year.

We will seek independent verification of our transition plan against a recognised net-zero standard.

Further details on our energy and carbon performance, including the breakdown of energy use and carbon emissions can be found in the **Right for the environment** section.

New metrics for operational carbon emissions out to 2030 have been agreed with our regulator and documented in our Final Determination. These form the basis of our two common performance commitments that will be tracked as part of our regulatory reporting across AMP8.

Target	Metric	How progressed
Baseline (2020) equivalent operational emissions reduced to a carbon neutral position by 2030.	tCO_2e (Net position after all sub-targets delivered).	Delivery of the targets below, independently verified annually (this year by BSI) against ISO 14064-1 standard that specifies principles and requirements for quantification and reporting of greenhouse gas emissions and removals at the organisational level.
Increase self-generation of green energy to 40%.	% of total energy consumption from self-generation using solar, wind, hydro, biogas or other green energy sources including connection via private wire to third party sources.	Target for 2025 to 2030 to be progressed through increased biogas yield and self-generation, partnership programmes to expand our use of non-grid green electricity and upgrade some of our existing renewable assets (wind and hydro). Our baseline is c. 18%.
Reduce process emissions by 20% by 2030 through AMP8 net-zero enhancement investment.	Percentage reduction from 2020 baseline.	Target for 2025 to 2030 for which Ofwat has allowed £23m in our Final Determination to help us reduce nitrous oxide emissions by using advanced digital process monitoring and control, and methane recovery though post-digestion vacuum degassing.
Reduce Scope 1 fleet emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	Progress to March 2025 – 38% reduction. We transitioned 18% of our light commercial vehicles to electric in AMP7 and plan to expand this to 63% by 2030. Other fuel switching and fleet optimisation will support the overall goal.
Reduce business travel (Scope 3) related emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	Progress to March 2025 – 77% reduction. Since the pandemic, business travel has reduced significantly. Colleagues are also progressively moving to electric and lower emission vehicles.
Generate 3,500 tCO_2e of annual carbon insets from peatland restoration and woodland projects by 2030.	Validated annual sequestration in tCO_2e.	Planting schemes and peatland restoration schemes are underway and will continue to increase in contribution over time with 3,500 tCO_2e an interim value of committed schemes that will help reduce our overall emissions.
Purchase carbon offsets equivalent to annual residual emissions for Scope 1 and 2 emissions aligned to our 2020 baseline from 2030 onwards.	Verified carbon offsets of high assurance.	We maintain a watching brief on the availability and cost of carbon offsets, and where possible will look to secure local offsets as a priority when these become required to achieve our net-zero goals.
Net-zero carbon emissions across all scopes of emissions by 2050.	tCO_2e	Our Long-Term Delivery Strategy sets out our investment needs as £590m out to 2050. This investment will be reviewed ahead of AMP9 including the phasing and scale of spend. Our ability to decarbonise will be dependent on key factors outside of our control, including the pace of decarbonisation across the country, and regulatory pressures on our sector that drive increased asset expansion or treatment regimes.
Establish science aligned interim targets to support the net-zero transition plan.	Independently verified plan for net-zero transition reduction pathway by the end of September 2025.	An independent assessor will be appointed to review our pathway to net-zero against a recognised net-zero standard.
Reduction of Scope 3 – Capital Goods: 23% reduction against 2020 baseline by 2025.	Percentage reduction in emissions in tCO_2e against our modelled baseline for a core capital delivery programme.	Progress verified by audit of our process against PAS2080:2023 by Atkins confirming a 27% reduction was achieved to the end of March 2025 bettering our AMP7 target.

Beyond the metrics and targets for climate adaptation and net-zero, we have yet to set metrics and targets for wider transition risks such as supply chain disruption and regulatory changes. These risks are on a watching brief as part of our risk assessment and horizon scanning, and we aim to manage them proactively to prevent these risks from materialising for example, by becoming exposed to increased carbon taxation.

As we progress our CFD reporting year-on-year, we plan to refine and expand our metrics and targets to address these wider risks and opportunities.

However, as indicated in the table above, there are links between transition risks and opportunities and our existing metrics and targets. For example, the aim to 'expand self-generation of green energy to 40%' addresses both the reduction of greenhouse gas emissions and also the transition risk relating to 'increased demand for renewable energy and carbon offsets' by improving reliance and exposure to carbon markets. Similarly, our target to reduce the 'risk of severe restrictions in a drought' also addresses our transition risk 'national emergency water transfer to another region'.

Our communities

It extremely important to us that we do all that we can to support the communities around us across Yorkshire, not least because most of our colleagues live in the communities that we serve.

Supporting communities through education

Our education programme enables us to engage with our customers from an early age, helping them to be safe around water, showing them how they can help support us in doing the right thing for the environment, and introducing them to new career opportunities. These early interactions help us to emphasise the importance of using water wisely and 'what not to flush' which children then share with their families and beyond. Teaching children about water safety helps to save lives with much needed awareness of how to stay safe near open water.

During 2025, our education performance commitment delivery has increased by 4% from 2024. Across all our programmes, we reached over 42,000 children and adults and delivered over 39,000 hours of education.

Our free education programme is delivered either face-to-face in schools, at our education centres, or online. We cater for all ages from primary school through to universities. In Spring 2025, we finished creating our new wastewater education centre in Sheffield and added four new colleagues to our team to support the increasing demand for our services. Our education centres are accredited with the Learning Outside the Classroom Quality Badge.

Quality Badge awarded by
Council for Learning Outside the Classroom

Working with the National Trust

During the year, we celebrated the first full year of the Landscapes for Water project in partnership with the National Trust. This project is restoring 5,500 hectares of upland peat moors in the South Pennines.

Part of the initiative is to engage with local communities and the team have undertaken 25 community sessions enabling volunteers to help deliver the works on the ground.

In addition, ten schools and 1,200 pupils have attended school assemblies about moorland restoration and the work being done. The assemblies help educate younger people about the South Pennine moors and are aimed to inspire interest in the environment and how to respect it.

Our Lego programme

Our primary school Lego programme has continued this year, allowing children to learn about sewer blockages, flooding, and Sustainable Urban Drainage systems through the creation of a Lego 'Bot' which shows through pictures how they can contribute to making the environment a better place.

Sharing information on careers

We aim to support young people in our communities through sharing information on future career opportunities, both within our business and more generally in roles where there are skills shortages across our industry.

This careers engagement supports the Gatsby Benchmarks for good career guidance in schools and we have an annual focus on events during National Apprenticeship Week and National Careers Week.

Our Industrial Cadets work experience programme has continued in the year, centred on the theme of sustainability. A total of 30 students aged 16-18 years old successfully completed the programme gaining a Silver Level Accreditation. In partnership with our contract partners; Kier Natural Resources, Nuclear and Networks, Seymour Civil Engineering and Galliford Try, we now offer a joint careers presentation to schools close to capital schemes. We plan to include other contract partners as we enter our next AMP.

'Hey Girls'

This year we have continued our collaboration with social enterprise 'Hey Girls', launching our latest outreach programme to address blockages caused by sanitary products being flushed into the network.

We have delivered sessions at nine secondary schools reaching 925 students during the year. All students receive a complementary pack of products to try, and the programme has been very well received.

Volunteering opportunities for colleagues

In total, over 2,840 volunteering hours were recorded in the year by 399 colleagues from across our business. A further 105 colleagues supported biodiversity improvements and community outreach at events like the Great Yorkshire Show, with 672 hours of their time.

As part of our vision for a thriving Yorkshire, our 'Give Back, Bring Back' policy allows colleagues up to four working days per year to get involved in community-based volunteering. Our programmes focus on four main themes; education, environment, customers in vulnerability, and employability. This enables our colleagues to use their experience in new situations, develop new skills and learn about the communities we serve across the region.

BD25

We are proud to be one of the major partners for Bradford 2025, UK City of Culture.

We have been working closely with the City of Culture team to support their pioneering programme of events, which includes access to our land and opportunities for our colleagues to provide voluntary support.

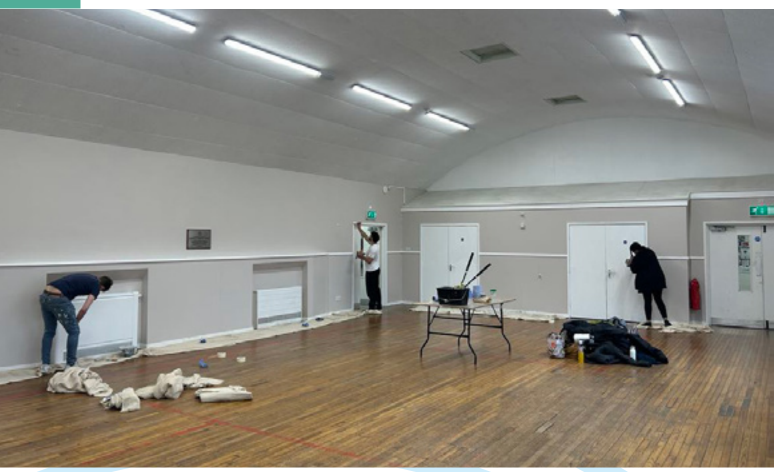
BRADFORD 2025
UK City of Culture

Doing right by our communities

In October 2024, we undertook a pilot scheme to understand what we can do better within our communities. We ran the '**Doing right by our communities**' pilot to understand how customers would like to see us show up in their communities and how they feel we can add value above and beyond our day-to-day services.

In partnership with Participate Projects we have looked at the needs of the community in the LS7 postcode area in Leeds, and how we can best help add value. This has been focused in three areas:

- **Mentoring** – matching experienced senior leaders from within our organisation to local organisations for one-to-one mentoring sessions;
- **Business club** – holding group learning sessions for local organisations on different topics, ranging from marketing and communications through to finance; and
- **Volunteering** – matching groups of colleagues from Yorkshire Water to local projects to help transform spaces within the community.



Supporting WaterAid

Our long-standing commitment to supporting WaterAid has continued this year, and we have held a variety of fundraising activities, including a golf day, a five-a-side football tournament, a ten-kilometre run, and our annual gala dinner. These events, alongside our regular lottery fundraising, have helped to raise £62,000 for WaterAid in the year whilst also providing opportunities for colleagues to get involved and develop new skills.

We have supported WaterAid since 2014 and are proud to have raised around £1.25m for the charity in that time.

We want to have a positive impact on the communities in which we work, and we will be closely monitoring the success of the pilot to understand how we can best expand this work to other areas of Yorkshire.

Contents

Living with Water

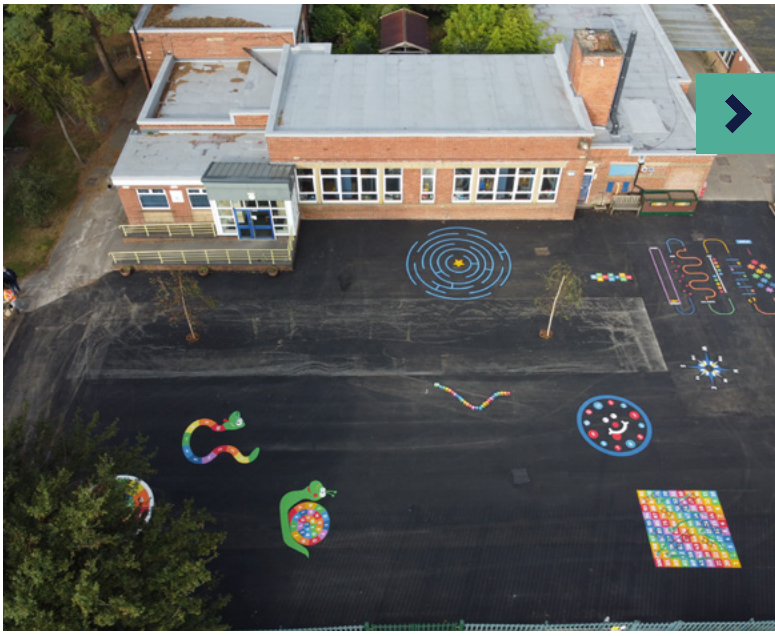
Our Living with Water partnership in Hull and the East Riding has continued this year. This is a collaboration between Yorkshire Water, Hull City Council, the East Riding of Yorkshire Council, and the Environment Agency, with the University of Hull as our academic partner.

The ambition is to create a city that thrives with water by delivering sustainable, long-term solutions with local communities at the heart of every project. The partnership has a 25-year strategy to deliver flood resilience to Hull and the East Riding.

This year, we have continued to make significant progress, with multiple projects underway. In particular, three active schemes in Bilton, Derringham, and Orchard Park are enhancing flood resilience through the installation of Sustainable Urban Drainage systems.

This year has also seen an expansion of our education and outreach initiatives. We have integrated Sustainable Urban Drainage systems into two local schools, providing students with hands-on learning opportunities about sustainable water management.

At Bilton Community Primary School we installed three rainwater planters and one extra-large planter, all connected to the water downpipes from the school roof. As well as slowing the flow of rainwater, these units serve as valuable habitats for wildlife, with ten different integrated habitats including hedgehog houses, bee hotels, and butterfly houses, which support local biodiversity.



Our people

Health and safety

Health and safety remain at the heart of our ten-year strategy, as part of our foundation of having a sustainable business. Our health and safety vision is 'everyone, every day, safe and well'.

As we continue to push for improvements in our health and safety performance, we are aiming to move away from a proactive to a more generative health and safety culture. This means that we set ourselves very high standards and then attempt to exceed them, we want to ensure our people are as informed as possible so that we are prepared for the unexpected, and we want to be a learning and trusting organisation.

As part of our ongoing work, we have identified five strategic health and safety objectives that we will achieve within the next ten-year period. These are:

1. Process safety risks continue to be understood and managed with robust systems and barriers;
2. Our safety culture continues to mature to prevent harm and support compliance obligations;
3. Customers have a positive experience when interacting with our operations, land, property, and recreational sites;
4. We continue to embed a dynamic and flexible health and safety management system that responds to the evolving needs and challenges of the business; and
5. Colleague health and wellbeing is protected, promoted, and supported.

Our approach to safety

We have a health and safety plan each year which sets out key milestone deliverables for focus areas. In the coming year we will continue to focus on the reduction of high potential incidents, process safety improvements and partner safety, whilst placing a greater focus on engaging and collaborating with all colleagues, moving our health and safety culture from proactive to generative.

We continue to deliver on all the major milestones of our health and safety plan, which has contributed towards our strong health and safety performance and the maintenance of our ISO 45001 certification.

Occupational safety

Last year we achieved our best ever Lost Time Injury Rate (LTIR) result of 0.10, and we were disappointed not to have managed to maintain this in 2025. This year, we have achieved a 0.14 LTIR which is our second best ever result, and we will be working hard in the new AMP to get back on track.

Key measure:
LTIR – number of working hours lost per 10,000 hours as a result of injuries sustained at work:

2024: 0.10 against a target of 0.10

2025: 0.14 against a target of 0.10

2026: Target set at 0.10

To maintain our drive to prevent injuries to our colleagues, customers, and partners, we have continued to focus on significant near miss incidents that have the potential, in slightly different circumstances, to cause serious injury. In line with this, we have continued to hold Incident Review Panels and Learning Review Boards to assess the quality of our investigations and capture broader lessons to drive continual improvement.

Health and wellbeing

Key measure:
Sickness absence percentage:

2024: 2.86% against a target of 3.00%

2025: 2.83% against a target of 3.00%

2026: Target set at 3.00%

In order to support our colleagues, we have continued to train mental health first aiders and provide specialist counselling support services, through our Employee Assistance Programme and online GP services. To further improve our wellbeing offering, we have introduced Wellbeing Hubs this year. This unique and bespoke approach has been designed to gain better insight into colleague health and wellbeing.

The Hubs facilitate an ongoing dynamic health and wellbeing risk assessment that reflects colleagues' thoughts and concerns, and focuses on the issues that they perceive are impacting on their physical and mental health. The Hubs concentrate on the seven key themes which influence overall health and wellbeing, these are:

- Mental wellbeing
- Physical wellbeing
- Social wellbeing
- Professional wellbeing
- Role specific wellbeing
- Working environment and culture
- Financial wellbeing

Safeguarding our colleagues and customers

A Safeguarding Working Group is established within the business, to focus on internal and external matters relating to the safeguarding of colleagues, customers, and members of the public. The business also continues to promote our Speak Up Policy which encourages colleagues to report any concerns they may have, as well as empowering every colleague to have the authority to stop work should they feel unsafe.

As societal pressures increase, there are other considerations that can impact health that can be disruptive for our colleagues. For example, increases in physical and verbal aggression towards utility workers continues to be a cause for concern. Research suggests that nationally this is a trend that has been increasing since the Covid-19 pandemic. Within Yorkshire Water, there is evidence of an increase in hostility towards colleagues, however we have strong controls in place, and colleagues are made aware of these through training and procedures. We encourage our colleagues to always report any issues and to remove themselves immediately from any situation where they feel unsafe.

Process safety

Key measure:
Process safety incidents:

2024: 1 against a target of ≤7

2025: 2 against a target of ≤5

2026: Target set at ≤3

Our comprehensive Process Safety Management Plan continues to drive our approach to managing the process safety risks associated with our higher risk assets. Governance in this area is provided by the Process Safety Steering Group chaired by the Director of Health and Safety, who in turn provides regular progress reports to the Executive team and the Safety, Health and Environment Committee.

This year we have conducted Process Hazard Reviews on our highest risk sites. These are a form of risk assessment designed specifically to identify where major accident hazards could be generated on an existing site. The studies require background evidence, including the design of assets, plant operations, operator and contractor competence, procedures and operations, real terms process knowledge and any gaps in maintenance. Any actions arising from these reviews have been implemented on a timely basis, and have been reported to the Safety, Health and Environment Committee during the year.

In the year, we have also held a new High Hazard Identification workshop, which has been attended by 597 of our operational colleagues.

Safety leadership

Key measure:
Leadership safety site visits:

2024: 435 against a target of 435

2025: 679 against a target of 555*

2026: Target set at 576

* The target is higher than that shown in the 2024 Annual Report as it was adjusted upwards during the year due to the number of senior leaders increasing.

Safety leadership is set by the tone from the top and is one of the areas that is measured closely through our Performance Excellence hubs. The primary purpose of the company's safety leadership activity programme is visibility of senior leaders to colleagues, to demonstrate top management commitment to the improvement of health and safety and to encourage active engagement and participation. We have achieved our target for the year, which is calculated as a fixed number of activities per senior leader.

Public safety

Public safety is always at the forefront of our minds, with our network and assets stretching right across Yorkshire and some sites, such as our scenic reservoirs, being regularly enjoyed by many members of the public. Our Public Safety Steering Group continues to ensure we are safeguarding the public. As such, the group looks at topics such as visitor safety and redundant assets, as well as education and campaigns to inform the public of potential hazards.

Contract Partner Safety

We often use contract partners in our day-to-day running of the business, and we value their health and safety as highly as that of our colleagues. We meet regularly with our partners to share health and safety best practice, and we have formed various joint working groups. Our main focus in 2025 has been on reducing high potential incidents that, under slightly different conditions, could have resulted in a serious or fatal injury. Our approach has been to implement a plan which has promoted the use of global best practice in areas such as incident classification and colleague education and training.

Our culture

During the 2024 financial year, we embarked on a journey to define a future-focused culture aligned with our ten-year strategic vision.

This work has continued over the last year, and we have spent time with both internal and external stakeholders, as well as undertaking in-depth research and analysis, to identify the core behaviours that we need to drive our plan forward over the next AMP. These behaviours have been endorsed by both our Executive team and our Board, and were rolled out across the business in March 2025:

Bring your best

Bring your best
is about doing right by our colleagues, customers and the environment. It is about maintaining the highest possible standards, following processes, listening, learning and sharing knowledge and expertise.

Make it better

Make it better
is about contributing every day, knowing that small changes can add up to big wins. It is about embracing change, challenging the status quo, speaking up with ideas or questions, and being open and curious.

Create connections

Create connections
is about working together as one Yorkshire Water team to build a thriving business. It is about respecting, understanding and valuing everyone, building trust and looking beyond our day-to-day teams to find inspiration and solutions.

See it through

See it through
is about prioritising the actions that have a long-term positive impact. It is about focusing on delivering outcomes for customers and colleagues, taking accountability, adapting when needed, and seeing our part through to completion.

Our work on culture has highlighted further opportunities for us to continue to improve, and we aim to cultivate a climate where constructive challenge is encouraged, and our people feel more empowered, all while upholding our essential commitments to safety and compliance.

We know that cultural change is a continuous process and we are focusing on two key areas to drive this forward:

- Embedding desired behaviours within our everyday work and communications; and
- Ensuring our leaders and managers exemplify these behaviours in all their actions, serving as inspiring role models.

We are committed to tracking our progress and refining our approach, and are gathering regular feedback from colleagues on key cultural indicators via our Yorkshire Voice surveys and through ongoing colleague engagement groups.

Attracting great people with the right skills

We recognise that to keep improving our operational performance it is critical to attract, retain and engage top talent. We continue to focus on plans that will enable our people to enhance their performance and seize opportunities through a range of initiatives and talent development programmes.

How we are cracking on

We are moving forward in 2026 with a strategic workforce plan which includes:

- Mapping all the jobs in the company to understand the skills and capabilities that we need to support the delivery of our AMP8 plan;
- Expanding our talent and succession framework across the organisation to help us grow and develop our colleagues; and
- Investing in apprenticeships, graduates and workplace experience programmes to continue to build skills in future generations.

During this financial year, we have:

- Overhauled our Graduate Programme offer to start our first cohort in three years in September 2024 with 11 graduates joining us across engineering, project management, water quality, and strategy and regulation. Our largest ever graduate cohort of 27 will join us in September 2025;
- We have also opened our recruitment process for 42 apprenticeships, which will be our largest apprentice intake to date. We currently have over 170 active apprentices in roles across the business;
- We have offered 38 programmes, via 31 providers, to our apprentices, including the University of Leeds, Exeter University and Provek Limited with programmes across engineering, project management, procurement, human resources, customer service and water processes;
- The application window for the annual Industrial Cadet scheme has been opened, accommodating 30 young people on an accredited programme based on the Water Industry and Sustainability. Our cadets will be offered a guaranteed interview for a role within the business within five years of completing their programme;
- Begun the development of software to use as part of a Virtual Reality offering when attending careers events, providing an opportunity for potential colleagues to navigate safely around our assets, providing a real taste of what our working environments are like; and
- Completed a work experience offering to support the wider business which will be launched as part of Careers Week, demonstrating our commitment to supporting young people as they start their careers.

We are continuing to invest in social recruitment channels and tools in order to attract a wide and diverse talent pool. We are also continuing to build our talent pool internally by offering more transparent secondment opportunities in-house.

Equality, Diversity and Inclusion (ED&I)

We continue with our commitment to provide a diverse and inclusive working environment where all our people are treated equitably. Building on the launch of our ED&I strategy in 2024, we are evolving our impact across three focus areas:

- Building an open and inclusive culture where our people feel connected, engaged, and free to be themselves;
- Embracing, increasing, and retaining the diversity within our workforce; and
- Equipping our colleagues with the openness, understanding and confidence to discuss ED&I matters.

Through all our ED&I activities, our aim is to create and develop diverse and inclusive teams where our colleagues and partners feel they can be themselves, and which are representative of the communities that we serve across Yorkshire.

We include specific questions in our Yorkshire Voice survey around equality, diversity and inclusion and we are pleased to have seen increases in the scores for each of these questions over the last year, with an average score of 8.3 out of 10 in the most recent survey.

How we are cracking on

As part of our ED&I plans for the future, we have set targets to increase the representation of women, ethnic minorities, and those under the age of 25 in our business. We are launching a colleague campaign called All Together Different; to help us all understand and grow a more diverse workforce.

Our activities this year

- We have been focusing on reviewing our recruitment processes to identify and mitigate any barriers and bias through the candidate journey;
- In line with our Disability Committed Employer status, we have implemented a more consistent approach to reasonable adjustments at our assessment centres and commenced a rollout of strengths-based interviewing, to enable inclusive hiring;
- We have carried out a review of all our policies in line with our industry peers, including updating our ED&I Policy and have implemented a menopause toolkit to support women's health;
- We have expanded the scope of our colleague engagement survey to provide insights around colleague experience by demographic; and
- We have pledged our support for the armed forces by signing the Armed Forces Covenant and we are proud to be a Bronze Award holder in the industry-wide Defence Employers Recognition Scheme. Through this scheme, we are committed to employing reservists, armed forces veterans, including those who are injured and sick, cadet instructors and military spouses and partners.

Our colleague networks and groups

We have six colleague-led networks, which are each sponsored by a member of our Executive team:

- women and gender;
- disability;
- LGBT+,
- armed forces;
- race and ethnicity, and
- family.

As part of our women & gender network we also have two groups: menopause and women in engineering.

To improve the effectiveness of our networks this year we have invested in Co-Chairs who have participated in a ten-week Employee Network Leadership Programme facilitated by Radius. This programme enables and empowers them to lead effectively and with impact.

We have had another fantastic year of excellent colleague-led events and communications. We have also taken part in various awareness days and months such as Pride, South Asian Heritage Month, Black History Month, Ramadan and Eid, Diwali, International Day of Persons with Disability and many more.

We are proud that our colleagues across the business, and our partners, have been getting involved, helping us spread awareness and embracing different cultures and backgrounds.

Our women in engineering group continues to shape the future by creating an open community and safe space for women in our engineering functions. This group is about people building a network and sense of community in what can be for some, quite isolating roles.

We have held quarterly in-person events this year with people attending from Yorkshire Water and the Partners for Yorkshire Group. Their focus this year has been on three key areas:

- Supporting women to join the industry including participating in Science, Technology, Engineering, and Mathematics festivals to showcase Yorkshire Water and inspire young girls;
- Ensuring that we have suitable, female friendly Personal Protection Equipment and facilities; and
- Empowering male allyship to support our strategy.

External relationships

We have external relationships with a number of third-party organisations to provide our colleagues with access to further support and to discuss best practice in relation to ED&I. These include the Business Disability Forum, the Energy & Utility Skills Partnership, and the Social Mobility Business Partnerships.

smbp

ENERGY & UTILITY SKILLS

Business Disability Forum

Gender and ethnicity

As we seek to drive progress on ED&I, we want to embrace the diversity we have in the business; and ensure we recruit diversely. Below we provide diversity statistics for the current and prior year:

Gender	Male		Female	
	2025	2024	2025	2024
Statutory directors	7 (58.3%)	5 (50%)	5 (41.7%)	5 (50%)
Senior managers	30 (66.7%)	29 (72.5%)	15 (33.3%)	11 (27.5%)
Remaining employees	2,856 (72.4%)	2,702 (72.6%)	1,091 (27.6%)	1,021 (27.4%)

Ethnicity	White		Black and minority ethnic		Not disclosed/ Prefer not to say	
	2025	2024	2025	2024	2025	2024
Statutory directors	11 (91.7%)	10 (100%)	1 (8.3%)	0 (0%)	0 (0%)	0 (0%)
Senior managers	26 (57.8%)	23 (57.5%)	1 (2.2%)	1 (2.5%)	18 (40.0%)	16 (40.0%)
Remaining employees	1,926 (48.8%)	1,946 (52.3%)	149 (3.8%)	152 (4.1%)	1,872 (47.4%)	1,625 (43.6%)

In note 4 to the Financial statements, we disclose figures relating to a total of 3,876 employees based on monthly averages throughout the financial year. The figures stated in the tables above relate to the number of employees as at 31 March 2025. Both approaches are accurate and are provided in the format stated by the relevant regulatory requirements.

Gender pay gap

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we publish our gender pay gap information annually. The most recently published data is for 5 April 2024 and is included for information in the tables below. Gender pay gap information is reviewed and discussed each year by our Remuneration Committee. Data for 5 April 2025 is expected to be published no later than 5 April 2026. You can access our gender pay gap reports on our website at yorkshirewater.com

Gender pay and bonus gap figures

Year	Mean gender pay gap	Median gender pay gap	Mean bonus pay gap	Median bonus pay gap
2024	5.0%	4.3%	15.2%	0.0%
2023	6.6%	8.4%	(34.6%)	0.0%

% Receiving bonus

Year	Females	Males
2024	94.8%	96.1%
2023	95.0%	97.8%

*A negative figure represents a figure in favour of the female population, for example, the mean bonus as a negative percentage shows the female population received a higher payment than the male population as an overall average.

Pay quartiles

Year	Upper quartile		Upper middle quartile		Lower middle quartile		Lower quartile	
	F	M	F	M	F	M	F	M
2024	24.5%	75.5%	25.8%	74.2%	19.0%	81.0%	36.2%	63.8%
2023	23.2%	76.8%	24.7%	75.3%	19.0%	81.0%	39.3%	60.7%

Published figures are to 5 April for each year in line with regulations.

This will be our eighth year of reporting on our gender pay gap. During the past eight years, the gender pay gaps have fluctuated however, we are very pleased to report that for the 2024 reporting period, both the mean and median gender pay gaps at Yorkshire Water have reduced.

Although still in favour of males, largely due to our predominantly male workforce which accounts for 72.3% of the workforce, the mean pay gap has decreased to 5.0% and the median pay gap has reduced to 4.3%. These are considered to be relatively low.

The improvement in the figures is in part due to the decreases we see in female representation in the lower pay quartiles coupled with an increase in female representation in the upper pay quartile.

In 2024, the mean bonus pay gap shifted to 15.2% in favour of males from (34.6%) in 2023. This change is driven by changes to senior representation in the upper quartile and fewer females in top senior positions compared to 2023.

The median bonus gap has remained at 0% for the fourth consecutive year. This is a reflection of the majority of colleagues receiving the same bonus amount.

Ethnicity pay gap

Whilst ethnicity pay gap reporting is not a statutory requirement; we calculate and gather the data alongside our gender pay gap reporting. The most recent ethnicity pay gap data is shown in the table below and is for 2024.

The ethnicity pay gap shows the difference in the average pay between people from ethnically diverse communities compared to white employees. The reporting of ethnicity is by choice of the individual and our latest disclosure rates sit at 53%, this has declined since 2023 where the disclosure rate was 62%. Any review of the pay gap numbers must be set in the context of these disclosure numbers.

In 2024, our mean ethnicity pay gap has increased to 7.1% from 5.7% and the median ethnicity pay gap now sits at 9.6% compared to 11.0% in 2023. We continue to improve processes and encourage our people to disclose their ethnic identity.

Ethnicity pay gap and bonus gap

Year	Mean ethnicity pay gap	Median ethnicity pay gap	Mean bonus ethnicity pay gap	Median bonus ethnicity pay gap
2024	7.1%	9.6%	(3.7%)	0.0%
2023	5.7%	11.0%	(190.5%)	0.0%

Working ethically and respecting human rights

Our Human Rights Policy recognises international human rights, as set out in the Bill of Human Rights and the principles described in the UN Global Compact. It is a fundamental policy of Yorkshire Water to conduct our business with honesty, integrity and in accordance with the highest standards of ethics, equity and fair dealing.

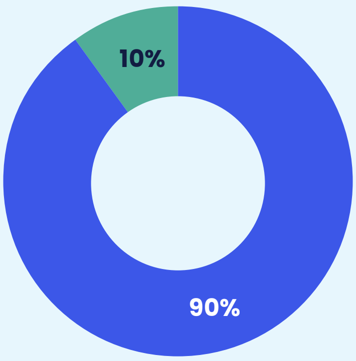
Our Code of Ethics sets out the ethics we expect from all those who work for and with us, including our policies on anti-corruption and anti-bribery. All our colleagues complete mandatory online training to ensure everyone understands these ethical standards.

We take steps to ensure there is no slavery or human trafficking within our organisation or our supply chains and our accreditation by the Living Wage Foundation ensures all colleagues are paid over and above statutory wage levels.

We also embed ethical contractual requirements throughout our supply chain and check compliance through a range of assurance controls, which include a statutory clause in all relevant supplier contracts to ensure that qualifying contractors also receive at least the National Living Wage, including where working for a subcontractor. In compliance with the Modern Slavery Act 2015 we publish an annual statement which can be found on our website at yorkshirewater.com

Colleagues that live in Yorkshire

As a major employer in Yorkshire, we want to ensure we are providing job opportunities to those who are based in Yorkshire. We are pleased to report that the vast majority of our colleagues live locally. The chart below shows that 90% of our colleagues on a full-time equivalent basis live within Yorkshire.



FTE Colleagues

- Colleagues who live in Yorkshire
- Colleagues who live outside of Yorkshire


Jabra
YorkshireWater

Chief Financial Officer's report

The below measures are a combination of key internal metrics reported to the Board and metrics used by key investors to form a view of our financial performance:

	2025	2024
Revenue Income receivable for services provided	**£1,299.4m**	£1,227.0m
EBITDA Earnings before interest, tax, depreciation, and amortisation - Reconciled to Operating profit in Key performance indicators (KPIs) section	**£686.4m**	£611.9m
Operating profit Revenue less operating expenses	**£324.2m**	£236.6m
Profit for the financial year Profit after taxation from our Financial statements	**£315.4m**	£67.4m
Capital expenditure The amount spent to acquire, maintain, and enhance assets and infrastructure	**£889.8m**	£684.6m
Regulatory Capital Value The regulated valuation of Yorkshire Water	**£9,475.5m**	£9,132.2m
Adjusted net debt[1] Yorkshire Water Financing Group net debt as defined by our financial covenants	**£6,873.9m**	£6,467.4m
Gearing[2] The ratio of covenanted net debt to the published RCV	**72.5%**	70.8%
Lowest of our class A ratings The lowest of our ratings from the major credit reference agencies	**Baa2**	Baa2
RoRE (Return on notional Regulated Equity) As reported in our Annual Performance Report	**2.52%**	6.2%

[1] Net debt defined by our covenants takes net debt per note 16 of the Financial statements and adjusts for various accounting adjustments. Please see our KPIs section for the full reconciliation.

[2] See our KPIs section for more details on this calculation. This metric is used in line with Ofwat's KPIs for the water industry, definitions available at ofwat.gov.uk

Our financial performance:

Revenue was higher by £72.4m for the year (5.9% increase). This is in line with revenue allowances which rose by around 5.9% due to allowed Consumer Prices Index increases including owner-occupiers' Housing Costs (CPIH) inflation of 4.2%.

Operating costs have decreased by £15.2m from £990.4m to £975.2m in the year (1.5% decrease). Excluding depreciation and amortisation of £362.2m (2024: £375.3m – see **note 3** of the **Financial statements**), our underlying operating costs have decreased slightly from £615.1m in 2024 to £613.0m in 2025 (0.3% decrease). This decrease includes the impact of the lower cost of energy (c£24m); and contracted activity (including repairs and maintenance) (c£9m); offset by increased employee costs (c£12m after capital recharges); charges for bad and doubtful debts (c£9m) following a review of our provision methodology (see **note 1** for further information); new water quality permit charges (c£5m); and business rates (c£4m). We continued to strengthen our cost control across the business throughout the year which has mitigated additional operational pressures resulting from severe weather, including five named storms in the period from September 2024 to January 2025, and the driest Spring period in Yorkshire for 132 years.

Overall, the net impact of the above movements is an increase to EBITDA of £74.5m (12.2% increase) and an increase in operating profit of £87.6m year on year (37.0% increase). A reconciliation between EBITDA and the statutory measure can be found earlier in the **Alternative finance performance measures** section.

Net fair value movements on financial instruments and interest receivable have moved from a £137.5m charge to a £105.3m credit. This was predominantly a result of a reduction in liabilities on our inflation-linked swaps due largely to the increase in forecast future interest rates, alongside cancellation of £26m of swaps in the year. See our **Managing financial risk and hedging** section later in this **Strategic report** for more detail.

We are therefore reporting a profit for the financial year of £315.4m (2024: £67.4m), an increase of £248.0m (368.0%). This corresponds to an adjusted profit after taxation of £83.2m (2024: £13.7m). A reconciliation between this and the closest statutory profit measure can be found in the **Alternative finance performance measures** section.

Return on Regulated Equity (RoRE)

RoRE is a key metric used by Ofwat and is one of the performance metrics used within our Long-Term Incentive Plan. It measures performance against an expected return set by Ofwat. Performance is determined across the following four main areas:

1. Cost performance measures the efficiency of our operational and capital expenditure by comparing it to allowed costs;
2. Service performance is measured by the customer Outcome Delivery Incentive reward earned or penalty incurred;
3. Cost of debt performance is measured by assessing interest costs against the expected cost of debt set in the AMP7 Final Determination; and
4. Tax performance is measured by assessing actual tax costs against the tax allowance provided within the AMP7 Final Determination.

Reported RoRE for the year was 2.55% on a real notional equity basis as reported in Tables 1F and 4H of our Annual Performance Report. This comprises the base return of 4.43%, cost of debt outperformance of 0.96%, tax outperformance of 1.70%, customer ODI penalty performance of minus 1.73%, and cost performance of minus 2.84%. RoRE performance within the year is significantly impacted by the additional spend of £152m on storm overflow investment, which equates to a RoRE of 2.23%. Excluding this additional investment, RoRE would be 4.75%, above the base return of 4.4%.

Cost performance

The cost impact on RoRE of minus 2.8%, reflects the impact of the additional investment we are making outside the scope of our Final Determination to improve operational and environmental performance, particularly in relation to storm overflows, plus the impact of higher cost inflation. If the additional storm overflow investment of £152m is excluded the RoRE impact for cost performance becomes minus 0.6%.

Our cost allowance increases with CPIH inflation, which helps to mitigate some of the cost pressures experienced over the last couple of years; however, input price inflation on certain key costs, such as capital costs, energy and chemicals, has been significantly above CPIH inflation which has contributed towards the negative cost performance.

Outcome Delivery Incentives (ODIs)

ODI underperformance of 1.73% on RoRE reflects a net penalty, including C-MeX and D-MeX, of £51.9m. While we continue to make progress, we have experienced challenges, which have impacted performance in some areas. Overall, we have met or exceeded 19 of the 44 performance commitments. We acknowledge that our ODI performance has been disappointing and we cover the reasons for this, and the steps we are taking to improve, elsewhere in this **Strategic report**.

Delivering and governing our investment Programme

Our Business Investment Committee governs the delivery of our investment programmes. Capital additions for 2025 were £889.8m (2024: £684.6m) (see **note 11** to the **Financial statements**). Our investment programmes enable us to maintain and enhance our operational efficiency and the resilience of our infrastructure. We are increasingly focused on how we ensure the most sustainable investment choices are made with consideration for carbon reduction and nature-based solutions, as part of our Nature First commitment.

Our programme of capital investment supports the delivery of service level performance improvements required to meet stretching targets and regulatory commitments. Our single largest programme in AMP7, to deliver our Water Industry National Environment Programme (WINEP) commitments is coming to an end. The benefits of this £701.4m investment have seen improvements to the environment and to river health across Yorkshire. Other significant investments have been made to meet legal and statutory Drinking Water Inspectorate demands and to reduce the frequency of storm overflows, where an investment of £180m has allowed improvement work to be carried out at 120 combined sewer overflows.

Our capital investment programme is set to continue to increase as we go into our first year of the new AMP, where we expect to deliver our biggest annual programme to date. Focus areas for this investment will be new commitments under the WINEP and a significant investment in storm overflows.

Managing and governing our borrowing requirements

Our financing strategy is designed to manage exposure to fluctuations in interest rates, to rule out speculation, and to source and structure our borrowing to meet projected funding requirements. Our treasury operations are controlled by a central team on behalf of Yorkshire Water and other companies in the Kelda Holdings Limited group (Kelda group).

Total borrowings, including amounts owed to other group companies, were £6,691.7m as at 31 March 2025 (2024: £5,905.7m) and Yorkshire Water adjusted net debt was £6,874.7m at 31 March 2025 (2024: £6,468.1m). The maturity profile of our borrowings and further detail on net debt are set out in **note 16** of the **Financial statements**. At 31 March 2025, Yorkshire Water's Regulatory Capital Value (RCV), which is one of the components for setting customers' bills, was £9,475.5m (2024: £9,132.2m).

Senior net indebtedness to RCV (Senior RAR (Regulatory Assets Ratio) or gearing) is a key covenanted gearing ratio within our financing arrangements, and gearing levels are monitored and forecast on a regular basis. On a covenanted basis, at 31 March 2025, Yorkshire Water Financing Group's (YWFG) (being Yorkshire Water Finance PLC, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) Senior RAR was 72.5% (2024: 70.8%). These metrics are fundamental to discussions with investors and is our covenant number, therefore a key performance indicator for the business. A reconciliation of this percentage to the closest statutory measure can be found in the **Alternative finance performance measures** section.

Our operations and investments are financed through a combination of retained profits, long-term debt instruments, finance leases and bank facilities. Any new funding is raised in the name of the appropriate group company and subject to relevant debt covenants. Within the conditions of the Whole Business Securitisation (WBS), explained later in this **Strategic report**, funds raised may be lent to or from Yorkshire Water on an arm's length basis.

Any cash surplus to operating requirements is invested in short-term instruments with institutions having a long-term rating of at least A-/A-/A3 and a short-term rating of at least A1/F1/P1 issued, respectively, by S&P Global Ratings (S&P), Fitch Ratings (Fitch) and Moody's Investors Service (Moody's).

During the year, we:

- Raised £400m of debt in the form of public sustainable bonds with a maturity date of November 2034 and a coupon rate of 6.375%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water for use in the funding of our capital expenditure programme;
- Raised combined net proceeds of £239m in January 2025 through tap issuances against three sustainable bonds with 2030, 2034 and 2035 maturity dates and coupon rates of 5.25%, 6.375% and 5.5% respectively. The proceeds were loaned to Yorkshire Water for use in the funding of our capital expenditure programme;
- Issued £100m of debt in the form of CPI index linked notes with a maturity date of October 2039 and a coupon rate of 4.276%;
- Raised £50m of debt in the form of private placement notes;
- Received a further £100m from a parent company, Kelda Eurobond Co. Limited, supported by our investors, as partial repayment of an outstanding loan following the £400m partial repayment received during 2024. A further £437m is due by March 2027 to settle the remaining loan in full;
- An option was exercised during November to extend the term of the company's Revolving Credit Facility (RCF) by 12 months to November 2029;
- An option was exercised during July to extend the term of a £80m committed credit facility to July 2027. Two further options to extend for a further year are available at each of the second and third anniversaries of initial execution;
- Renewed a liquidity facility in March 2025 at £148.5m with five banks, which is required as a standby facility to cover our operating and maintenance cost obligations; and
- Extended the date of issuance on the rolling five-year evergreen debt service reserve guarantee issued by Assured Guaranty UK Limited to maintain the five-year term. Required to cover Yorkshire Water's debt service obligations, the level of facility was increased to £220m.

To date, £2,650m of debt financing has been raised in accordance with our Sustainable Finance Framework, which aligns the company's financing with its long-term strategy and values as discussed earlier in this **Strategic report**. We expect that the majority of Yorkshire Water's debt will continue to be issued in accordance with this framework, with reporting aligned to our Six Capitals approach to give stakeholders an insight into the impacts of the company and its investments.

Credit ratings

Yorkshire Water and its financing subsidiaries have credit ratings assigned by three rating agencies. These provide an external view on creditworthiness for our debt investors. The latest published ratings are as follows:

Credit rating agency	Class A rating	Class B rating	Outlook	Date of publication (latest available)
Fitch	BBB+	BBB-	Stable	April 2025
Moody's	Baa2	Ba1	Stable	February 2025
S&P	BBB+	BBB-	Stable	February 2025

On 4 February 2025, Moody's affirmed its ratings with a stable outlook having changed to a negative outlook ahead of the publication of Ofwat's Final Determination in December 2024.

On 6 February 2025, Fitch downgraded its rating of Class A debt to BBB+, affirmed its rating of Class B debt at BBB- and maintained an unchanged stable outlook.

On 18 February 2025, S&P downgraded its ratings of Class A and Class B debt to BBB+ and BBB- respectively and changed the outlook to stable.

The most recent credit rating reports for all three of the rating agencies that assign credit ratings to Yorkshire Water and the other companies within the YWFG can be found on our group website at **keldagroup.com/investors/creditor-considerations/ratings-reports**

Managing financial risk and hedging

Treasury operations are governed by guidelines for the management of interest rate risk, foreign exchange risk, exposure to fluctuations in the rate of inflation and the use of financial instruments. A broad portfolio of debt is maintained, diversified by source and maturity, designed to ensure there are sufficient funds available for operations. Treasury policies and procedures are incorporated within our financial control procedures.

The long-term sustainability of the company's financing is of primary importance. Levels of debt and associated measures, such as gearing and interest cover, are monitored frequently and forecast against levels defined in financing documents and those needed to protect the company's credit ratings. These forecasts take account of future expectations and stress-case scenarios relating to future business performance, future regulatory price determinations, economic conditions, and market conditions. We have provided more information about credit ratings later in this section.

Our Executive team receives regular reports from all areas of the business to enable prompt identification of financial and other risks so that appropriate actions can be taken.

Our operations expose Yorkshire Water to a variety of financial risks that include the effects of changes in debt and loan market prices, inflation, liquidity, interest rates and exchange rates. Derivative financial instruments, including cross-currency swaps, interest rate swaps, and forward currency contracts, are employed to manage the interest rate and currency risk arising from the debt instruments used to finance our activities. Having assessed liquidity requirements, we continue to target to hold at least 15 months of future cash requirements at all times. Activity during the year, has been focussed on continued achievement of this level.

Our revenues are partly linked to the underlying rate of inflation, principally measured by the consumer Price Index including owner-occupiers' Housing costs (CPIH) and is therefore subject to fluctuations in line with changes in CPIH. In the absence of any management action, negative inflation could potentially lead to a breach of gearing limits, however this risk is mitigated by Yorkshire Water maintaining levels of inflation linked debt and being a counterparty to inflation linked swaps.

For inflation linked swaps, receipts are based on the historical Sterling Overnight Index Average (SONIA) for an interest period, and interest is paid at fixed amounts plus Retail Prices Index (RPI). Movements in RPI are also applied to the nominal value of inflation linked debt and swaps to determine additional amounts to be paid either at maturity or during the life of some inflation linked swaps. Therefore, to the extent that they occur, the impact of CPIH reductions on income and RCV is mitigated by reduced interest charges and lower value of inflation linked debt used in calculating gearing as a percentage of RCV.

The maturity dates of the company's portfolio of inflation linked swaps ranges from 2028 to 2063. The swaps held by the company gave rise to a net negative fair value at 31 March 2025 of £1,193.0m (2024: £1,490.3m). See **note 17** to the **Financial statements** for more details on the financial derivatives held by the company.

We aim to manage commodity price risk, especially energy prices, by fixing contract prices where possible and operating within an energy purchasing policy that is designed to manage price volatility risk. We typically hedge significant proportions of the electricity baseload up to three years in advance; however, the purchasing strategy is flexible, considering market conditions.

As at 31 March 2025, Yorkshire Water had fixed over 88% of its forecast baseload energy requirements for the year to 31 March 2026 and 61% of forecast requirements across AMP8. Hedges were made through a combination of forward commodity hedges and corporate power purchase agreements.

The percentage figures are presented relative to the purchased baseload volume. Yorkshire Water leaves an additional 10-15% of the total purchased electricity volume to the Day Ahead index to make allowances for variations in volume due to operational factors.

In addition to the above financial management measures, our insurance team also works to ensure that we manage and mitigate our exposure to costs from public liabilities and physical damage to our assets.

Corporation tax

The accounting tax charge included in these **Financial statements** of £114.2m (2024: £31.7m) is due to:

- A charge of £23.2m (2024: £26.1m) regarding payments, both accrued for 2025 and adjustments in respect of prior periods, to other group companies to compensate them for the surrender of tax losses to Yorkshire Water. Yorkshire Water has no tax charge in respect of amounts payable to HMRC as taxable profits are reduced to £nil by capital allowance claims and the offset of group losses. Further details are provided in **note 8** to the **Financial statements**; and
- A charge of £91.0m in relation to the non-cash movement in our deferred tax provision (2024: £5.6m).

The deferred tax provision represents the accumulated timing difference between accounting profits and taxable profits calculated at the prevailing rate of corporation tax. Differences due to timing will reverse in the future so the provision becomes taxation payable. Other differences that are not due to timing are permanent differences as they represent costs or revenue that are not subject to corporation tax.

The 2025 and 2024 movements in deferred tax are due to:

- Timing differences between when capital assets are depreciated for accounts purposes versus tax depreciation; and
- The effects of changes in the fair value liability of the company's inflation linked swap portfolio. Increases or reductions in the fair value liability of the company's inflation linked swap portfolio represent an increase or reduction in the net interest the financial markets expect will be payable on those inflation linked swaps in future years. Changes to the fair value of the liability are not tax deductible under UK tax regulations as tax deductions are only available as and when the future interest payments are actually paid.

The increase in the fair value of the inflation linked swap portfolio will therefore create an accounting cost which is not subject to taxation until the interest is paid and therefore creates a timing difference. The fair value of the inflation linked swap portfolio can fluctuate significantly and there will be a consequential impact on the deferred tax provision.

Our effective tax rate for the year ended 31 March 2025 was 26.6% (2024: 32.0%) calculated by comparing the company's profit before tax of £429.6m (2024: £99.1m) and total (current and deferred) tax charge for the year of £114.2m (2024: £31.7m). A full reconciliation of the company's tax charge for the year is contained in **note 8** to the **Financial statements**. No material tax uncertainties have had to be considered in arriving at our tax provision for the year.

Our total tax contribution

Yorkshire Water makes a significant contribution to the UK Exchequer each year through payment and collection of a wide range of taxes, which we show in the table below:

	2025 £m	2024 £m
Taxes, duties, and rates included in operating costs and a cost to Yorkshire Water		
Business rates	57.7	53.2
Employer's National Insurance Contributions (NICs)	19.0	16.9
Climate Change Levy*	4.0	4.0
Abstraction licences and direct discharges	21.9	17.0
Fuel duty	1.2	1.2
	103.8	**92.3**
Taxes, duties, and rates included in operating costs, remitted on behalf of employees		
Employee's Pay As You Earn (PAYE)	30.0	26.8
Employee's NICs	8.7	11.1
	38.7	**37.9**
Total taxes, duties and rates included in operating costs and a cost to Yorkshire Water	**142.5**	**130.2**
Taxes, duties, and rates arising from Yorkshire Water's activities and collected on behalf of HMRC		
Business customer Value Added Tax (VAT)	35.6	34.6
	35.6	**34.6**
Total tax contribution	**178.1**	**164.8**

* Please see the **Right for the environment** section for further information on the financial impact of climate change.

Further detail of our corporate taxation and deferred tax accounting are set out in **note 8** to the **Financial statements**. A summary of our tax strategy and policies can be found on our website at **yorkshirewater.com/about-us/tax**

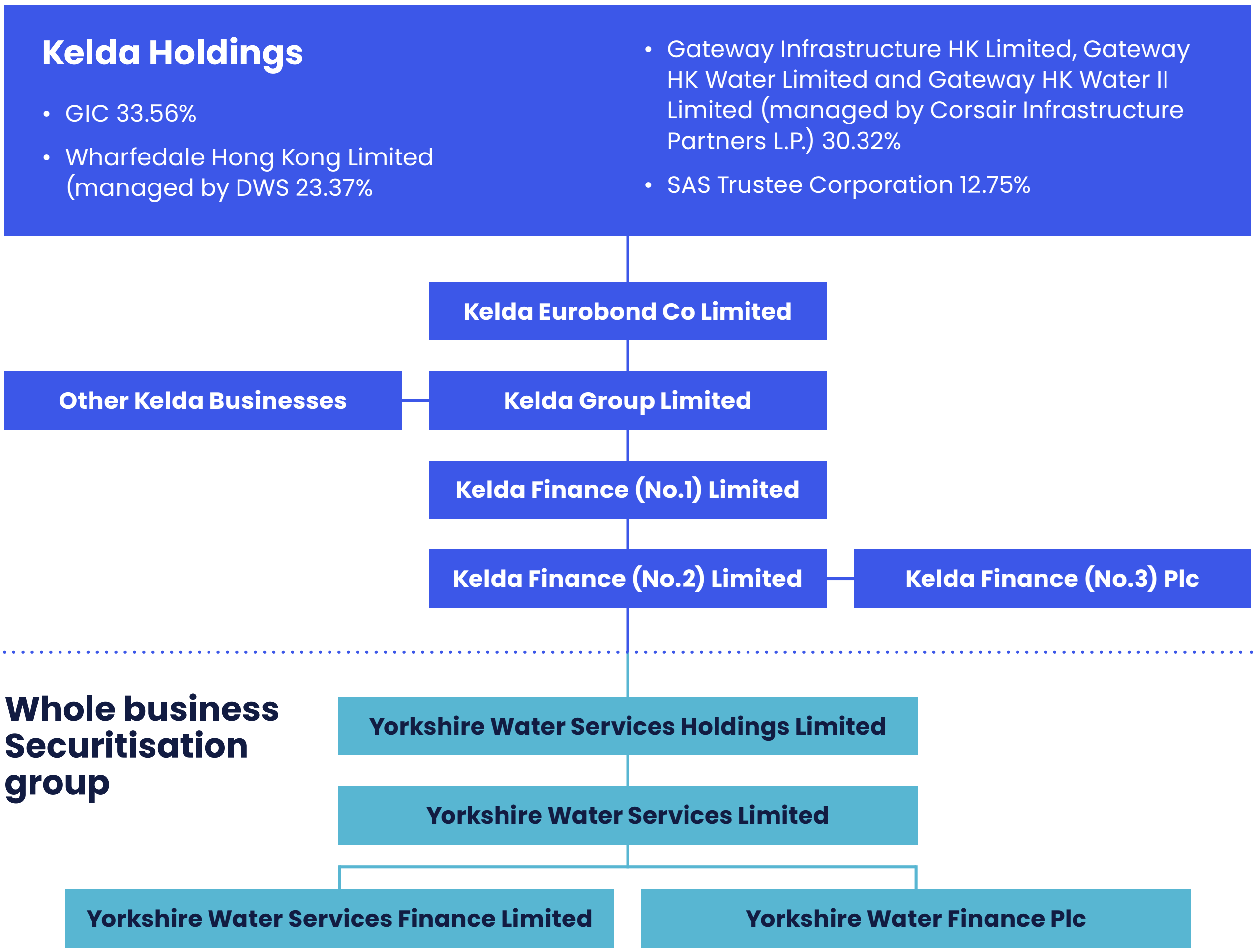
Dividends

Our dividend policy and more information on the dividends paid during the year, and the rationale for these, can be found in our **Governance report** and in **note 9** to the **Financial statements**.

Our corporate structure

Yorkshire Water is part of the Kelda group. All companies are wholly owned unless stated otherwise. Details of the group's shareholders and capital structure, along with further information on the companies shown here are published on the group's website, found at **keldagroup.com**

Summarised Kelda group structure as at 31 March 2025



Whole Business Securitisation (WBS)

Yorkshire Water has had a well-established financing structure, known as a WBS, since 2009. The WBS enhances the creditworthiness of Yorkshire Water by setting strict rules that demonstrate to lenders the company is a safe and reliable business in which to invest. Lenders are therefore more prepared to lend to Yorkshire Water at lower rates which is in the long-term interest of customers.

This WBS works by placing a protective ring-fence around Yorkshire Water's business which includes the way it operates, the way it trades with other group companies outside the WBS and the way it finances itself. The protections include limits on borrowings, dividends, and the ability to lend money to other Kelda companies. The protections also require profits to more than cover the amount of interest that Yorkshire Water pays.

Yorkshire Water Finance plc is the principal financing vehicle for the WBS group. Yorkshire Water Services Finance Limited remains part of the WBS as a legacy finance company for debt issued prior to the introduction of the WBS. Both companies are incorporated in England and Wales and are wholly and exclusively resident for tax in the UK.

Managing risks and uncertainties

The Board is committed to strong risk management. Effective risk management helps ensure that we can meet our customers' needs and protect the environment, whilst keeping our colleagues safe and well.

Risk management is at the heart of our ways of working, improving our ability to predict and prepare for challenges. It is not about refusing to take risk.

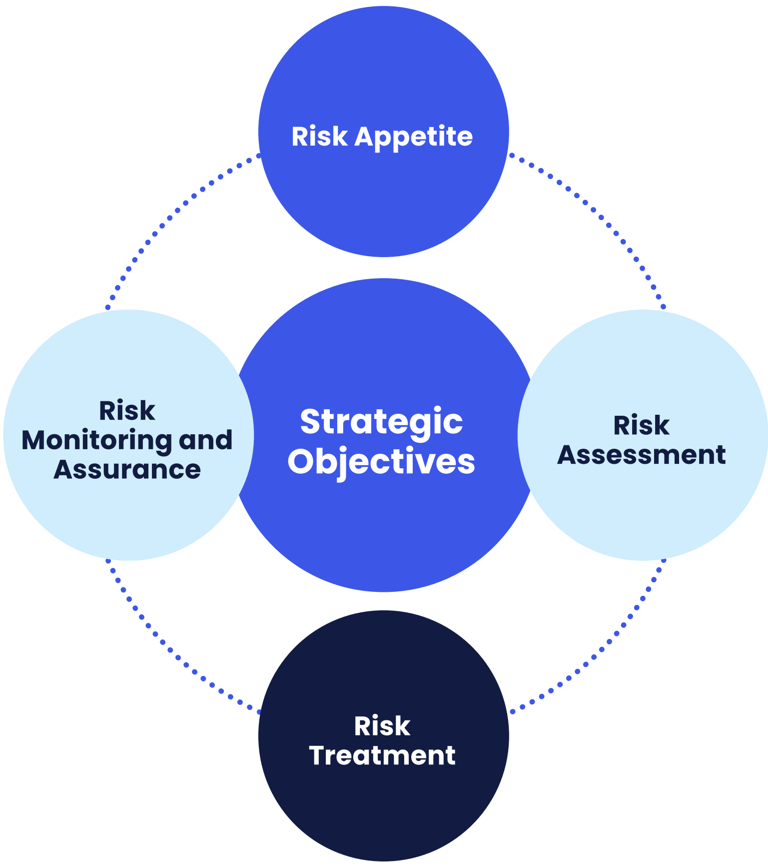
The Board sets and monitors the amount of risk we are prepared to accept through our risk appetite framework to achieve our ten-year strategy. Then we have a risk management framework to assess and manage the risks to achieving our objectives.

Our risk management framework

The Audit and Risk Committee is responsible for overseeing the effectiveness of the risk management framework. The framework promotes resilience through early identification of what could go wrong, and putting controls in place to mitigate the effects before they happen. Risks are monitored against agreed appetite levels and escalated to be managed at the right level of the business.

The Board maintains oversight of risk management through a combination of updates and deep dives across its various Committees. Risk identification is both bottom up and top down, and is embedded in all our operational systems and at a strategic level through horizon scanning, which involves collaborative research and annual insight into the medium to long term trends.

A corporate risk assessment matrix ensures a consistent measurement of both the impact and likelihood of various risk categories, such as customer service, finance, reputation, compliance, health and safety, environment, and people. The impact ranges from very low, for example, local, online media criticism, to very high, for example, sustained national media criticism. The likelihood and frequency of these risks is also assessed, providing an overall risk score.



Impact

Likelihood		VL	L	M	H	VH
	VH	5	9	18	36	72
	H	4	7	14	28	56
Likelihood	M	3	5	10	20	40
	L	2	3	6	12	24
	VL	1	1	2	4	8

Our principal risks are governed by a risk appetite statement, reviewed at least annually by the Executive team and the Audit and Risk Committee. This is supported by key risk indicators monitored by the business.

Strong systems of internal control are in place to mitigate risk to an acceptable level, and where risks are outside of appetite, action plans are in place. Our coordinated three lines of assurance tests the design and operation of our controls, and the mitigation plans in place, recommending improvement action where needed. The Executive team monitors the achievement of actions monthly, and the Audit and Risk Committee has oversight of the quality of the risk and assurance processes.

Our principal risks

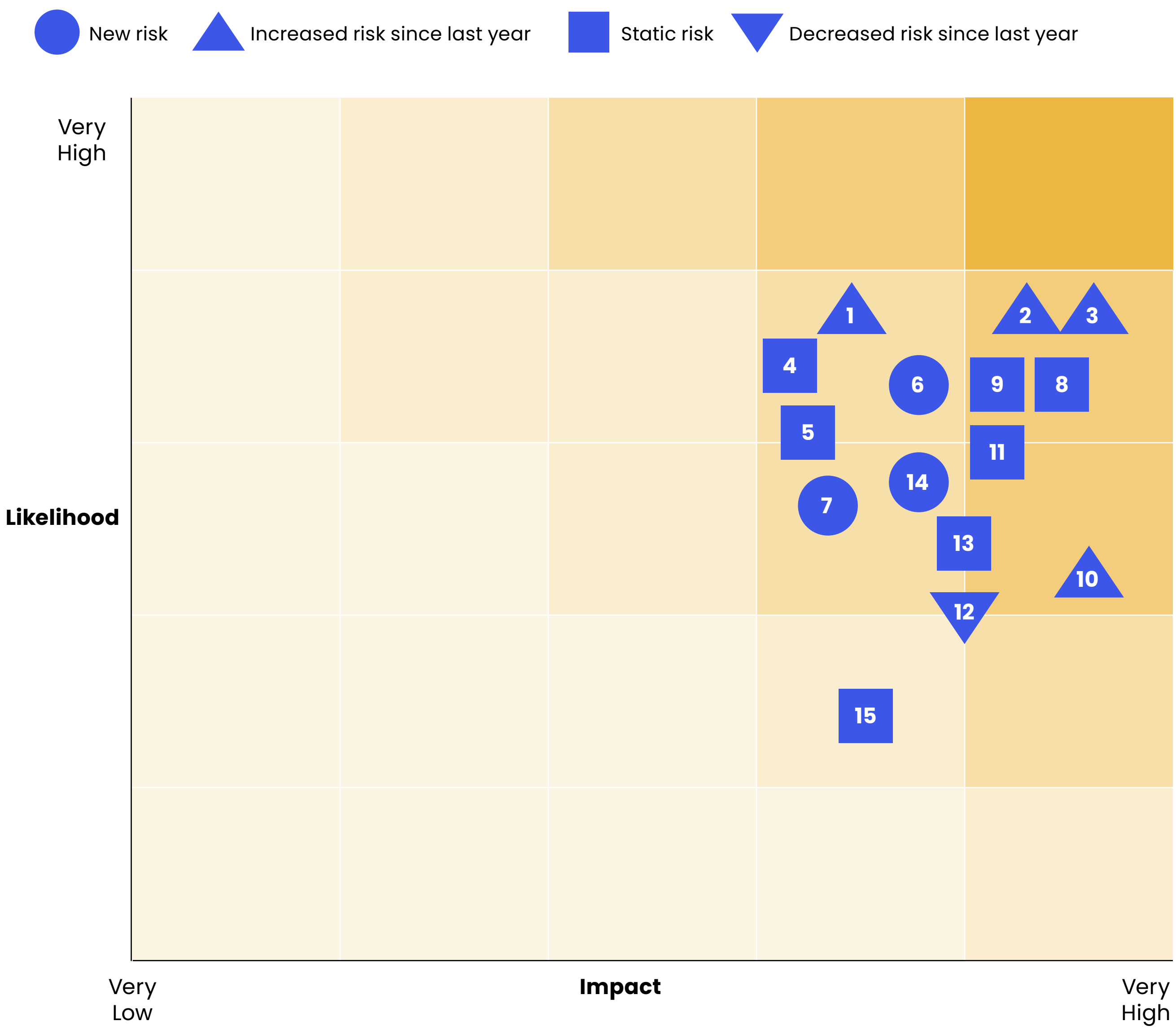
Our principal risks are our aggregated top risks from the corporate risk register which have the potential to threaten resilience, prevent us achieving our strategic objectives or take the business significantly beyond our risk appetite. The heat map plots our current risk exposure after controls have been applied:

The context in which we operate continues to be both challenging and evolving. There is increased political and regulatory focus alongside continued public scrutiny of the water sector.

Global geo-political tensions lead to increased security threats and supply-chain uncertainty. The AMP8 Final Determination has resulted in record levels of investment meaning significant capital delivery and an increased reliance on supply chains across the sector.

Given this context, we have introduced three new principal risks and made some amends to five of our 12 existing risk descriptions. These updates aim to provide a more comprehensive view of the risk landscape and the medium-to-long term, actions needed to deliver a thriving Yorkshire.

Key



1. Customer experience

The risk of failing to meet the needs and changing expectations of our customers, due to failings in our systems or processes, which could lead to poor service provision and a reduction in trust in Yorkshire Water.

Change in year	Mitigations	Key updates
▲ **Strategic objective** Right for customers	• Strong engagement with our customers through our Customer Forum, online customer panel and Your Yorkshire Water Your Say survey, which provide valuable insight to support our plans. • Accredited for providing an inclusive customer service through ISO 22458. • Maintenance of the Priority Services Register to support our most vulnerable customers. • Multi-digital channels allowing our customers to contact us in a variety of ways. • Customer needs are prioritised in our incident management plans throughout supply interruptions. • Teams providing specialist support to specific groups of customers such as businesses, retailers, and developers.	• Development of customer focused strategy underpinned by new colleague behaviours, with focus on doing "right for customers". • Clear plans to extend our financial support for customers into AMP8, through our five customer support schemes. • BSI Kitemark™ accreditation for Inclusive Service, and development of our vulnerable customer strategy. • Implementing a new customer management system across some of our operations. • Rolling out the new customer focused triage and response model across some of our operational areas, ensuring we work better across our teams to deliver to our customer needs. • Deep dive learn and review model to ensure we learn from any significant complaints and take corrective action.

2. Treating wastewater

The risk of failing to transport and treat wastewater effectively, impacting our ability to return clean water to the environment. This could be due to insufficient capacity, operational issues including severe weather, poor asset management or equipment failures, leading to impacts such as pollution or flooding, causing harm to customers or our environment.

Change in year	Mitigations	Key updates
▲ **Strategic objective** Right for customers Right for the environment Improve asset performance	• Drainage and Wastewater Management Plan. • Operational technology to optimise assets in real time. • Asset data management and integration to enable effective monitoring and maintenance planning including chemical dosing, sampling programmes, site inspections. • Customer and Field, Asset Management, River Health and Pollution teams supported by 24/7 central control and wastewater service partners. • Customer engagement programmes focusing on safe use of the wastewater network.	• Investment being brought forward from AMP9 to improve our treatment works and networks to ensure compliance. • Development of interactive Drainage and Wastewater Management Hub and event duration monitoring on our website. • Significant investment in the year to install customer sewer alarms, reduce storm overflows, and improve bathing water quality. • Pollution Incident Reduction Plan in place, which has been reviewed by Cranfield University. • Ongoing delivery of the Water Industry Natural Environment Programme, which has seen a projected 72% reduction in phosphorus in Yorkshire rivers since it began.

3. Enough clean, safe drinking water

The risk of disruptions to the supply of clean water to customers or an environmental impact from our clean water operations. This could be due to insufficient network capacity, equipment and infrastructure failures, raw water contamination, inadequate maintenance, or other factors.

Change in year	Mitigations	Key updates
▲ **Strategic objective** Right for customers Right for the environment Improve asset performance	• Drinking Water Safety Plan, Water Resource Management Plan and Drought Plans • Governance and oversight programmes for key performance outputs, such as reservoir safety and integrity, and water quality sampling and improvement programmes. • Monitoring of water supply and quality metrics. • Onsite power generation and uninterrupted power supply systems at many sites to mitigate against external power disruption. • Customer and Field, Asset Management, Production, Distribution, Quality and Efficiency teams supported by 24/7central control and clean water service partners.	• Moving to predictive and preventative maintenance of assets using condition and performance monitoring. • Raw water levels being actively monitored with mitigation plans deployed to address low levels when necessary. • Calm networks training delivered to all field staff to reduce network failure. • Significant improvement in our Compliance Risk Index, which is a measure of our water quality. • 20,000 smart meters exchanged and a further 80,000 installed in the year. • The procurement of a new contract with Water Direct to provide alternative water supply support in the event of interruption. • Various power resilience groups established to improve asset resilience, share best practice, monitor, coordinate, respond and recover from unplanned power outages and disturbances.

4. Climate change and carbon transition

The risk that we may fail to adapt to climate change and achieve carbon targets, due to insufficient planning, investment or delivery. This could lead to unacceptable service levels due to weather events, failure to meet performance commitments, excessive costs, plus damage to our assets.

Change in year	Mitigations	Key updates
■ **Strategic objective** Right for customers Right for the environment	• Partnership approaches to develop resilient low-carbon assets and system-based solutions, including engagement with steering groups and consultation across the region. • Development and on-going delivery of Yorkshire Water's rapid emission reduction plan. • Integration of whole life-cycle carbon considerations within the capital delivery process. • Adaptive pathway approach to allow flexible decision-making in key plans. • Whole-catchment management and nature-based solutions to maintain a resilient water supply and wastewater network. • Flood response plans, vulnerable asset plans and natural flood management techniques.	• Climate change has informed our long-term plans, including those submitted as part of PR24. • Improvements in renewable energy generation through our bioresources and solar programmes have enhanced our power resilience and reduced emissions associated with energy use. • Key partnerships are ongoing, such as Living with Water in Hull and East Riding, and Connected by Water in South Yorkshire. • Publication of the Yorkshire Water 2025 Climate Adaptation Report.

5. Public and colleague safety

The risk of failing to protect the safety, health and wellbeing of our colleagues, contract partners and customers, as a result of ineffective identification, design of operation of necessary controls, which leads to harm.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business	• Health and safety policies, procedures and standards are compliant to ISO 45001 Occupational Health and Safety. • Mandatory safety training for colleagues and contract partners. • Clear communication strategy for both colleagues and customers. • Monitoring incidents and near misses, including lessons learnt activities. • Health and safety site visits and inspections. • Process Hazard Reviews testing process safety controls and identifying any action plans. • Life-saving rules and Stop Work principle embedded in the business to provide all colleagues with key safety advice. • Strong governance in place with health and safety discussed at every Board and Executive meeting, as well as at the Safety, Health and Environment Committee of the Board.	• Continued focus on wellbeing with mental health first aider training programmes, wellbeing groups and leads representing all business areas. • Continued low level of Lost Time Injury Rate in the year. • Colleague Personal Safety and Security working group to support colleague safety in the field. • New Partner Health, Safety and Environment Directors' Forum, and continued strong engagement with contract partners.

6. Supply chain issues

The risk that an event in our supply chain may disrupt the flow of materials or services from suppliers to Yorkshire Water, leading to business disruption.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business	• Proactive contract and supplier management. • Robust commercial agreements designed to secure value. • Monitoring of short, medium and long-term supply chain risks, including financial health. • Strengthened in-house expertise in relation to supplier and contract management.	• Our plans for AMP8 include governance and optimisation initiatives to mitigate any loss of supply chain or significant disruptions. • Framework agreements have been put in place for AMP8 where appropriate. • We continue to use local suppliers where appropriate, in line with our Sustainable Business Framework. • There has been considerable activity in readiness for the Procurement Act 2023.

7. Technology and data

The risk of our data being unreliable, and failures in our technology or data systems and processes leading to adverse impacts to our operations, customer services, or to our decision making and reporting.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business Strategic change	• Information and operational technology frameworks. • Technology incident response processes and business continuity plans. • Technology asset monitoring (detection and response) tools. • Data governance and data quality frameworks with associated forums and processes, including change advisory boards. • Data loss prevention tools. • Supplier relationship frameworks, policies for engagement, contract management and business continuity plans. • Key resource and supplier engagement for critical technology.	• Mobilised and expanded resources in our Technology Governance Risk and Compliance function. • Developed and embedded the Technology Audit Control Framework. • Enhanced review of technology and data risks, building on current approach and methodology to enhance oversight and response.

8. Physical and cyber security

The risk that our core operational capabilities are compromised through physical or cyber threats, resulting in insufficient services to our customers, regulatory breaches and colleague impacts.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business	• Security compliance framework and related assurance activities. • Security governance and oversight in place including governance and risk frameworks at all levels in the business. • Policies, standards and procedures to support user access control, and identity and access management ensuring colleagues have the right access to do their jobs. • Network security and endpoint protection to reduce risk of cyber breach. • Mandatory training for all colleagues covering all aspects of cyber and protective security. • Physical security controls appropriate to criticality of assets. • Incident response and business continuity plans.	• Cyber Security Resilience Bill readiness activities. • Invested in heightened threat intelligence capabilities and tools. • Established Security Steering Group delivering cyber security strategy, risk management framework, regulatory compliance and holistic security governance. • Training, development and communications to all colleagues focused on maturing the security culture, including phishing simulations.

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9. Political, regulatory or statutory change

The risk that we fail to effectively influence and then adapt to changes in the political and regulatory landscape, or that we are not able to secure outcomes that enable us to deliver in line with our commitments for customers and the environment.

Change in year	Mitigations	Key updates
■ **Strategic objective** Sustainable business	• Annual strategic review including horizon scanning of medium and long-term risks. • Strong stakeholder relationships and participation in national working groups, such as Water UK and UK Water Industry Research. • Engagement with key stakeholders, both locally and nationally, to ensure a strong understanding of their needs and expectations.	• Engagement in the Independent Water Commission and responding to the call for evidence in detail. • Activities to ensure readiness for the Water (Special Measures) Act secondary legislation.

10. Delivery of required strategic change

The risk of failing to deliver the strategic change required to deliver our plans for AMP8, resulting in our financial and strategic objectives not being realised, impacting on colleagues, customers and the environment.

Change in year	Mitigations	Key updates
▲ **Strategic objective** Strategic change Right for customers Right for the environment	• Established Enterprise Change function, providing governance and driving collaboration. • Senior Change Business Partners, dedicated training teams and engagement plans ensuring colleagues are supported through change programmes from readiness to implementation. • Regular programme boards including change release plans and benefits sustainability reviews. • Agile internal audit assurance throughout the change programmes. • Development of dashboard reporting and Performance Excellence measures to monitor progress.	• Strategic change has been delivered in multiple areas in the year, including through people initiatives, new ways of working in wastewater, improved technology solutions for customers, and improvements in data quality. • Implemented our Drive to Thrive programme, capturing lessons learnt from change delivered in AMP7, which will govern the large-scale strategic change programme for AMP8.

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11. Compliance

The risk of failing to comply with our legal and regulatory obligations, either through failing to identify and understand requirements, or through failing to deliver on these through our policies, processes, systems, colleagues and partners, leading to adverse outcomes for customers or the environment, as well as reputational and financial impacts.

Change in year	Mitigations	Key updates
Strategic objective Right for customers Right for the environment Sustainable business	• Compliance framework to cover how we identify, assess and manage our obligations, encompassing all requirements including roles and responsibilities, controls and improvement plans. • Central compliance register which logs all obligations and framework activity, including improvement actions as needed. • Dedicated central Compliance team providing oversight, reporting and challenge supported by compliance leads and subject matter experts across the business. • Integrated Management System which has been developed with policies, procedures, and standards accredited to relevant ISO standards, which supports all operational teams. • Mandatory compliance e-learning modules for colleagues.	• We have refreshed our internal compliance assessment methodology, with the aim of enhancing visibility of areas that need improvement. • Central Compliance and Risk teams working collaboratively to enhance documentation and assessment of compliance risks. • Focus on compliance through the refresh of our strategy and colleague behaviours.

12. Financial sustainability

The risk of failing to meet our financial obligations and/or access funding at acceptable market rates, due to deteriorating financial metrics, credit rating downgrades or capital market turbulence.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business	• Annual long-term viability assessments • Annual budget approved by the Board with appropriate headroom on financial metrics, subject to monthly performance reporting, analysis and action as needed. • Quarterly treasury update to the Board. • Financial treasury policies and procedures, including 15-month liquidity target. • Controls through financial risk management policies and processes. • Dividend policy aligned with Ofwat guidance and licence conditions, requiring financial resilience to be considered by the Board prior to any payments. • Regular support from external and internal specialists, and in-house counsel.	• We received a £100m intercompany loan repayment from Kelda Eurobond in May 2024. • Two credit rating agencies, Standard & Poor and Fitch, downgraded our Class A debt and Class B debt by one notch during the year, however the outcome of the Final Determination means we now have a stable outlook across all three of our rating agencies. • As of 31 March 2025, we have £1.6bn of available liquidity, sufficient to cover cashflows until September 2026.

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13. People: talent, culture, succession, and retention

The risk that organisational capacity and capability may be impacted by a decline in employee morale, trust, and goodwill, due to Yorkshire Water not having the right policies, procedures or career opportunities in place.

Change in year	Mitigations	Key updates
Strategic objective Engaged, high-performing team	• Documented people policies, standards, procedures and toolkits supporting the recruitment and ongoing management of colleagues. • Mandatory training and further development opportunities including the Learning Academy and leadership pathways. • Performance Excellence Framework including Talking Performance with coaching support. • Stakeholder engagement with Trade Unions at all levels. • Equality, Diversity and Inclusion initiatives with various networks. • Twice-yearly Yorkshire Voice survey with leaders' analysis and action tracking. • HR business partner model established supporting the wider business.	• Delivered a multi-layered leadership development offering, including for existing and aspiring leaders. • Inaugural "Drive to Thrive" awards championing colleagues who have embodied the required behaviours and values. • Redesigning the Yorkshire Water culture and behaviours aligned with AMP8 objectives and the long-term strategy. • Colleague pension rewards and flexible benefits scheme simplified. • Enhanced Equality, Diversity and Inclusion reporting with updated Yorkshire Voice questions and diversity.

14. Responsible land and property management

The risk that we fail to effectively manage our land and property either through failing to identify and understand requirements, or through failing to deliver these, resulting in us not meeting the needs of our business, colleagues, tenants, partners and the environment, and our legal and regulatory obligations.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business Right for customers Right for the environment	• Strong stakeholder and partner relationships to ensure that we optimise our land holding, while managing and mitigating risks. • Buffer zones established around Sites of Specific Scientific Interest (SSSIs) to protect from construction and operational activities. • Membership of groups, such as the Major Landowners Group, to enable strategic issues to be raised and resolved. • Health and safety activity including building condition surveys and communication campaigns to increase customer awareness and safety on our land and property. • Regular hubs, reporting and monitoring in relation to our land and property, as well as regular audits and inspections by internal and external teams.	• SSSI Steering Group established to support compliance with our SSSI favourable condition expectations by 2042. This includes the SSSI improvement plan in which we provide progress updates, including issues and actions required to meet the SSSI targets. • Emerging land use considerations such as Biodiversity Net Gain requirements being assessed for implementation. • Enhanced building surveyor resources to manage, monitor and maintain rural, residential, recreational and corporate buildings.

15. Governance, conduct and organisational resilience

The risk of failing to meet the expectations of our stakeholders in relation to our conduct, reporting or our business resilience, through insufficient governance and oversight. This could result in reduced stakeholder trust and inadequate resilience.

Change in year	Mitigations	Key updates
Strategic objective Sustainable business	• Board oversight of governance and conduct. • Integrated assurance approach across second and third line assurance activity. • Code of Ethics in place to set out the expected conduct of colleagues and partners, with mandatory training provided for all colleagues. • Specialist Legal, Data Protection, Risk, Internal Audit, Compliance and Organisational Resilience teams supported by external expertise providing the wider business with advice and guidance. • Suite of policies and audits to manage risk of material fraud. • Liaison with external emergency responders and Local Resilience Forums, as well as national groups in relation to resilience.	• Testing of our resilience plans in the year, both internally and as part of external exercises. • Key focus on assurance processes and reporting to meet evolving regulatory expectations. • Programme of risk deep dives and review of risk appetite at Board level. • Privacy by Design approach for system changes increasing automation and reducing risk of data breaches caused by human error.

Going concern and long-term viability

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the **Financial statements**. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the **Financial statements**. See **note 1** of the **Financial statements** for full going concern considerations.

Long-term viability

The Board has assessed the Long-term Viability (LTV) of the company, taking account of the current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. Based on this assessment, the Board has a reasonable expectation that the business will be able to continue in operation and meet its liabilities as they fall due over the seven year period to March 2032. This takes the company through AMP8 and beyond into the first two years of AMP9.

To make this statement the Board has assessed viability using the company's strategic planning process, which includes the risks associated with the impact of climate change, economic uncertainty and recent global events.

Basis of assessment

The Board's assessment of the company's current financial position is set out in the **Chief Executive's overview** and the **Chief Financial Officer's report**. The following key elements of that assessment which are most relevant to the assessment of viability are:

- Support from shareholders in providing a £100m repayment of intercompany loans in May 2024, in addition to the repayment of £400m in June 2023, accelerating the repayment schedule agreed with Ofwat. The remaining balance of £437m plus any accrued interest is due by March 2027, further strengthening financial resilience during AMP8;
- The issuance of £800m of new debt throughout the year, of which £650m was public bonds issued in July 2024 and January 2025, resulting in 18 months of liquidity at the year-end;
- These financings demonstrated both the ability of the company to continue to raise finance and also the continued interest from global investors;
- The company's regulated gearing has increased to 70.3% at March 2025, up from 68.6% a year earlier, which reflects the significant capital investment made by the company over the last year. Following the intercompany loan repayment due in March 2027, regulatory gearing is forecast to return below 70%, providing significant headroom to maximum gearing levels included within the company's securitised structure. Our regulated gearing is slightly different from the covenanted gearing shown in our **Key performance indicators (KPIs)** section, as these are calculated on slightly different bases; and
- The company's credit ratings with three agencies (Fitch, S&P and Moody's) all have headroom above the investment grade level.

A further critical aspect of the LTV assessment is that Yorkshire Water is a regulated long-term business with relatively stable revenues, which provide a higher degree of cash flow certainty. The water industry in England and Wales is currently subject to economic regulation, rather than market competition. Ofwat, the economic regulator, has a statutory obligation to secure that water companies can finance the proper carrying out of their statutory functions. Ofwat meets this obligation by setting price controls for five year periods. These price controls include mechanisms that reduce the risk of variability in revenues for the regulated company in the medium term by adjusting future revenues to compensate for any in-year over or under recovery compared to allowed price controls.

Our LTV assessment period primarily covers the next of these AMPs, with the base data for the 2025 to 2030 period reflecting our PR24 Final Determination received from Ofwat in December 2024. Our PR24 Business Plan includes a significant increase in investment in the business to £8.1bn (2023 prices net of frontier shift, grants and contributions) which will require additional financing to support.

Our assessment for the period beyond AMP8 is based on the following assumptions:

- Ofwat will issue a Final Determination for AMP9 that provides a fair balance between risk and reward for investors, enabling us to raise the financing required.
- Ofwat's statutory duty to secure that companies can finance the proper carrying out of their functions.
- The company's financial structure
- The successful execution of the company's plans for AMP8 would deliver benefits to all stakeholders, together with financial incentives that would help to further strengthen our financial resilience in the period beyond 2030; and
- The company's longer range plans, as set out in our PR24 Long-Term Delivery Strategy, Water Resources Management Plan and Drainage and Wastewater Management Plan.

The planned investment programme is expected to be largely funded through access to capital markets. Our strategic funding objectives reflect the long-term nature of the company's business and we seek to obtain a balance of securing long-term funding at the best possible economic cost. Our Treasury Policy requires us to target sufficient liquidity to cover non-discretionary cash flow requirements for a rolling period of 15 months or more to provide contingency in the event that capital market access is temporarily restricted. Our treasury team actively manages the maturity profile of debt to avoid concentration risk and spread the timing of refinancing requirements. The weighted average maturity of debt at the balance sheet date was 12.5 years excluding swaps.

Our business plan for AMP8 includes a significant increase in the size of our capital programme. We have made an early start to this and have significantly increased our run rate across the last year to provide confidence that we can achieve the run rate required to deliver the AMP8 programme. We recognise the requirement for equity funding to contribute towards the financing of the capital programme. Our Investors have provided £500m of additional finance through the repayment of intercompany loans in 2023 and 2024, with a further c£600m including accrued interest anticipated by March 2027.

Assessment period

The Board has considered the appropriate length of time over which to provide the viability statement. In making their assessment, they have taken account of the balance between timescale and robustness of analysis, together with the five year AMPs that the company operates within.

The long-term nature of the water sector, together with the relatively stable revenues and requirement of Ofwat to secure that water companies can finance the proper carrying out of their functions, help support considering a longer period of assessment. However, the changing nature of regulation within the water industry, climate change, and the current uncertain geopolitical and macroeconomic outlook, increase the uncertainty within our base projections, which reduces the robustness of any analysis in the longer-term.

We have an established forecasting process that provides a detailed medium-term plan through to the end of the AMP8 period in 2030. Ofwat's Final Determination for the AMP8 period helps to provide greater clarity and robustness to our forecasting process through to 2030. Beyond 2030, there is much greater uncertainty as the variability of potential outcomes increases, which reduces the rigour of any forecasting beyond 2030.

Taking the above factors into account, the Board considers that a period of seven years through to 2032 provides an appropriate balance between assessing as long a period as possible, whilst also providing an appropriate level of robustness and assurance to the LTV assessment process.

Our approach to LTV

The diagram below summarises the steps we have undertaken to conduct our assessment of LTV. Further detail of the activities we undertake is also set out in the accompanying narrative.

Step		Description of what we do
1	Business unit risk owners identify and maintain risk data.	**Steps 1 – 4** This is our risk and resilience process.
2	Identify corporate risks, shocks and stresses (impacting company viability).	
3	Identify and map plausible risk scenarios from principal risks.	
4	Risk scenario analysis – operational timing and interconnectivity.	
5	Operational and capital expenditure applied to each plausible scenario for the next seven years, multiplied by the probability of occurrence to give an annual expected monetary value.	**Steps 5 – 8** This is our modelling process.
6	The Executive and Audit and Risk Committee review and approve plausible risk scenarios	
7	Map risks to plausible scenarios and create financial impact profile and agreed timed period.	
8	Model scenarios and consider mitigations.	
9	Assure outputs and results.	**Steps 9 – 10** We carry out our assurance and write our LTV statement.
10	Collate long-term viability statement.	

Risk assessment and creation of scenarios (steps 1-4 on the diagram)

Our process for identifying the full range of principal and emerging risks faced by the company is detailed in the **Managing risks and uncertainties** section, and is intrinsically linked to the company's regular and ongoing risk management process. This extensive risk assessment covers:

- A comprehensive strategic horizon scan of the external risks that affect the sector, as well as risks specific to our company and their potential impact;
- The full range of risks, stresses and shocks which could impact the company over the short, medium and long-term as captured in the corporate risk register, such as financial risks, operational risks, climate risks and regulatory risks
- Potential impacts to the regulatory framework as a result of the Independent Water Commission review;
- Consideration of the people, talent and retention policies and practices that support the company's long-term success;
- All liabilities including pensions, exposure to revenue variation, cost-shocks and other threats which may result in the downgrade of credit ratings; and
- The potential timing, phasing and interrelation of the risks that could combine to increase vulnerability and exposure in our systems.

Our risk assessment takes account of past performance in respect of our ability to deliver for customers which informs our expectations of future performance. This assessment reflects risks specific to the company, and includes risks associated with each of the 15 principal risks detailed in our **Managing risks and uncertainties** section.

We have created a suite of ten risk scenarios as part of our LTV assessment:

- Four Yorkshire Water specific risk scenarios (low, medium, high and extreme);
- Four top-down generic scenarios including total expenditure (totex) overspend, Outcome Delivery Incentive (ODI) penalties (severe and extreme) and financial penalties; and
- Two macroeconomic scenarios reflecting higher inflation and interest rates.

We believe that the suite of ten scenarios that we have considered is based on a robust assessment of the principal risks faced by the business. We have benchmarked the severity of these scenarios against both actual significant events in the past and other scenarios used within the industry, such as those used by the Competition and Markets Authority as part of the PR19 appeal process and those prescribed by Ofwat as part of the financial resilience assessment conducted for PR24.

In considering significant events in the past, we have paid attention to events across the AMP7 period, with a particular focus on the financial year ending 31 March 2023, which is still considered to be an extreme year, with three significant risk events manifesting simultaneously:

- Major drought (the most severe dry weather period in 27 years);
- War in Ukraine, which has had a significant impact on energy and chemical costs; and
- A significant spike in inflation, with a 41-year high in the annual rate in October 2022 with consequential impacts on customers' disposable income.

Each of the above contributed towards additional operational and construction related costs to the company and ODI penalties at a level between the low and medium risk-based scenarios assessed below, but with additional operating costs akin to the extreme scenario. The impact of these additional costs was successfully mitigated through a combination of actions that could be deployed to the suite of ten LTV scenarios.

Viability assessment (steps 5 to 9 of the diagram)

Each scenario includes individual risks, each of which is assigned a potential cost impact by the business unit risk owners supported by operational finance cognisant of historic and emerging cost pressures, together with a probability assessment of each individual risk occurring. These costs and probabilities for each risk are then combined to provide an overall expected cost impact of each scenario, for each year of the seven year period assessed, split between operating costs and capital costs. The cost impact of each scenario is then added together to provide a total potential cost impact that is modelled against our base business plan over the next seven years to enable us to determine whether the business has sufficient headroom to absorb these potential risks. As previously detailed, the overall potential costs do not reflect any available mitigating actions that would be deployed to reduce the overall costs that have been modelled in the LTV assessment. Available mitigating actions are detailed in the following table.

Our base business plan for the next seven years reflects the latest view of our future operational and expenditure plans, as it incorporates:

- Our business plan for the current financial year ending March 2026, updated for our latest debt issuance and the most recent economic assumptions for interest rates and inflation;
- Our AMP8 Business Plan for the period 2025 to 2030, updated to reflect Ofwat's Final Determination issued in December 2024; and
- Forecasts for the 2030 to 2032 period based on our longer range plans, as set out in our PR24 Long-Term Delivery Strategy, Water Resources Management Plan and Drainage and Wastewater Management Plan; together with the assumption that Ofwat satisfies its statutory duty to secure that companies can finance the proper carrying out of their functions.

In addition to the above forward stress testing based on specific scenarios, we have also conducted reverse stress testing by assessing how much headroom is inherent within our key financial ratios. The benefit of reverse stress testing is that it provides an excellent indication of the amount of resilience in the plan, irrespective of the risks identified. It shows whether risks are identified through detailed bottom-up analysis, precedent set historically since privatisation, or expert opinion and judgement, and the ability to cope with shocks is explicit and quantified.

The table that follows summarises the ten scenarios assessed, together with the potential impacts on our viability and the mitigations available to reduce that impact.

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 15 principal risks	**Low principal risk scenario** • Multiple risks assumed to occur simultaneously in a combined scenario. • Lower risk frequency: impact may occur once over a five to seven year period.	• Risks occurring lead to increase in cost to ensure base performance levels maintained. • Cost under-performance in all years of the forecast.	• An increase in costs of c£100m in year one and c£59m pa on average in AMP8. • Equivalent to c5% cost overspend in year one.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Insurance proceeds. • Working capital management. • Engagement with rating agencies.
All 15 principal risks	**Medium principal risk scenario** • Multiple risks assumed to occur simultaneously in a combined scenario. • Medium risk frequency: Impact may occur once every five years.	• Risks occurring lead to increase in cost to ensure base performance levels maintained. • Cost under-performance in all years of the forecast.	• An increase in costs of c£124m in year one and c£80m pa on average in AMP8. • Equivalent to c7% cost overspend in year one.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Insurance proceeds. • Working capital management. • Engagement with rating agencies.
All 15 principal risks	**High principal risk scenario** • Multiple risks assumed to occur simultaneously in a combined scenario. • High risk frequency: Impact may occur once every two years.	• Risks occurring lead to increase in cost to ensure base performance levels maintained. • Totex under-performance in all years of the forecast.	• An increase in costs of c£139m in year one and c£144m pa on average in AMP8. • Equivalent to c8% cost overspend in year one.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Insurance proceeds. • Working capital management. • Engagement with rating agencies. • Trigger protections. • Re-profiling of capital expenditure.

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 15 principal risks	**Extreme principal risk scenario** • Multiple risks assumed to occur simultaneously in a combined scenario. • Very high-risk frequency: Impact occurs every year for all seven years.	• Risks occurring lead to increase in cost to ensure base performance levels maintained. • Cost under-performance in all years of the forecast.	• An increase in costs of c£172m in year one and c£183m pa on average in AMP8. • Equivalent to c9% cost overspend in year one.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Insurance proceeds. • Working capital management. • Engagement with rating agencies. • Trigger protections. • Re-profiling of capital expenditure. • Debt or swap restructuring exercises.
All 15 principal risks	**Wholesale cost overspend scenario** • Multiple risks assumed to occur simultaneously in a combined scenario.	• Risks occurring lead to increase in cost to ensure base performance levels maintained. • Wholesale cost under-performance in all years of the forecast.	• A wholesale cost overspend of 10% pa versus Final Deter-mination allowance. • Equates to an overspend of c£173m in year one and c£181m pa on average in AMP8.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Insurance proceeds. • Working capital management. • Engagement with rating agencies.

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 15 principal risks	**Severe ODI scenario** • Multiple risks assumed to occur simultaneously in a combined scenario.	• Risks occurring lead to service failure resulting in ODI penalties. • ODI penalties in each year of the forecast.	• ODI penalties per annum equivalent to 1% RoRE. • Equates to a penalty of c£53m pa on average in AMP8.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above trigger levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.	• Focused risk management. • Coordinated cost saving initiatives. • Engagement with rating agencies.
All 15 principal risks	**Extreme ODI scenario** • Multiple risks assumed to occur simultaneously in a combined scenario.	• Risks occurring lead to exceptional service failure resulting in extreme ODI penalties. • ODI penalties in one year of each AMP of the forecast.	• ODI penalty in single year equivalent to 3% RoRE. • Equates to a penalty of £135m.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced but remain above default levels. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade given only one year impact.	• Focused risk management. • Coordinated cost saving initiatives. • Re-profiling of ODI penalty. • Engagement with agencies.
Financial Sustain-ability	**Financial penalty scenario** • Breach of law or regulations results in a significant one-off penalty.	• Significant financial penalty in a single year.	• Penalty equivalent to 6% of revenue applied to turnover in one year (2025). Equates to a penalty of £77m.	• Increased gearing but remain within covenant limits. • Interest cover below default level in year penalty paid. Covenant levels would remain above default if penalty applied in any other year. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade given only one year impact.	• Focused risk management. • Coordinated cost saving initiatives. • Atypical cost classification. • Engagement with agencies.

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
Eco-nomic	**Inflation spike scenario** • Significant short-term increase in inflation.	• Significant spike in inflation in one year, followed by high inflation for further two years. • Increase in wedge between RPI and CPIH.	• Inflation spike to 10% in year one, followed by two years at 5%. • 2% increase in RPI wedge.	• Increased gearing but remain within covenant limits. • Headroom against interest cover covenants reduced in the short-term but remains above default levels. Headroom increased in the longer-term. • Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.	• Focused risk management. • Coordinated cost saving initiatives. • Working capital management. • Engagement with agencies.
Eco-nomic	**Interest rate scenario** • Increase in interest rates.	• Increase in new debt and refinancing costs. • Increase in Sonia rates.	• 2% increase in interest costs above those assumed within the base forecast for all years.	• Yorkshire Water's current hedging position provides significant protection against interest rate risk in the medium term. • Headroom against interest cover covenants reduced slightly but remains above trigger levels. • No material change to credit metrics.	• Focused risk management. • Debt or swap restructuring exercises.

The mitigating actions available are described in more detail in the table below. As noted earlier, a number of these were successfully implemented during the 2023 financial year to mitigate the impacts of the extreme events occurring in that year.

Mitigating action	Details
Focused risk management	We monitor early warning indicators for corporate risks, particularly those with a fast speed of onset. We also regularly review business resilience and business continuity plans to ensure efficient response where risk manifests.
Coordinated cost saving initiatives	We would review discretionary expenditure to identify costs that could be avoided or reduced without a detrimental impact to customer service. The LTV scenarios noted earlier also assume events repeat in multiple years; however, following an event we would review our processes to reduce the chance of the event happening again, or reduce the potential impact of any future events.
Atypical cost classification	The LTV assessment does not assume that any of the additional costs could potentially be classified as atypical and be excluded from our covenanted metric calculations. Whilst ratings agencies do not exclude atypical costs, they will apply judgement and, if they consider a situation to be temporary, they will focus more on expected performance in the future.
Engagement with Rating Agencies	The LTV assessment has focussed on key financial metrics, such as interest cover ratios and Fund from Operations to debt; however, these metrics are just one element of a ratings agency assessment and judgement is also applied. Where a metric threshold for a particular rating is not met, a downgrade might not necessarily be applied if the agency considers the situation to be temporary and likely to reverse in the future.
Insurance proceeds	We have insurance cover against a number of the risk events detailed earlier but have not assumed any insurance recoveries within the LTV analysis.
Working capital management	We would work with our suppliers to negotiate a short-term extension to our credit terms, where appropriate.
Re-profiling of capital expenditure	By deferring elements of capital expenditure, we could mitigate the impact of significant events on our cash flow.
Re-profiling of ODI penalty	Ofwat's PR19 reconciliation rulebook notes that where ODI adjustments exceed +/- 1% of RoRE, companies can ask to defer the excess to a subsequent year to mitigate extreme cash flow. The impact of this would be to reduce the impact of the Extreme ODI scenario down to the Severe ODI scenario.
Trigger protections	As detailed further below, our securitised financing arrangements include a number of creditor protections that ultimately benefit customers, particularly during periods of financial stress.
Debt or swap restructuring exercises	We would seek to reduce interest costs where possible, either through the use of long initial interest periods when refinancing or raising new capital, or reprofiling interest payments within our derivative portfolio.

When selecting which mitigating actions to apply, we would look to balance the interests of all stakeholders whilst prioritising those mitigating actions that would not lead to a breach of our commitments to our customers.

Securitised financing arrangement

Yorkshire Water, its immediate parent company and its two financing subsidiaries constitute the YWFG and are all party to the financing documents that underpin the securitised debt platform used to finance Yorkshire Water's activities and investments.

The financing documents establish a contractual ring-fence that complements and enhances the licence ring-fencing conditions. Also, it means the YWFG has a consistent package of covenants which it must comply with, where no secured creditor is put in a more favourable position than any other, for example, an ability to call an event of default and carry out enforcement action independently of other creditors.

This package of covenants is extensive and includes a number of creditor protections that ultimately benefit customers, particularly during periods of financial stress. These protections provide the opportunity to address issues proactively before they become critical and prevent Yorkshire Water being able to secure finance. There are information undertakings that require the biannual publication of pre-defined covenant certificates and investor reports. Covenanted credit metrics are reported for forecasts over the remainder of an AMP as prospectively as well as historically since privatisation.

Specified trigger events are included in the financing documents as early warning signs of possible stress on the YWFG. A trigger event would result in actions required to be taken by Yorkshire Water with the intention of putting the business on a stable footing and avoiding a default. If a default should occur, then there is an automatic 18-month standstill period, during which secured creditors agree not to take enforcement action. This standstill period can only be ended by a resolution or waiver of the default, a special administration order or a vote by the secured creditors to proceed to enforcement.

In addition, Yorkshire Water is required to have committed liquidity facilities to provide a robust mechanism for payment of interest costs during a standstill period. This provides creditors the comfort to allow a standstill period to be used to seek a resolution for a default. Our LTV testing focuses on the default trigger levels within these covenants.

Note 17 to the **Financial statements** sets out more information on the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

Liquidity facilities

At 31 March 2025, Yorkshire Water has available committed credit facilities as follows, in addition to cash balances of £490.5m:

- £630m Revolving Credit Facility provided by a syndicate of six banks, due to expire in November 2029 and which was undrawn;
- £80m bilateral committed credit facility due to expire in 2027 and which was undrawn;
- £220m debt service reserve liquidity guarantee from Assured Guaranty that runs to March 2030. Yorkshire Water can request it is extended annually to maintain the five-year term; and
- £148.5m 364-day liquidity facility to cover operating and maintenance expenditures, provided by a syndicate of five banks and renewed annually in March.

The two liquidity lines are standby arrangements, which are unutilised at 31 March 2025 and would only be used when Yorkshire Water has no other available liquidity. The facility sizes are assessed annually to cover a year's interest costs and 10% of operating maintenance spend in accordance with requirements of the securitised financing arrangements. In addition, we are required to set aside 1/12th of our annual interest bill each month into a debt service account, which can build up before major settlements on debt and swaps.

As a result of the available facilities, the company has sufficient cash and available liquidity facilities to fund its financial commitments for at least the next 15 months.

Within the stress testing conducted we have assumed new debt would be raised to fund the additional costs incurred. In the event that new debt could not be raised due to external market factors, there is adequate capacity within the current liquidity facilities to fund the additional costs included within the LTV scenarios in any year.

Stress testing conclusion

The stress testing above indicates that none of the scenarios would result in an impact to the company's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered to be a threat to the company's viability over the seven-year period through to 2032.

Yorkshire Water has confidence that it will be able to continue to raise the necessary new debt under any of the scenarios considered above given its successful track record since its securitised financing structure was implemented in 2009. Management of key credit ratios against covenants is regularly reviewed to ensure that Yorkshire Water meets its obligations, and to provide the ongoing assurance that the debt obligations can be serviced, and future requirements can be funded. Using this financing structure, Yorkshire Water has been able to maintain access to several different sources and has raised debt in public and private markets as well as bilaterally.

In assessing the viability of Yorkshire Water, the Board has taken account of:

- The detailed financial projections developed as part of the planning process, which include the best available information about AMP8 and AMP9;
- The downside sensitivities and stress testing linked to the risk management process described above;
- Yorkshire Water's robust solvency position, including its likely ability to raise new finance in most market conditions;
- The strength of mitigations available and the stability which exists under the regulatory model; and
- Ofwat's statutory obligation to secure that water companies can finance their statutory functions.

Taking account of this information, the Board has concluded that there is a reasonable expectation that Yorkshire Water will be able to continue in operation and meet its liabilities as they fall due over the assessment period.

Governance and assurance

We have applied our three levels of assurance model over our LTV statement, as detailed earlier in this **Strategic report**. Robust internal assurance is provided by a working group, senior manager review at a Finance Governance Group meeting level, and Executive and Board review to ensure the LTV statement was produced in line with the UK Corporate Governance Code and Ofwat's Information Notice. The Board also reviews and approves the medium-term plan on which this viability statement is based.

The Board is supported by the Audit and Risk Committee in performing their review. This statement has also been reviewed by the company's auditor, Deloitte LLP, to ensure there is no material inconsistency between this and the **Financial statements**, or the knowledge obtained during their audit.

Section 172 (1) statement

At Yorkshire Water, we consider ourselves to be an anchor institution, which means that our long-term sustainability is tied to the wellbeing of the people we serve. Most of our colleagues are also customers and live surrounded by other customers, the communities we serve, the environment in which we operate, and the local suppliers that we support.

When Yorkshire Water has an impact on the stakeholders in Yorkshire, this is felt by many across our organisation. This means that it is essential that our Board does not just have 'regard' to our key stakeholders, as required by section 172 of the Companies Act 2006, but is always aware of how the company impacts upon them, both now and in the long-term.

The water sector continues to receive negative media, and now more than ever it is important for the Board to be building trust amongst our stakeholders, through open, honest and constructive relationships so we can understand what matters most to them.

Several examples of the interactions of the Board with stakeholders during the year are shown in the section on our **Board of directors**. The following pages set out some more detail on stakeholder interactions and there are some specific examples of how the views of our stakeholders have influenced decisions by the Board during the year.

Stakeholder – customers

Customers are at the heart of our corporate strategy for 'a thriving Yorkshire, right for customers and right for the environment'. We want to continually improve our customer experience and to do that we have to understand what our customers expect from us.

How have we engaged?

We have a Customer Insight team at Yorkshire Water who run surveys and focus groups throughout the year to understand the sentiment of our customers and the issues that are important to them. Some of our Board members attend the focus groups as observers so that they can hear first-hand from customers.

During the year, the Board also received two deep dives into customer experience; one considering risks in relation to customer experience and the key risk indicators used to measure these, the other focused specifically on performance and the steps being taken to seek to improve customer satisfaction.

The Board also received regular updates on the modernisation programme during the year, which focused on improving service to customers through changing internal structures, systems and customer-facing roles to provide a more efficient and more seamless service to customers.

The Board also hears updates on customer-related matters at every Board meeting, from our Director of Customer Experience, and receives customer satisfaction metrics every month regardless of whether there is a Board meeting or not.

What has our engagement told us?

We know that the main priorities of our customers are:

- Having a continuous supply of safe drinking water;
- Keeping bills affordable for all; and
- Preventing sewage from entering homes and businesses.

Stakeholder – environment

The environment is key to all that we do at Yorkshire Water. We are reliant on it for our water resources, now and in the future, and we treat and return wastewater to it and must do that responsibly. The environment impacts on the quality of our raw water and we own a significant amount of land that provides an outdoor environment for the communities we serve to enjoy.

How have we engaged?

As a business, we engage with multiple organisations that work to protect and enhance the environment, such as the National Trust, the Yorkshire Wildlife Trust and local Rivers Trusts. This engagement is reported to the Public Value Committee and Board through updates on specific partnerships, environmental initiatives and through business cases for investment.

During the year the Board visited our Living with Water partnership in Hull to see first-hand the work being done in Hull through the partnership to alleviate flood risk.

We also seek to work closely with our environmental regulator, the Environment Agency, at both a regional and national level. Our Board has met with the Regional Director during the year to hear directly how we might improve in our approach to the environment, and our Chair and CEO both meet regularly with their counterparts from the Environment Agency to understand their expectations and any areas where we can improve.

What has our engagement told us?

We know that the most important environmental matters relate to:

- Reducing our storm overflow discharges;
- Working with partners to protect the environment from the effects of climate change; and
- Protecting our water resources, including through reducing leakage.

Stakeholder – colleagues

Our colleagues remain our greatest asset and understanding their thoughts and feelings is key to us improving our business performance, as well as the Board ensuring that the desired culture is embedded across the business.

How have we engaged?

We run a Yorkshire Voice survey twice a year which seeks to understand how our colleagues are feeling, and the feedback from this is shared with the business, with the Executive team and Board receiving detailed information on the views expressed through the survey.

The Board met with senior leaders from the business at an informal dinner during the year, to provide an opportunity for the senior leaders to talk openly with Board members about anything on their minds, the Board also had dinner with the Executive team, again to provide an opportunity for open and honest conversation.

The Board has also met with Trade Union representatives during the year to hear the views of Trade Union members directly from their convenors, and received an update on equality, diversity and inclusion within Yorkshire Water to understand the ongoing work in this area and the targets that had been set in relation to diversity.

The Board also engages with colleagues on each of their site visits and these are done both collectively and individually throughout the year. Collective visits have taken place at our Elvington Water Treatment Works and at various sites on the Living with Water programme in Hull.

What has our engagement told us?

We know that colleagues are most concerned about:

- The external reputation of the business and the negative media received;
- Workload; and
- Recognition.

Stakeholder – communities

As an anchor institution within Yorkshire, we believe Yorkshire Water can play a significant role in helping and supporting the communities that we serve.

How have we engaged?

As a business we engage with our customers regularly which also gives us insight into the communities that we serve.

During the year the Public Value Committee has heard about a community engagement pilot taking place across Yorkshire Water, working with an organisation called Participate to support two local charitable organisations in Leeds with voluntary support and operational expertise. This pilot has matched volunteers from within Yorkshire Water with community schemes that can make use of their time and expertise, and has proved hugely beneficial for the colleagues who have participated, as well as significantly increasing our understanding of how we can better support the communities around us. The aim is for the pilot to be scaled up to enable all colleagues to have the opportunity to support local charitable causes across Yorkshire, that would benefit from colleague time and expertise.

We also work in communities, raising awareness of the financial support we can provide to customers, as well as engaging with children in schools to teach them both about water use and safety around water.

What has our engagement told us?

We know that the matters most important to the communities around us are:

- Access to our green spaces;
- Clean drinking water; and
- Keeping sewage in our pipes.

Stakeholder – investors

At Yorkshire Water we have four investors, who own shares in our ultimate holding company, Kelda Holdings Limited.

How have we engaged?

All four of our investors have a representative on the Yorkshire Water Board. Our investors are therefore directly involved at a Board level, which means we are able to ensure they are all treated fairly and their views are represented in Board-level decisions.

What has our engagement told us?

The matters of key concern to our investors are:

- The investability of the sector;
- Improving our customer service and operational performance; and
- Demonstrating the highest standards of business conduct.

Stakeholder – suppliers

Our supply chain is an essential part of our business and we are keen to understand the thoughts and priorities of our suppliers, many of whom are local to Yorkshire.

How have we engaged?

We engage with our suppliers in multiple different ways, depending on the extent of the services provided by the supplier. We classify each supplier as gold, silver or bronze and have identified some as 'strategic suppliers', with different levels of engagement and contract management depending on the classification of the supplier.

The Board receives updates on supplier performance at regular intervals throughout the year and has met with a number of suppliers during the year through the Safety, Health and Environment Committee, where the suppliers are specifically asked to provide feedback on their experience of working with Yorkshire Water.

What has our engagement told us?

The things that matter most to our suppliers include:

- Trust and transparency;
- The local economy in Yorkshire; and
- Behaving ethically and responsibly.

Stakeholder – regulators

The water sector is a highly regulated sector and our regulators are therefore amongst our key stakeholders. We seek to build good relationships with each regulator to better understand their expectations and how we can best align to these.

How have we engaged?

We have multiple interactions with our regulators at all different levels of our organisation. The Board has had face-to-face meetings with representatives from Ofwat, the Environment Agency and the Drinking Water Inspectorate during the year and has heard direct feedback from each on their requirements and their experience of working with Yorkshire Water.

We also respond to consultations on future regulation to ensure that we are contributing to the debate on how regulation could evolve. All of our responses are shared with the Board to keep them informed.

What has our engagement told us?

We know that our regulators are most focused on:

- Regulatory compliance which delivers for customers and the environment;
- Financial resilience; and
- Strong, demonstrable governance in relation to the oversight of the Board.

Stakeholder – politicians

There are 56 Members of Parliament in the area served by Yorkshire Water, including 22 who were newly elected during the year. We know that they all want to champion the causes that are important to their constituents.

How have we engaged?

We engage regularly with local politicians, through email updates and through meetings and visits, to help them understand the work that we are doing to improve our services.

During the year Nicola, our CEO, has met with local politicians on multiple occasions, and she and Paul, our CFO, appeared before the Environment, Food and Rural Affairs Committee in February 2025 to respond to questions on the performance of the company.

We also maintain links to local councils and our regional mayors, which is particularly important when severe weather incidents occur and we are then able to work together to mitigate the impact on customers and communities.

What has our engagement told us?

We know that our local politicians are interested in:

- Reducing storm overflow discharges;
- Executive pay; and
- Dividends.

The long-term

As well as considering our stakeholders, the Board has to also consider the long-term in its decision-making. Our ambition is for a thriving Yorkshire, and we consider the long-term implications for Yorkshire, for our customers and for the environment, in all our decision making. The Board has a 30-year financial model which is updated for all key decisions to show the long-term financial impact of any decision made. In addition, the Board has considered the long-term regularly throughout the year in its consideration of the Final Determination from Ofwat, and the long-term plans covered by this, which stretch over the next 25 years and beyond.

The Board also considers future risks and opportunities through regular horizon scans, papers and presentations from subject matter experts on future considerations, as well as through the work undertaken by the Audit and Risk Committee on the long-term viability scenarios, which is covered further in our **Going concern and long-term viability** section.

A reputation for high standards of business conduct

The Board is very aware that trust in the water sector has decreased over recent years for a variety of reasons. As a company we are seeking to address this through greater transparency and clearer explanations of what we do as a business and how we are performing.

We seek to maintain high standards of business conduct in all that we do and we have a Code of Ethics, which we expect all colleagues and partners to follow. This sets out the ethical standards we expect from all those working on behalf of Yorkshire Water.

The Board received deep dives in the year on both compliance risk and governance risk, considering how both are measured, the controls in place in relation to each and the assurance required by the Board.

Our Board is given assurance on the information it receives through various means, including internal audit reports, external assurance reports or from the Board Committees, which have the capacity to scrutinise information more closely before it is discussed by the Board.

Key decisions

The following are examples of key decisions undertaken by the Board during the year and how our stakeholder engagement, and consideration of the long-term, have influenced those decisions:

The decision	How we engaged with stakeholders	How this links to our strategy	The view of the Board
The approval of a change to the Articles of Association to include the purpose of the company.	The request for a change to the Articles, came from the Secretary of State for the Department for Environment, Food and Rural Affairs, therefore the view from politicians was very clear. The Board knew that the change would be welcomed by other stakeholders as it aligned exactly with our corporate strategy and our aim for a thriving Yorkshire, right for customers and right for the environment, which was tested with stakeholders prior to its implementation in 2023.	The change to our Articles aligns exactly with our purpose, which is set out in our strategy, and the requirements of s.172 (1). Our Articles now state that "the purpose of the company is to conduct its business and operations for the benefit of members as a whole while delivering long-term value for its customers, the Yorkshire region and the communities it serves and seeking positive outcomes for the environment and society."	The Board welcomed the change to the Articles, acknowledging that it aligned exactly with both the duty of directors in s.172 (1) of the Companies Act 2006 and with the corporate strategy, which was approved by the Board in 2023.
The approval of an interim dividend of £37.5m paid in May 2024 and the final dividend of £15.0m paid in March 2025.	The Board had to take into account multiple views in its consideration of the dividend proposals. The dividends had to align with the guidance set out by our regulator, Ofwat. In addition, there was considerable discussion around the views of customers and investors, the performance of the business in the round, both in the year-to-date and forecast for the remainder of the year, and compliance with the Dividend Policy of the company.	As part of our strategy, we have a foundation of being a sustainable business, which includes ensuring financial resilience for the benefit of stakeholders in the long-term.	The Board concluded that the payments were within the Dividend Policy and in line with guidance from Ofwat, as well as being justifiable based on the expected and actual performance of the business in the year. It was also noted that the dividends were expected to stay within the group, rather than being paid on to the ultimate shareholders, and would therefore ultimately benefit the financial resilience of Yorkshire Water.

The decision	How we engaged with stakeholders	How this links to our strategy	The view of the Board
The approval of the undertakings agreed with Ofwat in relation to their Wastewater Networks Investigation.	There have been detailed discussions with Ofwat throughout the Wastewater Networks Investigation. The Board decision in relation to the undertakings also had to consider what it believed to be the right outcome for our customers, the environment and our partners. There was discussion directly with suppliers and environmental stakeholders on the ways in which the additional investment could be spent most effectively to benefit the environment.	Doing right for the environment is one of the key aims of our corporate strategy. Reducing wastewater discharges and improving river health are key components of this, as well as being important to our customers, which is another key aim of our corporate strategy.	The Board approved the additional investment of £40m contained within the undertakings, which included funding of £3.4m to the Great Yorkshire Rivers partnership to directly benefit river health within Yorkshire. The Board believed that this was the right outcome for customers and the environment in addressing concerns around wastewater discharges.
The decision over whether or not to seek a redetermination in relation to the PR24 Final Determination from Ofwat.	Our PR24 Business Plan was discussed in detail with multiple stakeholder groups prior to submission to Ofwat, as set out in our Annual Report last year. Our Board therefore knew that the Plan had support from stakeholders. The Final Determination provided the total funding that had been requested, although split into different types of expenditure. The Board therefore had to consider whether the Final Determination would enable Yorkshire Water to deliver its commitments to customers, communities and the environment. The Board also considered the potential impact on customers of seeking a redetermination, which may have led to a higher increase in customer bills in AMP8. The Board also took into account the impact on colleagues of seeking a redetermination, both in terms of the significant resource this would require but also the potential impact on morale of delaying the outcome of the Price Review process further.	The entire PR24 Business Plan was based on the corporate strategy of aiming for a thriving Yorkshire, right for customers and right for the environment. The considerations by the Board included detailed reviews of the impact of the Final Determination on delivery for customers and the environment.	The Board had significant concerns in relation to the Final Determination, regarding its impact on the investability of the sector, however it concluded that the right outcome for customers, communities and the environment was not to seek a redetermination but to focus on delivery of the commitments made in our PR24 Business Plan.

The decision	How we engaged with stakeholders	How this links to our strategy	The view of the Board
The approval of the Storm Overflow Alliance to deliver storm overflow discharge reductions in AMP8 and AMP9.	For the first time, Yorkshire Water has chosen an alliance model to deliver the increased investment in storm overflows in AMP8 and AMP9. The reduction of storm overflow discharges is something of great importance to our customers, communities and the environment, therefore all of these views were taken into account in the Board decision, along with the views of colleagues who would be responsible for delivering the increased investment. The Board considered the most efficient and innovative means of delivery to ensure the right outcomes for stakeholders.	The corporate strategy advocates a 'joined-up approach' which relates to working in partnership and alliance with other businesses, as well as working as one team across Yorkshire Water. Working in an alliance structure is therefore exactly aligned to our corporate strategy and our desire to work in a joined-up way with other organisations to deliver the right outcomes for customers and the environment.	The Board agreed that an alliance model would make the best delivery vehicle, as it would ensure Yorkshire Water and its partners would be aligned through joint objectives and the sharing of risk and reward. It would also enable economies of scale, increase the ability to secure resource through programme visibility and certainty, and enable the driving of standardisation and productivity improvements across the programme.

Statement of non-financial information

Yorkshire Water has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the Strategic report.

Our business model is shown in our **Strategic report**.

Information regarding the following matters, including a description of relevant policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found in the following sections:

Environmental matters in our **Right for the environment** section;

- Employees in **Our people** section;
- Social matters in **Our Corporate strategy** section;
- Respect for human rights in **Our people** section; and
- Anti-corruption and anti-bribery matters in **Our people** section.
- Climate-related financial disclosures in our **Right for the environment** section.

Where principal risks have been identified in relation to any of the matters listed above, these can be found in the **Managing risks and uncertainties** section, including a description of the key factors which may cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.

All of our Key performance indicators, including non-financial indicators, are reported within the **Strategic report**. Further detail on how these are presented can be found in the **Key performance indicators (KPIs)** section.

The **Chief Financial Officer's report** and **Governance report**, where appropriate, reference, and include additional explanations of, amounts included in the **Financial statements**.

This report has been approved by the Board of Directors and is signed on behalf of the Board.

Nicola Shaw CBE
Chief Executive Officer
10 July 2025

Governance report

Corporate governance statement

Corporate governance is the system by which companies are directed and controlled. At Yorkshire Water we want to demonstrate the highest standards of corporate governance, so that our customers and stakeholders can trust us and can be assured that we are doing all we can direct and control the business in the right way, with the aim of achieving 'a thriving Yorkshire, right for customers and right for the environment'.

Board composition

The Board of Yorkshire Water is different from some other Boards in that our four investors are represented on the Board. This has the advantage of ensuring that our investors are very aware of what is going on in the business and can provide their views when we are making decisions. Our non-executive investor directors bring multiple skills, experience and insight to the Board to increase our collective diversity and knowledge, and to help the Board make better decisions. All of our directors are subject to the same legal and fiduciary duties to ensure that they are promoting the success of the company, regardless of whether they are an executive director, non-executive investor director or an independent non-executive director.

During the year we have welcomed Furqan Alamgir to our Board as an independent non-executive director, who is the founder and CEO of Connexin, a leading and fast-growing technology company based in Hull. Furqan brings immense knowledge of technology, entrepreneurialism and the local business community to the Board, and we are delighted that he has joined us.

We were also very pleased during the year to welcome Simon Beer to our Board as a non-executive investor director, who had been on the Board of our ultimate parent company, Kelda Holdings, since December 2016, and had also been an observer of our Yorkshire Water Board over the same period. Simon brings with him considerable experience of the sector and other utilities, and has brought valuable insight to our Board over the years he has been known to us.

During the year, one of our non-executive investor directors, Isabelle Caumette, has taken a break from the Board for personal reasons and Scott Auty, who previously was one of our Board members from 2017 to 2024 has acted as the alternate for Isabelle in her absence. We are grateful to Scott for standing in for Isabelle, and we look forward to welcoming Isabelle back to the Board again in the near future.

Our governance report

This part of our Annual Report sets out who is on our Board, how the Board operates and provides an insight into what the Board has done during the year, the people and organisations it has interacted with and how it is meeting the Ofwat Board Leadership, Transparency and Governance Principles and also the extent to which we comply with the UK Corporate Governance Code.

The Board has continued to consciously seek to engage multiple stakeholders during the year, including our customers, our colleagues, our regulators, and our suppliers, and has undertaken site visits to see first-hand how the business is making environmental improvements. More detail on this is included in this report.

Key decisions

There have been many key decisions made by the Board during the year, the most significant of which has been the decision not to seek a redetermination of the Final Determination published by Ofwat in December 2024.

The Board reviewed the Final Determination in detail before making a decision, and heard from multiple colleagues, advisors and assurers before reaching the decision.

We are pleased that Ofwat recognised the quality of our plan and provided us with the total funding that we had requested. We listened to over 54,000 customers and stakeholders in compiling our plan and we look forward now to delivering improved services for customers and the environment over the next AMP, whilst also future proofing our activities for future generations.

More information on some of the key decisions made by the Board during the year can be found in our **Section 172(1) statement**.

Our Annual Performance Report

Each year we publish an Annual Performance Report as a separate document from this Annual Report. This contains a statement from the Board on the long-term ambitions and targets for Yorkshire Water and how the company has performed during the year. The report can be found at **yorkshirewater.com/about-us/reports/**

Vanda Murray

Vanda Murray OBE DBA
Chair
10 July 2025

Board of directors

Committee Key:

A	=	Audit and Risk Committee
N	=	Nomination Committee
R	=	Remuneration Committee
PV	=	Public Value Committee
SHE	=	Safety, Health and Environment Committee
Bold	=	Chair

Vanda Murray OBE DBA, Independent Non-Executive Chair

Appointed: Vanda joined the Board as an independent non-executive director in July 2021, stepping up to become the Chair of the Board in September 2021.

Skills and experience: Vanda is a Fellow of the Chartered Institute of Marketing and has extensive experience of corporate leadership in both executive and non-executive roles. From 2001 to 2004 she was Chief Executive of Blick plc, a FTSE quoted company, where she doubled the value of the business. She was also Managing Director of Ultraframe plc between 2004 and 2006. She was more recently a non-executive director at Manchester Airports Group and the Senior Independent Director at Bunzl plc. Vanda was appointed OBE for Services to Industry and to Export in 2002.

Other roles: Vanda is non-executive chair of Yorkshire-based Marshalls plc and a non-executive director of Howden's plc. Vanda is also the Chair of Kelda Holdings Limited.

Committee Membership: **N** R SHE PV

Furqan Alamgir, Independent Non-Executive Director

Appointed: Furqan joined the Board as an independent non-executive director in October 2024.

Skills and experience: Furqan is the founder and CEO of Connexin, a leading technology company based in Hull, specialising in smart city solutions and Internet of Things connectivity. Connexin was recently named as one of the Top 100 Fastest Growing Tech Companies at the Northern Tech Awards. Connexin was founded in 2006, whilst Furqan studied medicine at Imperial College.

Other roles: Beyond his role at Connexin, Furqan actively contributes to the tech and business communities, sharing his expertise and insights as a thought leader and public speaker.

Committee Membership: A N PV

Simon Beer, Non- Executive Director

Appointed: Simon joined the Board as a non-executive director in November 2024, having previously been an observer of the Board.

Skills and experience: Simon is currently a partner at StepStone Infrastructure and Real Assets, where he leads the Asset Management function. Prior to joining StepStone, Simon worked at Ontario Teachers' Pension Plan in their Infrastructure and Natural Resources team, where he focused on asset management and value creation across their global portfolio. Simon has also been a partner at KPMG, focused on operational movement in the Infrastructure and Natural Resources sectors, and before that worked for BP in their upstream major projects division.

Other roles: Simon is a non-executive director of Kelda Holdings Limited. He is also a director of Northern Gas Networks Limited.

Committee Membership: N SHE

Isabelle Caumette, Non-Executive Director

Appointed: Isabelle joined the Board as a non-executive director in November 2023. During the year, Scott Auty stood in for Isabelle as her alternate for the meetings from December 2024 to March 2025.

Skills and experience: Isabelle is a London-based Senior Principal in the European Infrastructure Private Equity division of DWS, and is responsible for leading asset management for a number of funds and leading the transaction team on key infrastructure investment transactions. She is a voting member of the Investment Committee for the four European infrastructure funds managed by DWS. Prior to joining DWS's infrastructure business in 2011, Isabelle worked as a consultant at the Boston Consulting Group.

Other roles: Isabelle is also a non-executive director of Kelda Holdings Limited, and a non-executive director of Streem, a rail cars and tank containers leasing company.

Committee Membership: N R SHE

Wendy Barnes, Independent Non-Executive Director

Appointed: Wendy joined the Board as an independent non-executive director in November 2022.

Skills and experience: Wendy has a significant breadth of knowledge from the utilities sector, as well as in regulation, cyber security, customer service and change management. She is a non-executive director of Scottish Power and has previously held non-executive roles at OCS Group, Ofwat and in several government departments, including the Met Office. Wendy was formerly the Interim Director General at the Department of Energy and Climate Change, and she has held executive roles within the water sector with United Utilities.

Other roles: Wendy is a non-executive director of Scottish Power Limited and undertakes a variety of consultancy roles.

Committee Membership: A N **R** PV

Andrew Dench, Non- Executive Director

Appointed: Andrew joined the Board as a non-executive director in September 2017.

Skills and experience: Andrew is a Senior Vice President in GIC's Infrastructure team, based in London. He is responsible for the ongoing management of GIC's global infrastructure portfolio. Prior to joining GIC, Andrew was Deputy CEO and CFO of Veolia Water, UK, Ireland & Northern Europe, CFO of Electricity Northwest, and Head of Corporate Finance & Change at London Stock Exchange Group. Whilst at Veolia, he was a non-executive director of Affinity Water (formerly Veolia Water). Andrew started his career in the investment banking division of Morgan Stanley where he was focused on project finance, mergers & acquisitions, utilities, and the natural resources sector.

Other roles: Andrew is a non-executive director of Kelda Holdings Limited and several other boards, including Heathrow Airport Holdings Limited, Railpool Gmbh, Raffles Infra Holdings Limited and AGEC Global Pte. Ltd.

Committee Membership: A R N

Russ Houlden, Non-Executive Director

Appointed: Russ joined the Board as a non-executive director in January 2022. Russ resigned from the Board on 27 June 2025.

Skills and experience: Russ is an Operating Partner at Corsair Infrastructure, a business unit of Corsair Capital. Russ brings a wealth of financial expertise and water industry experience to the Board, having been the CFO of United Utilities Group PLC for ten years until July 2020. During his time at United Utilities, he was also Chair of the Financial Reporting Committee of the 100 Group from 2013 to 2020. Prior to his role at United Utilities, he was the CFO of Telecom New Zealand from 2008 to 2010, and Finance Director of Lovells from 2002 to 2008. Until 2002 he held a variety of divisional finance director positions in ICI and BT. Until July 2022 Russ was a non-executive director of Babcock International Group plc.

Other roles: Russ was a non-executive director of Kelda Holdings Limited until 27 June 2025. He is also an independent non-executive director and Chair of the Audit Committee at Orange Polska SA.

Committees: R N PV

Paul Inman, CFO

Appointed: Paul joined the Board as the CFO in March 2023. Since the year-end, Paul has retired from his role at Yorkshire Water, leaving the business on 31 May 2025.

Skills and experience: Paul joined Yorkshire Water from BAE Systems where he was the Finance Director for the air sector, having previously held multiple roles with Rolls-Royce. Paul has extensive financial experience and also brings strong operational experience to the Board, having led a number of transformation programmes and undertaken general management roles in asset health monitoring and maintenance, repair and overhaul. Paul is a Member of the Institute of Chartered Accountants in England and Wales.

Other roles: Paul was the CFO for Kelda Holdings Limited until 31 May 2025.

Committee Membership: None

Andrew Merrick, Independent Non-Executive Director

Appointed: Andrew joined the Board as an independent non-executive director in June 2019.

Skills and experience: Andrew brings considerable financial experience and expertise to the Board, as well as strong connections with the Yorkshire region. Prior to joining the Board, Andrew was the CFO of Irwin Mitchell solicitors, having previously worked as Group Finance Director for Dart Group plc and as Director of Finance for Bradford & Bingley plc. Andrew has also been a board member of 'Incommunities', a Bradford-based social housing provider, where he chaired the Audit Committee.

Other roles: Andrew is the Senior Independent Director and Vice Chair of Market Harborough Building Society and a director of The Beckfoot Estate Company Limited.

Committee Membership: A N SHE PV

Nicola Shaw CBE, CEO

Appointed: Nicola joined the Board as CEO in May 2022.

Skills and experience: Nicola brings extensive experience in regulated infrastructure businesses to the Board, and has an excellent track record in driving efficient delivery whilst also improving customer service and colleague engagement. Most recently Nicola was the UK Executive Director for National Grid and was previously the Chief Executive of High Speed 1 and a director of First Group. Nicola was the author of the Shaw Report published in 2016 which made several recommendations for the future of British Transport. Nicola received a Commander of the British Empire (CBE) for services to transport in the Queen's New Year Honours in 2016.

Other roles: Nicola is the CEO for Kelda Holdings Limited and a non-executive director of International Airlines Group.

Committee Membership: SHE PV

Dame Julia Unwin, Independent Non-Executive Director

Appointed: Julia joined the Board as an independent non-executive director in January 2017.

Skills and experience: Julia brings to the Board a wealth of experience from the voluntary, commercial, and public sectors as well as from regulatory environments. She was the Chief Executive of the Joseph Rowntree Foundation for a decade until 2016. She also served on the boards of the Housing Corporation, the Charity Commission and was Deputy Chair of the Food Standards Agency. Julia brings a deep understanding of customers and communities to the Board as well as a specific knowledge of the demographics of the Yorkshire region and of poverty, vulnerability, and disadvantage. She has worked extensively on issues to do with developing social value. In May 2019, Julia received a Lifetime Achievement Award from the Chartered Management Institute and was appointed a Dame in 2020 for her contribution to civil society.

Other roles: Julia is the Chair of the Board of Governors of York St John University. She is the inaugural Chair of the Smart Data Foundry, Edinburgh University. Julia is also our designated independent non-executive director with oversight of colleague engagement with the Board.

Committee Membership: N R SHE **PV**

Andrew Wyllie CBE, Senior Independent Director

Appointed: Andrew joined the Board as an independent non-executive director in September 2017 and became the Senior Independent Director in November 2022.

Skills and experience: Andrew was Chief Executive of Costain Group PLC for 14 years up until May 2019. He was also a non-executive director of Scottish Water from April 2009 to April 2017. Andrew has an MBA from the London Business School, he is a Chartered Engineer, a fellow of the Royal Academy of Engineering and was President of the Institution of Civil Engineers in 2019. Prior to joining Costain Group PLC, Andrew worked for Taylor Woodrow where he was the Managing Director of the construction business and a member of the Group Executive Committee. Andrew was awarded a CBE for services to engineering and construction in the 2015 New Year Honours list.

Other roles: Andrew is a non-executive director of Persimmon PLC and Arup Group Limited, a Board member of the US-UK Advisory Board of the British American Project and the Chair of the Remuneration Committee of the Institution of Civil Engineers.

Committee Membership: A N R **SHE**

Board length of service

Director	Appointment	Tenure as at 31 March 2025
Independent Non-Executive Chair		
Vanda Murray	July 2021	3 years 9 months
Executive Directors		
Nicola Shaw	May 2022	2 years 11 months
Paul Inman	March 2023	2 years 1 month
Independent Non-Executive Directors		
Furqan Alamgir	October 2024	6 months
Wendy Barnes	November 2022	2 years 5 months
Andrew Merrick	June 2019	5 years 9 months
Julia Unwin	January 2017	8 years 2 months
Andrew Wyllie	September 2017	7 years 6 months
Investor Non-Executive Directors		
Simon Beer	November 2024	5 months
Isabelle Caumette	November 2023	1 year 5 months
Andrew Dench	September 2017	7 years 6 months
Russ Houlden	January 2022	3 years 3 months

Appointment and replacement of directors

The Articles of Association allow the Board to appoint a new director at any time; however, the appointment is also subject to approval by investors who hold 60.6% of the share capital of the ultimate parent company, Kelda Holdings Limited. This is consistent with the practice of a listed company where the shareholders would approve an appointment at the next Annual General Meeting (AGM). As a private limited company, we do not hold an AGM and therefore directors are not subject to annual re-election by the shareholders.

The Articles of Association state that the company may remove a director by ordinary resolution with special notice before the expiration of their period of office. There have been no directors removed from office during the year.

Independence

The Board reviews the independence of the independent non-executive directors each year; considering their tenure, relationships and circumstances as well as considering the behaviour of each director at Board meetings and whether they contribute to unbiased and independent debate. All the independent non-executive directors and the non-executive Chair were independent upon appointment and the Board believes that all remained wholly independent in the year under review in relation to the criteria set out in Provision 10 of the UK Corporate Governance Code.

Commitments of the Non-Executive Chair

Vanda is the non-executive Chair of Marshalls plc, and a non-executive director of Howden's plc. Vanda manages her commitments carefully and ensures that she is always available to Yorkshire Water whenever required. The Board is content that Vanda has sufficient time available to offer the focus and dedication to Yorkshire Water that her role requires.

The Ofwat Board Leadership, Governance and Transparency Principles

In 2019, Ofwat published their Board Leadership, Governance and Transparency Principles which set the standard for Boards across the water sector.

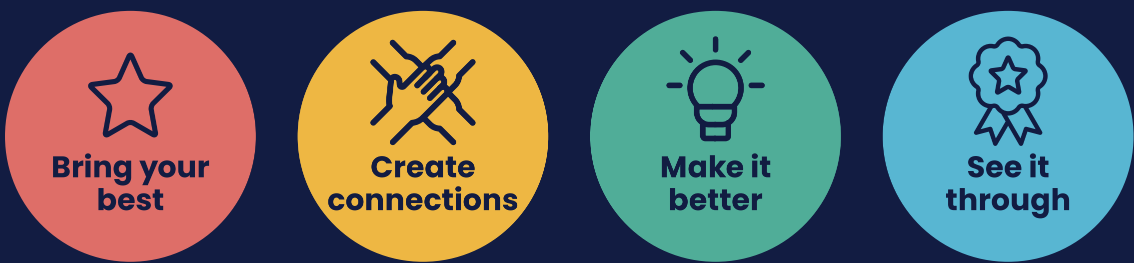
We have complied with these Principles since their publication and compliance is now a requirement of our Instrument of Appointment. We have set out how we have complied with each of the four key objectives contained within the Principles during the year and on an ongoing basis.

Principle 1:

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.

Setting our purpose, strategy and values

Our strategy was launched in 2023 and this has been reviewed again during the year to ensure it continues to be the right strategy for the business. The Board contributed significantly to the original strategy development process and gave approval to the final version prior to its launch, as well as reviewing and approving some minor revisions as part of the review process in 2025. The strategy aligns directly to the needs of those we serve through the vision of 'a thriving Yorkshire, right for customers and right for the environment'. The strategy includes four behaviours that we expect of all our colleagues, and which represent our values:



More information on our strategy can be found in our **Strategic report**.

Changing our Articles of Association

During the year, in line with a request from the Secretary of State for the Department of the Environment, Food and Rural Affairs, the Board approved an amendment to the Articles of Association of the company to include a clear company purpose.

The Articles now state that:

"The purpose of the company is to conduct its business and operations for the benefit of members as a whole, while delivering long-term value for its customers, the Yorkshire region and the communities it serves, and seeking positive outcomes for the environment and society."

Such a change was welcomed by the Board as it clearly reflects the existing strategy of the business.

Embedding our purpose, strategy and values

We have a Yorkshire Water Code of Ethics, approved by the Board, which provides support to colleagues and partners on embedding the values and ensuring that they are always doing the right thing, including where to go for help and advice if they are faced with an ethical decision as part of their work. There is mandatory online learning for all of our colleagues to ensure that they understand the Code of Ethics and how it applies to them.

We also operate a Speaking Up Policy which encourages colleagues and partners to speak up confidentially if they see behaviour that is outside of our expected values and culture. The policy enables people to do this entirely anonymously should they wish. All speak ups are thoroughly investigated and are reported back to the Board through the Audit and Risk Committee.

The Board also receives updates on the culture of the business, and the extent to which the purpose, strategy and values are embedded in the business through a variety of ways:

- The Board agreed the target culture of the organisation in 2024, following extensive work across the organisation to describe both the current and target cultures and to identify the behaviours required to move from one to the other.
- The Internal Audit team consider culture in all of their audits and report back on any findings or observations in this area to the Audit and Risk Committee.
- A colleague engagement survey, Yorkshire Voice, is sent out twice a year and the results from this are fed back to the Board, including examples of the comments and themes arising from the survey. During the year, on average 76% of our colleagues responded to the survey, which is our highest ever participation rate, and there were over 50,000 comments received across the two surveys. This gives the Board a very clear picture of the extent to which the purpose, strategy and values of the business have been embedded and of the culture of the organisation.
- The Board engages with colleagues regularly throughout each year. Julia Unwin is our designated independent non-executive director who oversees the annual programme of Board engagement with colleagues. From 1 April 2025 the programme has included a direct route to the Board through the launch of a quarterly engagement session, for colleagues to raise any concerns directly with a Board member, or for the Board to seek views on specific topics that are due to be discussed by the Board. The Board also achieves a general awareness of culture and colleague experience through meetings with various colleagues as part of site visits, office visits or informal lunches. These have included Trade Union representatives, operational colleagues, and senior leaders during the year. These interactions enable the Board to keep well informed of the culture in the business and the extent to which the purpose, strategy and values are embedded in the business.
- The Board also engages with regulators, third party assurers and suppliers through various Committee meetings throughout the year and always encourages any feedback on the culture of Yorkshire Water to be shared openly.

More information on Board engagement is later in this section and in our **Section 172(1) statement**.

Principle 2:

The regulated company has an effective Board with full responsibility for all aspects of the regulated company's business for the long-term.

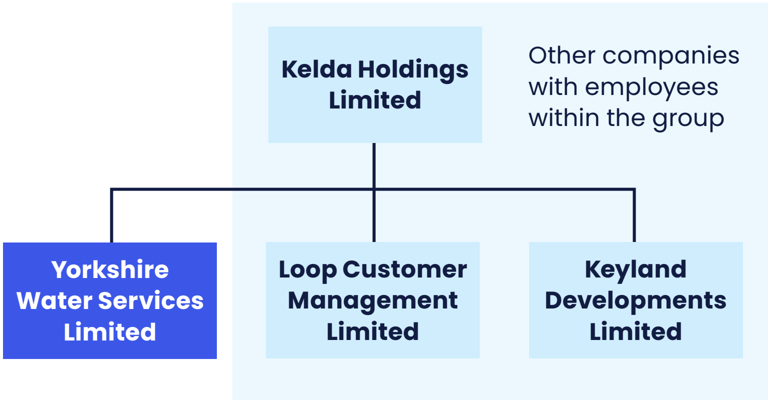
The interaction of the Yorkshire Water Board with the Kelda Holdings Board

Yorkshire Water is part of a group of a companies and has an ultimate parent company, Kelda Holdings Limited which is owned by our shareholders. Whilst it is part of a larger group, Yorkshire Water is by far the largest entity within the group and operates very much independently from the rest of the group.

The Yorkshire Water Board members are very aware of their duties to Yorkshire Water and all discussions in Yorkshire Water Board meetings focus on Yorkshire Water and what is for the good of Yorkshire Water alone. The focus on Yorkshire Water is achieved in a number of ways:

- Each of our four shareholders is represented on the Yorkshire Water Board, which vastly reduces the need for decisions to be referred to the ultimate parent company. All of the Yorkshire Water directors have legal and fiduciary duties to promote the success of the company for both current and future members, which is something our non-executive investor directors are acutely aware of so decisions are always made from the perspective of Yorkshire Water rather than the wider group. In addition, we have five independent non-executive directors on the Yorkshire Water Board who have no connection with the ultimate parent company and therefore can ensure that decisions are made solely in the best interests of Yorkshire Water.
- From a practical perspective, the Yorkshire Water Board has full responsibility for all aspects of the business. The matters reserved for the Board of Kelda Holdings Limited only require limited decisions to be referred to Kelda Holdings and in practice this is simply done for verification. Kelda Holdings Limited has never over-turned a decision made by the Yorkshire Water Board and it is highly unlikely that this would ever happen given the presence of the non-executive investor directors on the Yorkshire Water Board.
- The Kelda Holdings Board met only briefly on three occasions during the year. The meetings are typically only very short and rarely focus on Yorkshire Water-related matters as these have already been discussed at the Yorkshire Water Board.

Most of the decisions made by the Kelda Holdings Board relate to matters specific to Kelda Holdings Limited itself or other companies within the group, outside of Yorkshire Water. These are particularly those with employees, as shown in the simplified group structure below:



During the year, there were 12 decisions made by the Kelda Holdings Board, only five of which were directly related to Yorkshire Water. These are highlighted in **bold** below:

- Approval of the tax strategy for the group companies outside of Yorkshire Water;
- Approval of a revised treasury policy for the group companies outside of Yorkshire Water;
- **Approval of the revised Articles of Association for Yorkshire Water;**
- **The reappointments of Vanda Murray as Chair and Julia Unwin as independent non-executive director of Yorkshire Water;**
- Approval of the Annual Report and Financial Statements for Kelda Holdings Limited;
- The reappointment of Deloitte as the external auditor for the group companies outside of Yorkshire Water;
- **Approval of the appointment of Martin Gee as Chief Financial Officer of Kelda Holdings Limited and Yorkshire Water, with effect from 1 June 2025, following acceptance of the resignation of Paul Inman;**
- Approval of the 2026 budget for the group companies outside of Yorkshire Water;
- **Approval of the creation of a new Performance Review Committee at Yorkshire Water from June 2025;**
- Approval of the remuneration to be paid to Nicola Shaw and Paul Inman for their work as Chief Executive and Chief Financial Officer of Kelda Holdings; and
- Approval for the interest due on the Convertible Loan Notes issued by Kelda Holdings Limited to be paid in additional notes.

Why does the Board of Kelda Holdings verify some decisions that impact on Yorkshire Water?

We refer some matters to the Board of Kelda Holdings for verification as we believe this reflects best practice in relation to certain decisions. These are things such as the appointment of independent non-executive directors and changes to executive remuneration. These decisions are always recommended by the Board of Yorkshire Water first, so nothing is referred to Kelda Holdings Limited that is not already approved by Yorkshire Water; this helps to ensure that referral to Kelda Holdings Limited does not give our shareholders undue influence. The verification by Kelda Holdings Limited provides a further layer of scrutiny from the four directors who are on the Kelda Holdings Board but not on the Board of Yorkshire Water, which helps to ensure that Yorkshire Water is not able to appoint unsuitable directors, for example. In a listed company this control comes from such decisions having to be put to shareholders in an Annual General Meeting.

Decisions in relation to dividends

As a privately owned company providing a public service, it is essential that we have clear and transparent controls in place in relation to any dividends that we pay. All dividends paid by Yorkshire Water are solely decided by the Board of Yorkshire Water. The Board of Kelda Holdings Limited is only able to approve dividends being paid by Kelda Holdings Limited and makes no decisions in relation to dividends being paid by Yorkshire Water. The dividend policy for Yorkshire Water is set every five years as part of our Price Review and approved by Ofwat. Further information on our dividends for 2025 has been included under Principle 3 and in our **Other disclosures section**.

Our Board Committees

We have a number of Board Committees, each of which has provided its own report on the role of the Committee and how it has operated during the year. Each Committee Chair reports back to the Board after each meeting to ensure that the whole Board is aware of the matters considered by the Committees and, where appropriate, Committee papers and minutes are made available to all Board members for information.

We have gone beyond the governance requirements of having an Audit, Remuneration and Nomination Committee to also have Public Value, and Safety, Health and Environment Committees to enable Board members to spend additional time in these areas, focusing on specific matters in detail and providing assurance in these areas to the Board. We also operated a PR24 Committee for the same reason in the period up until our Draft Determination Response submission.

From 1 June 2025 an additional Performance Review Committee has been set-up to provide detailed oversight by the Board of performance against regulatory commitments in the first period of the new AMP.

The Committees do not make decisions, other than in relation to executive remuneration where it would not be appropriate for the executive directors to be involved in the decision, but instead the Committees make recommendations to the Board for decision.

We continue to keep the Terms of Reference of each Committee under review to seek to optimise its effectiveness.

Handling conflicts of interest

Each of our directors is subject to the obligations in relation to conflicts of interest that are set out in company law. Our Board members are all experienced directors and receive regular reminders of their statutory obligations. Our Board has non-executive investor directors, as well as executive and independent non-executive directors, and we place great importance on ensuring we maintain the right balance in the boardroom, so that the effectiveness of the Board is not undermined by conflicted interests. We have a standing agenda item at each meeting for conflicts of interest. If any of our directors believe that they are conflicted in any way, then this is declared and appropriate action taken, such as excluding them from decisions where they may be conflicted. No conflict situations have arisen during the year under review.

Ensuring long-term focus

Our long-term strategy looks 25 years ahead and takes into consideration the long-term forecasts for Yorkshire in many areas such as population growth, water consumption and climate change. The Board has spent much time considering the longer-term this year through the consideration of our Draft Determination Response and then the Final Determination from Ofwat, which has included water resources over the longer-term, our Long-Term Delivery Strategy and our Drainage and Wastewater Management Plan for the future. The Board also continues to monitor financial resilience over the longer-term through a 30-year business model for the group as a whole.

Each year the Board also receives horizon scans which set out external matters to be aware of over the longer-term. The Board also considers the long-term viability of the business each year and makes a statement on this, considering various scenarios across the current and next AMP. There has also been further work during the year on the long-term risks arising from climate change. Further information on long-term viability and the risks arising from climate change can be found in our **Strategic report**.

Principle 3:

The Board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions.

Our approach to transparency and governance

We recognise our position as a regional monopoly and we know that this makes it essential that our customers can trust us, as our household customers do not have the option to move to another supplier if we do not meet their expectations. We seek to be transparent and ethical in all that we do and have a Code of Ethics, which sets out the ethical standards we expect from all those that work with us. The Code provides a framework to help when someone faces a difficult ethical decision, and was developed with the help of our Board prior to launch in 2021. We have seen examples of the effectiveness of this Code since it was launched through our 'speaking up' process where colleagues have come forward to raise concerns as a result of reading the Code of Ethics.

We take governance very seriously and seek to demonstrate best practice wherever possible, constantly reviewing where we might improve and making changes as required to our structures, policies and processes.

Our dividend policy

We have a dividend policy, in compliance with Condition P30 of the Yorkshire Water Instrument of Appointment, which requires that distributions will only be made after an appropriate financial resilience analysis has been undertaken, that dividends will be adjusted to reflect and recognise company performance and benefit sharing from service and efficiency performance. The policy ensures that delivery for customers and the environment is not just considered but factored into any amounts that are to be paid as dividends. Whenever a dividend is considered by the Board, a paper is prepared for the Board's consideration, which sets out the purpose of the dividend and how it complies with the dividend policy and Condition P30 accordingly.

When approving dividends to be paid in a financial year, the Board assesses both company performance to date, the financial year in question and that which is expected for the whole of the AMP. As such, dividend payments are considered within the longer-term context of the business and not just on the basis of the previous 12 months. There is explicit consideration of the ability of the business to be able to deliver into the future.

During the financial year, Yorkshire Water paid dividends totalling £52.5m (2024 £84.1m). All dividends paid during the year were compliant with the current Board approved dividend policy and Condition P30.

The company's approach to recommending the dividend included the following steps:

- Determining an appropriate base dividend level reflecting the company's actual capital structure;
- Applying an 'in-the-round' adjustment to reflect the wider considerations required by our dividend policy and Condition P30; and
- Ensuring that the company remains financially resilient and that there are sufficient profits available for distribution in the foreseeable future.

A base dividend yield of 4.0% was considered appropriate for the year to March 2025, being consistent with Ofwat's guidance that a base dividend yield of 4.0% is reasonable for a company whose in-the-round performance aligns with their determination and has little real RCV growth. This would imply a base dividend for the year of £112.5m.

In determining an appropriate 'in the round' adjustment, the wider considerations of the Board included, but were not limited to:

- The ability of Yorkshire Water to finance its current and future activities;
- The financial resilience of Yorkshire Water;
- Yorkshire Water's performance against the PR19 Final Determination, including in relation to specific performance commitments;
- Customer service delivery;
- The level of real RCV growth;
- The wider environmental performance of Yorkshire Water; and
- The risk of regulatory fines and penalties.

On balance, the Board determined that a yield reduction of 2.1% was appropriate (a dividend reduction of £60m), resulting in an overall dividend yield for the year of 1.9% (2024: 2.9%). This compares to a Return on Regulated Equity (on an actual equity basis) of 2.76% for the year (5.59% excluding additional storm overflow investment) and cumulatively over the AMP of 3.18% (3.94% excluding additional storm overflow investment).

The key determining factors behind the reduction in dividend were:

- **Environmental performance.** Significant steps have been taken in the year, including the ongoing investment of £180m in improving storm overflows. However, the Board recognises that the business did not achieve the level of performance required, including the retention of a two-star Environmental Performance Assessment rating and a number of serious pollution events. The Board recognises that wider environmental performance is not yet at the levels required and a reduction in dividend payment was appropriate to support the company's planned improvements.
- **The risk of regulatory fines and penalties**. Along with all other water and wastewater companies, Yorkshire Water has been investigated by Ofwat in relation to sewage treatment works. Ofwat reached a final decision in relation to this investigation in March 2025 with Yorkshire Water agreeing to invest an additional £40m over the 2025-30 period to improve the quality of rivers in its region. This £40m investment will be entirely funded by the company and its shareholders across AMP8; therefore no specific adjustment to the dividend this year was considered necessary in relation to this additional £40m investment. The outcome of a similar investigation by the Environment Agency, which is still ongoing is not yet known.
- **Performance against the PR19 determination.** Yorkshire Water delivered a reasonable level of return for the year, representing 5.6% on an actual equity basis (excluding the impact of additional storm overflow investment separately funded); however this return was partly supported by the high levels of inflation experienced in the period, whilst ODI (customer) performance has been below expectations. Consistent with Ofwat guidance, the Board considered that it was appropriate not to fully reflect the inflation benefit within the dividend paid and to retain some of this year's return in the company to support its planned improvements to customer performance. The return for the year on an actual equity basis (excluding all financing performance) is 2.0%, so no in year inflation related financing performance is being used to finance the dividend paid of 1.9%. On a cumulative basis for the 2020-25 period, the total return for the AMP on an actual equity basis (excluding all financing performance) is 1.8% versus a cumulative dividend yield for the AMP of 2.5%. As such, only 0.7% RoRE of cumulative financing performance (about one third of the total) is being used to finance the total dividends paid across the AMP. On this basis, the total proposed deduction to the dividend yield of 2.1% in year and 1.5% for the AMP as a whole, is considered to reflect a large level of prudence in relation to the impact of inflation, particularly as inflation has also caused an element of the cost under performance.

- **Financial resilience**. The financial resilience position of Yorkshire Water improved over the course of the year, supported by the £100m intercompany loan repayment from Kelda Eurobond Limited; however Yorkshire Water remains an "Elevated Concern" within Ofwat's latest 'Monitoring Financial Resilience' report. The company is targeting further improvement and the retention of part of this year's return to support this was considered appropriate.

The dividends paid in year bring the cumulative dividend yield for the current AMP to 2.5%, remaining below the cumulative return on an actual equity basis of 3.9% (excluding additional storm overflow investment separately funded).

None of the dividends in the current year were paid to the shareholders of Kelda Holdings Limited (2024: £Nil), Yorkshire Water's ultimate parent company, as they continue to support the company's financial resilience and improvement plan.

The dividends for the year included distributions of £15.7m (2024: £27.9m) that did not impact the company's liquidity position or its distributable reserves as they were returned to the company in the form of interest receipts on intercompany loans.

Variable pay

The measures used in calculating variable pay for executive and senior colleagues are set out in the Directors' remuneration report. The measures are split into two key areas:

- Delivering for customers, the environment and colleagues; and
- Delivering financial efficiency.

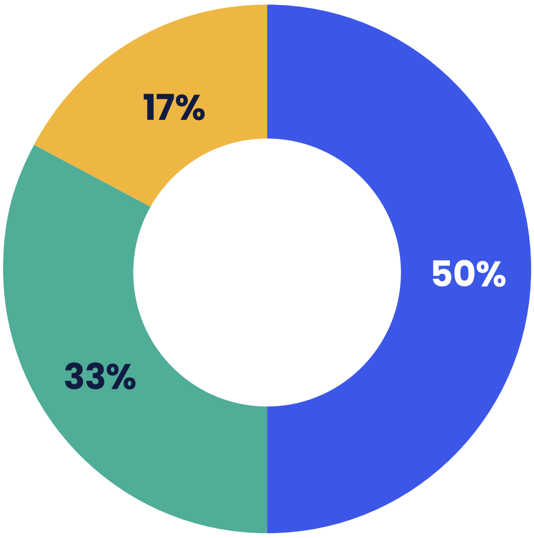
These measures have been chosen to ensure that the objectives of our senior team align to those of our key stakeholders. We have set this out in more detail in our Directors' remuneration report and try to do so in as clear and transparent a way as possible to help stakeholders understand our calculations of variable pay.

Assurance of information

We seek to assure information through independent means wherever we can, and we detail in this report where information has been independently verified and the three-line assurance process that we have in place to ensure the information we provide is trustworthy.

Principle 4:

Boards 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.



Our Board composition

As at 31 March 2025, the Board composition was as follows:

- Independent Non-Executive Directors
- Non-Executive Investor Directors
- Executive Directors

How the Board operates

The Board had six scheduled meetings in the year, with five additional ad-hoc meetings; three to consider the Draft Determination Response to Ofwat and the Final Determination from Ofwat, plus two meetings to discuss the wastewater network investigation by Ofwat.

Attendance at the meetings is shown in the table later in this report. Our scheduled meetings are preceded the evening before by an informal meeting over dinner, allowing more time to debate issues in depth. The Board has invited a number of key stakeholders to dinner throughout the year to enable information to be shared and discussed in more depth.

The Board agenda is set for each meeting by the Chair, with input from the executive directors and the Company Secretary. In addition, any of the other directors can request a matter to be added to the agenda at any time. Monthly reports on operational matters, health, safety and environmental matters and financial performance are circulated to the Board members regardless of whether a Board meeting is scheduled.

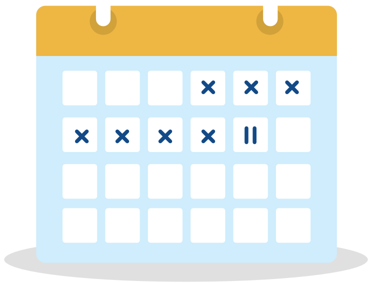
The Board seeks to regularly meet both formally and informally with senior management from across the business to gain further insight into the day-to-day operations and the key risks and opportunities facing each part of the business. Members of the Executive team and other key senior managers are regularly invited to attend Board meetings to provide updates and give the non-executive Board members regular direct access to the senior management team.

There is a schedule of Matters Reserved for the Board which sets out the specific matters that must be referred to the Board for approval. These include matters relating to company structure, dividend policy, material regulatory submissions and external press releases, along with significant operational and strategic matters.

The Board considers the role of the Company Secretary to be key in ensuring that the Board has the right governance in place and that Board processes follow best practice. The Company Secretary meets with each of the directors individually as necessary to discuss governance-related matters. The directors are also able to obtain independent professional advice at the expense of the company whenever necessary.


YorkshireWater

Board activities during the year



The following gives some examples of the activities of the Board in the year under review.

May 2024

In May the Board had a specific training session on process safety, from an external training provider with extensive experience of process safety in the utility sector.

The Board meeting focused on the most recent results of the Yorkshire Voice colleague engagement survey and the actions being taken as a result of the feedback received.

The Board received deep dives on customer experience, our technology strategy, and the latest developments in our modernisation programme, considering the benefits for customers and the lessons learned from the programme to-date.

The PR24 Committee also met in the month to receive an update on the ongoing PR24 process.

July 2024

In July the Board met with our senior leaders informally over dinner, to hear first-hand from representatives from across the business, and to listen to any concerns or feedback that they wished to share with the Board.

In the Board meeting, the Board heard the detailed plans to move our wastewater operations to a new structure based on geographical locations. This was discussed in detail, considering the potential benefits for customers and how this would help support a more efficient service and better customer experience.

The Board also received a deep dive on asset delivery and in particular lessons learnt from recent post project reviews. The Board also heard an update on equity, diversity and inclusion across Yorkshire Water and the plans to further develop the strategy in this area.

The Audit and Risk Committee heard directly from both Deloitte and Atkins Réalis on their assurance work in relation to the Annual Report and Financial Statements and the Annual Performance Report, which were both published in the month. The PR24 Committee also met in the month to consider the Draft Determination Response.

August 2024

The Board met three times in August 2024, once to discuss the Ofwat wastewater networks investigation in detail, and twice to consider the Draft Determination Response to Ofwat in relation to PR24. These meetings looked in detail at the information received from Ofwat and the potential impact on customers, the environment and other stakeholders, whilst considering the appropriate response.

The Board also approved the new Storm Overflow Alliance, as a new model for Yorkshire Water though which significant reductions in storm overflow discharges will be driven throughout the next AMP.

September 2024

In September 2024 the Board met again to discuss the Ofwat wastewater network investigation in detail.

Over dinner the Board met with Sir John Armitt, Chair of the National Infrastructure Commission, to hear directly from him on his view of the sector, and future water and infrastructure systems.

The Board also held a focused session on the strategy of the business, considering how this would be delivered and the milestones required to measure this. The Board received a deep dive into clean water, to better understand performance and the plans for improvement in the future.

October 2024

The Safety, Health and Environment Committee met with our Area Director from the Environment Agency to hear directly from him on the day-to-day relationship with Yorkshire Water and his views on our performance.

The Committee also heard directly from a number of the Rangers employed by Yorkshire Water, to understand from them first-hand the challenges of working in that role and how the company could ensure they felt safe and supported out on site.

Representatives from Cranfield University also attended the Committee to provide their views on the Yorkshire Water Pollution Incident Reduction Plan, to assure the Committee regarding its completeness and deliverability.

November 2024

The Board and Committees met in Hull in November, and the Public Value Committee visited a number of sites to see first-hand the work of the Living with Water partnership in Hull, delivering flood alleviation schemes across the city.

The Safety, Health and Environment Committee welcomed one of our capital partners to the meeting, to hear first-hand the experience of working with Yorkshire Water from a health and safety perspective.

The Audit and Risk Committee also welcomed a representative from the Institute of Internal Auditors, who provided feedback on the internal audit function at Yorkshire Water, following an independent external quality assessment.

The Board also spent time considering the forthcoming Independent Water Commission, led by Sir Jon Cunliffe, and the changes to regulation that Yorkshire Water believed would benefit customers and other stakeholders. The Board also received a customer deep dive, to better understand how improvements were being made to enable a better customer experience.

The latest results from the recent Yorkshire Voice colleague engagement survey were also shared with the Board, along with the proposed actions as a result.

January 2025

In January, our Board met with representatives from our three Trade Unions to hear their views on all matters impacting our colleagues.

The Board also met informally with the Executive team to provide an opportunity for Board and Executive members to share thoughts and ideas, and to discuss any matters of concern.

The Board received a deep dive into wastewater performance, covering both the lessons learnt during the year and the plans for improvement in the next AMP.

The Board also received the six-monthly update on asset delivery post-project reviews, as well as a detailed discussion around lessons learnt from the modernisation programme throughout AMP7.

February 2025

The Board met in February specifically to consider the Final Determination from Ofwat, concluding that it was not in the best interests of customers and other stakeholders to seek a redetermination from the Competition and Markets Authority.

March 2025

In March, the Board welcomed David Black, Chief Executive of Ofwat, to hear his views on Yorkshire Water performance, the challenges facing the water sector, and the expectations from Ofwat.

The Board received a detailed presentation on the delivery plan for the next AMP, hearing directly from members of our senior leadership team, on some of the specific plans including in relation to internal and external sewer flooding, leakage and storm overflows.

Our Public Value Committee also met with Rosa Foster, Chief Executive of the Yorkshire and Humber Climate Change Commission, to hear about the work of the Commission and how Yorkshire Water could best support this.

The Board performance review

We undertake an annual Board performance review to consider the effectiveness of our Board. In 2025 this has been an externally facilitated review, undertaken by BoardClic.

The internally facilitated Board performance review last year highlighted some areas for additional focus. The table below sets out these areas and the progress made during the year:

Area for additional focus	Progress in 2025
Some operational deep dives into specific performance commitments will be held to enable Board members to fully understand the challenges faced and the work underway.	These have been conducted across the year, with the Board receiving deep dives in Water, Wastewater, Asset Delivery and Customer Experience throughout the year.
A strategy session will be held for the Board to consider some strategic matters such as the use of Artificial Intelligence in the organisation.	A strategy session was held in September 2024 and has now become an annual event. This was facilitated by the Executive team and covered various aspects of the strategy in detail, enabling a full discussion by the Board.
More information will be provided to the Board on talented individuals within the organisation and how each is being developed and supported in their career within Yorkshire Water.	This was provided to the Board in March 2025 and will continue to be brought to the Board on a regular basis.

The performance review in 2025 has consisted of an online questionnaire being completed by all Board members, and the results being analysed and compared to benchmark data, and then shared in a report, which was presented and discussed at the Board meeting in May 2025.

The review concluded that the Board and its committees were operating effectively with a number of areas of significant strength noted, including confidence in the company strategy, the response of the Board to external challenges, and the engagement and alignment between the Board and the Executive team.

The review highlighted some specific areas for focus in 2026:

- Deeper dives into operational capacity and capability, which will come from the new Performance Review Committee in place from June 2025;
- Greater visibility of succession planning for the Executive team; and
- The succinctness of Board materials.

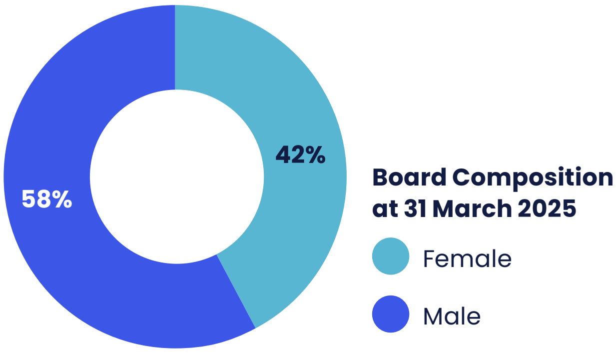
An action plan has been developed and agreed by the Board and the progress made will be reported in our Annual Report next year.

In addition to the annual Board performance review, the Chair meets with each Board member individually on at least an annual basis to discuss their own performance and to identify any areas for development or potential training needs. The Senior Independent Director also gathers feedback separately on the performance of the Chair and discusses this with her at least annually.

Further information on how the Board engages with stakeholders, including colleagues, customers and communities, can be found in our **Section 172(1) statement**.

Board composition

We maintain a Board Skills Matrix, which is updated annually. We compare this to our current and potential future skills needs, to ensure we maintain the right balance of skills and experience. The results of this are shown in the [Nomination Committee report](#).



We continue to strive for a Board that reflects the diversity of the community that we serve. We have a Board Appointments Policy which ensures a consistent and fair approach to recruitment is always undertaken. The fundamental objective of recruitment remains to ensure that the best candidate for the role is appointed, but we actively work with recruitment consultants to ensure we review a diverse range of candidates and that all are given an equal opportunity for the role.

Training and development

The Board receives regular updates on governance-related matters and more formal training where appropriate. Potential training needs are discussed as part of individual performance evaluations, plus each director is given the opportunity to flag any additional training requirements as part of the annual Board performance review. New directors joining the company are given a broad and comprehensive induction to the business consisting of site visits, meetings with key personnel and detailed information relating to the business, as well as any training specifically required in relation to the duties of directors and their role on the Board.

Non-executive director meetings

The independent non-executive directors and non-executive investor directors meet with the Chair at regular intervals to discuss Board-related matters without the executive directors present.

The UK Corporate Governance Code

Yorkshire Water is a private limited company but has chosen to report its compliance with the UK Corporate Governance Code on an annual basis, to provide greater transparency.

The Board considers that it has complied with all the principles of the UK Corporate Governance Code 2024 which are applicable to private companies throughout the year ended 31 March 2025, except for the following provisions:

- **Provision 11** – this principle requires that at least half the Board, excluding the Chair, should be independent non-executive directors. Whilst our independent non-executive directors make up the largest group on the Board, they do not represent half the Board when the Chair is excluded.
- **Provision 18** – this provision relates to the annual re-election of directors. As a private limited company, we do not hold an Annual General Meeting and instead our independent non-executive directors are re-elected every two or three years when their appointment term ends.
- **Provision 24** – this provision requires the Audit Committee to consist entirely of independent non-executive directors. Our Audit and Risk Committee has a majority of independent non-executive directors but also has a non-executive investor director, who we believe provides useful challenge and insight to the Committee.
- **Provision 29** – this provision only applies for financial years beginning on or after 1 January 2026, and therefore we have complied with Provision 29 of the 2018 UK Corporate Governance Code instead in the year under review.
- **Provision 32** – this provision requires the Remuneration Committee to consist entirely of independent non-executive directors. Our Remuneration Committee has a majority of independent non-executive directors but also has three non-executive investor directors, which means we receive useful insight from investors when making remuneration decisions.

The UK Corporate Governance Code is available on the website of the Financial Reporting Council at [frc.org.uk](#)

Attendance at Board and committee meetings

Director	Board	Audit and Risk Committee	Safety, Health and Environment Committee	Nomination Committee	Remuneration Committee	Public Value Committee	PR24 Committee
	No./max	No./max	No./max	No./max	No./max	No./max	No./max
Vanda Murray	10/10	-	4/4	4/4	5/5	4/4	2/2
Furqan Alamgir	4/4	1/1	-	2/2	-	2/2	-
Scott Auty*	3/3	-	1/1	1/1	2/2	-	-
Wendy Barnes	10/10	5/5	-	4/4	4/5	4/4	2/2
Simon Beer	4/4	-	-	1/2	-	-	-
Isabelle Caumette*	7/7	-	3/3	3/3	3/3	-	-
Andrew Dench	9/10	5/5	-	4/4	5/5	-	2/2
Russ Houlden	10/10	-	-	3/4	5/5	4/4	2/2
Paul Inman	10/10	-	-	-	-	-	-
Andrew Merrick	9/10	5/5	4/4	4/4	-	4/4	2/2
Nicola Shaw	10/10	-	3/4	-	-	4/4	-
Julia Unwin	10/10	-	3/4	4/4	5/5	4/4	2/2
Andrew Wyllie	10/10	5/5	4/4	4/4	5/5	-	-

* Scott Auty attended a number of meetings in the year as the alternate for Isabelle Caumette, who was unable to attend for personal reasons.

PR24 Committee

The PR24 Committee met between March 2023 and July 2024, specifically to consider the detail of the PR24 Business Plan submission to Ofwat, the Draft Determination from Ofwat and the response to that Draft Determination. From July onwards, the considerations in relation to PR24 were picked up by the whole Board and the Committee stood down. More information on the remit of the Committee can be found in the Annual Report and Financial Statements for 2024.

Business model and KPIs

The details of our business model and our KPIs are included in the **Strategic report**.

Reappointment of the external auditor

Deloitte LLP has advised of their willingness to continue in office and have confirmed their continued independence. Deloitte LLP was appointed as our external auditor in 2018, following a robust, competitive tender process which resulted in a change of auditor. Following consideration of the relationship with the external auditor, the Audit and Risk Committee has recommended to the Board that Deloitte LLP is re-appointed, and a resolution for their reappointment will be considered by the Board later this month. They have provided an independent audit opinion on these accounts which can be found in the **Financial statements**. Our audit partner, Chris Robertson, is in his third year as the partner on our audit and continues to be entirely independent from Yorkshire Water.

Powers of the directors

The business of the company is managed by the directors, who may exercise all the powers of the company, subject to the provisions of the Articles of Association and relevant statutes.

All directors have a statutory duty to avoid conflicts of interest. Our Articles of Association permit those directors who are not conflicted to authorise conflict situations, as is standard practice. Conflicts of interest are a standing agenda item at each Board meeting and any potential conflicts must be disclosed and may then, if appropriate, be authorised by the non-conflicted directors. Any such authorisations may be subject to appropriate conditions. The directors do not consider that any actual conflicts of interest have arisen during the year between the roles of the directors as directors of the company and any other roles which they may hold.

Our Chair, executive directors and non-executive investor directors remain mindful that they are also directors of Kelda Holdings Limited and that this operates as a separate legal entity.

Directors' statement

The directors confirm that they consider the Annual Report and Financial Statements (ARFS), taken as a whole, to be fair, balanced, and understandable and provides the information necessary for shareholders and other stakeholders to assess the company's performance, business model and strategy. When arriving at this position, the Board was assisted by a number of processes including the following:

- The ARFS is drafted by senior management with overall co-ordination by senior members of the Finance team and Company Secretariat to ensure consistency across the relevant sections;
- An internal verification process is undertaken to ensure factual accuracy;
- Comprehensive reviews of drafts of the ARFS are undertaken by the executive directors and senior management;
- An advanced draft is reviewed by the Board;
- The final draft is reviewed by the Audit and Risk Committee prior to consideration by the Board. The Committee advised the Board that the ARFS, taken as a whole, is fair, balanced, and understandable for shareholders and other stakeholders to assess the company's performance, business model and strategy. Each director in office at the date of this report confirms that, to the best of their knowledge the Financial Statements give a true and fair view of the assets, liabilities, financial position, and loss of the company; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

The directors have voluntarily complied with the Disclosure and Transparency Rules, to the extent that these can be reasonably applied to the company.

Disclosure of information to auditors

Each director in office at the date of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all the steps they ought to have taken as a director in order to make themselves 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.

Statement of directors' responsibilities

The directors are responsible for preparing the ARFS in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law, the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Relations with shareholders

As a private limited company, we have four shareholder representatives appointed as non-executive directors to our Board. This means that we have regular interaction with representatives from each of our shareholders and can present detailed information to them to enhance their understanding of our business and the communities which we serve. This also means that we can understand in detail the views of our shareholders which has been extremely useful in building a strong relationship and understanding since the appointment of our first non-executive investor directors in September 2017.

Amendments to the company's Articles of Association

Any amendments to the company's Articles of Association may be made by passing a special resolution of the shareholders.

Our risk management framework

Our risk management framework, which sets out our approach to identifying and managing our risks, is detailed in our **Managing risks and uncertainties** section of the **Strategic report**.

Risk management responsibilities

The Board

The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the overall risk profile is aligned with this. It is also responsible for ensuring that the business maintains sound internal control and risk management systems, as well as reviewing the effectiveness of those systems.

To do this, the Board has regular meetings with senior management and, via the Audit and Risk Committee, receives regular reports from the internal auditors and the external auditors on the effectiveness of internal controls and risk management. Acknowledging the improvements recommended by these reports, in relation to the lack of formal documentation and retention of some audit evidence, none of which are significant, the Board is satisfied that the systems are embedded within the day-to-day activities of the business and cover financial, operational and compliance controls, and that the business continues to be compliant with the provisions of the 2018 UK Corporate Governance Code relating to internal controls. The Board recognises the requirements of the 2024 UK Corporate Governance Code in relation to making a statement on material controls and intends to comply with this from 2027 as set out in the Code.

The Executive

The Executive is responsible for reviewing the risks that have been recorded, to ensure completeness and accuracy, as well as assessing the suitability of the mitigations in place and any proposed timescales for further controls to be implemented.

Audit and Risk Committee

The responsibilities of the Audit and Risk Committee in relation to risk management are set out in the **Audit and Risk Committee report**.

Financial risk management

We produce an annual budget which is reviewed by senior management and ultimately approved by the Board. We also have our five-yearly Business Plan which aligns to the Final Determination issued by Ofwat as part of each Price Review, and we have a longer-term 30-year financial model for the group which we regularly monitor performance against.

We also prepare monthly performance reports against budget, which are monitored by each business area and reported at Executive and Board meetings. Further information about the financial risk management policies in place and, in particular, the way in which credit risk, liquidity risk, interest rate risk and foreign currency risk are managed, is in is in **note 17** to the **Financial statements**.

Greenhouse gas emissions

Information on our greenhouse gas emissions for the year to 31 March 2025 is contained in our **Strategic report** in the **Right for the environment** section.

Nomination Committee report

The role of the Nomination Committee is to keep the structure, size and composition of the Board under review and to ensure that the balance of skills, knowledge and experience of the Board meets the requirements of the business, both now and in the future.

The Committee is also responsible for overseeing the recruitment process for new directors and for making recommendations regarding Board appointments.

Board structure

Our Board structure is different from that of a listed company in that we have four non-executive investor directors who sit on our Board, alongside our independent non-executive directors and our executive directors. We have had investor directors on the Board since September 2017 and we find this immensely beneficial as it enables us to understand the views of shareholders in detail, as well as ensuring they hear first-hand all of the information that is presented to the Board in order to provide support and challenge as appropriate.

Whilst they are not deemed independent in accordance with the definition in the UK Corporate Governance Code, the non-executive investor directors still carry the same legal and fiduciary duties as our other directors and fully understand the importance of the services that we provide to Yorkshire and the impact that our actions have on local communities and the environment. They therefore have to make decisions as directors for the good of the business, and are not able to make decisions solely from the perspective of the shareholder. They also individually bring skills and experience to the Board which help create a greater diversity of skills and experience, which is beneficial to the Board in its decision making.

Board recruitment

During the year we welcomed two new directors to our Board. Simon Beer was previously an observer of the Board, representing one of our four shareholders. Under the terms of the Shareholder Agreement that we have in place, Simon was formally appointed to the Board in November 2024.

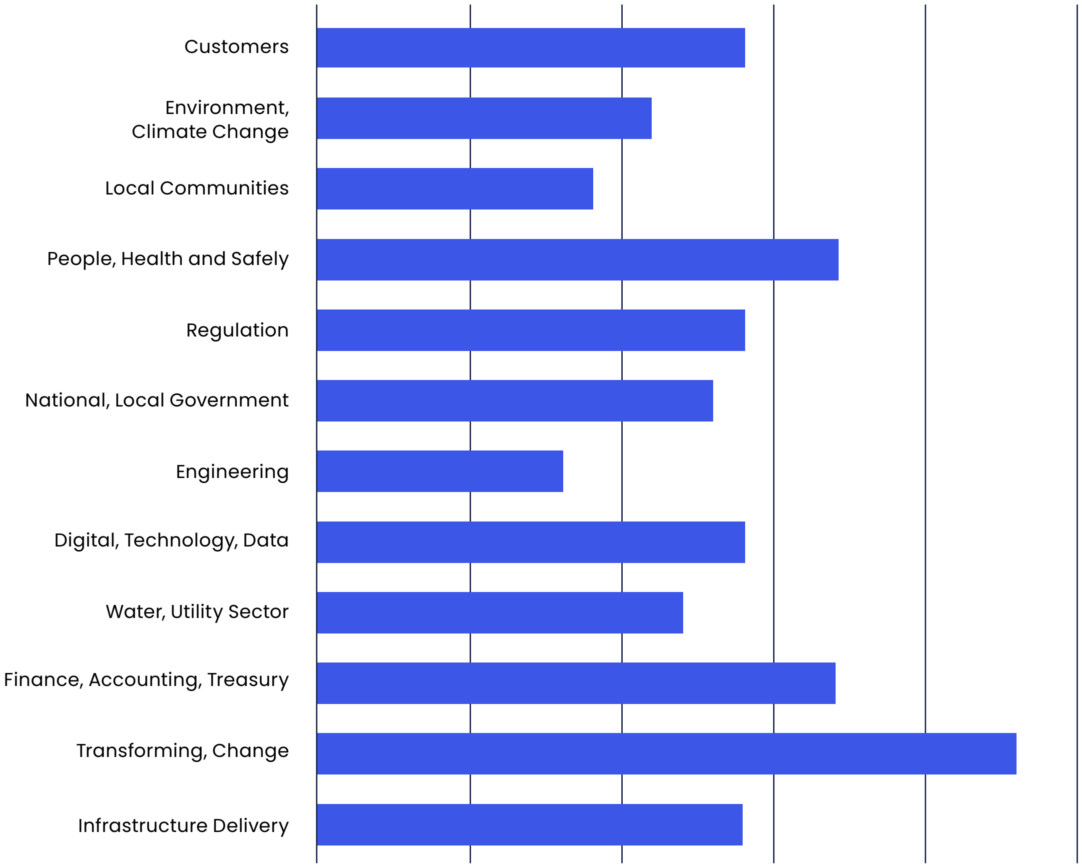
As reported last year, in January 2024 the Committee agreed that recruitment of a further independent non-executive director would begin, to further enhance the balance of skills and experience on the Board. The skills and experience matrix shown below was used as the basis for drawing up the required skill-set, and Green Park were appointed as independent recruitment consultants to assist with the appointment. We were delighted to welcome Furqan Alamgir to our Board in October 2024 as a result. Furqan brings with him digital and technology expertise, an entrepreneurial mindset, and experience of operating in Yorkshire, through his business based in Hull.

Our skills and experience matrix

We maintain a Board skills matrix, which the Nomination Committee uses to monitor the balance of skills and experience on the Board and to identify any areas where new skills or experience may be required.

In the matrix, directors evaluate themselves, noting where they have specific skills or experience, where they have some skills or experience but these have not been core to a previous role, as well as those areas where they have no or only limited skills or experience.

The current matrix shows that there are no key areas without relevant skills or experience on the Board, but that our lowest areas are engineering and experience of local communities. The Committee is continuing to keep this under review, as well as considering how the requirements might change over time, and a recruitment process for a further independent non-executive director is currently in progress to seek to appoint a new director who can bring further engineering experience to the Board.



Developing talent

In addition to reviewing the composition of the Board, the Nomination Committee plays a key role in developing talent in the organisation, to identify and promote those who are potential future Board members, either of Yorkshire Water or elsewhere. This includes ensuring that there are equal opportunities for development for people of all genders and ethnicities.

The Committee has a Board Appointments Policy which sets out the key principle for appointments to be made on merit, with consideration always being given to the need for diversity of all types. Yorkshire Water is committed to only using external executive search firms who have signed up to the voluntary Code of Conduct addressing gender diversity and best practice.

Attendance at Committee meetings

The Nomination Committee is a sub-committee of the Board and meets as often as required each year. During the year ended 31 March 2025, the Committee met four times. The membership and attendance of the Committee is set out earlier in the **Governance report**. Meetings are also attended by the Chief Executive, where relevant, and the Company Secretary.

Committee responsibilities

- To review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board regarding any changes;
- To ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession;
- To keep under review the leadership needs of the organisation, both executive and non-executive, to ensure the continued ability of the organisation to meet its obligations in relation to investors, the public service it provides and the community in which it operates;
- To oversee the process for the recruitment or reappointment of any Board roles; and
- To review annually the time required from each of the directors to perform their roles effectively.

The Terms of Reference of the Committee are in line with the recommendations in the UK Corporate Governance Code and from the Chartered Governance Institute.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at **yorkshirewater.com**

Committee performance review

During the year, an externally facilitated performance review was undertaken of the Board and all of its Committees. The feedback on the Nomination Committee showed it to be operating effectively.

Thanks to our non-executive directors

Our non-executive directors contribute significant time and effort in their roles and have done so again this year with significant time spent on the PR24 Draft Determination Response, and consideration of the Final Determination, as well as the wastewater network investigation by Ofwat. I would like to thank them for their ongoing commitment to Yorkshire Water.

Vanda Murray

Vanda Murray OBE DBA
Chair, Nomination Committee
10 July 2025

Public Value Committee report

The Public Value Committee has a specific remit on behalf of the Board to consider matters relating to the value which Yorkshire Water can bring to the region.

As an anchor institution in Yorkshire, we have a significant impact on the communities that we serve; through our customers, our colleagues, the land we own, the investments we make, the local suppliers we buy from, and the local taxes we pay. We know that our actions shape the regional economy, as well as the health and wellbeing of Yorkshire.

The Committee focuses on three main areas:

- Monitoring the progress of the business to net- zero;
- Overseeing our regional stakeholder relationships; and
- Identifying matters that may become a focus for public interest in the future.

These are areas that the Board believes benefit from additional focused time being spent by the Committee on behalf of the Board, through deep dives and detailed discussions.

YORKSHIRE & HUMBER CLIMATE COMMISSION

What we have considered during the year

During the year, the Committee has met four times and has received regular updates on the progress to net-zero.

The Committee has also spent time considering our reporting on sustainability, and in particular how we will change our reporting in AMP8 to enable those outside the business to better understand our goals and the work we are doing to achieve these.

The Committee has received deep dives in the year on micro-pollutants in wastewater, the impact of the General Election on the political landscape of the region, and a community pilot being run in the LS7 postcode area in Leeds to match volunteers from amongst our colleagues with local schemes to benefit both our colleagues and the local community.

The Committee visited Hull in November 2024 and met with some of the team involved in the Living with Water partnership, which works to build flood resilience in Hull and the East Riding and understanding of the threats and opportunities presented by water. The Committee saw first-hand an aqua-green site, built to create storage for floodwater.

During the year the Committee also welcomed Rosa Foster, Chief Executive of the Yorkshire and Humber Climate Commission, to a meeting, to hear first-hand about the work of the Commission and how Yorkshire Water can best support this.

The Committee reports back to the Board after each meeting, with papers and minutes circulated to all Board members to ensure that the whole Board remains informed of matters considered by the Committee.

Attendance at meetings

Attendance at the Committee meetings during the year is noted earlier in the Governance report. As well as the Committee members, meetings are also attended by the Director of Strategy and Regulation, the Director of Customer Experience and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

Terms of Reference

The specific duties of the Committee in its Terms of Reference include:

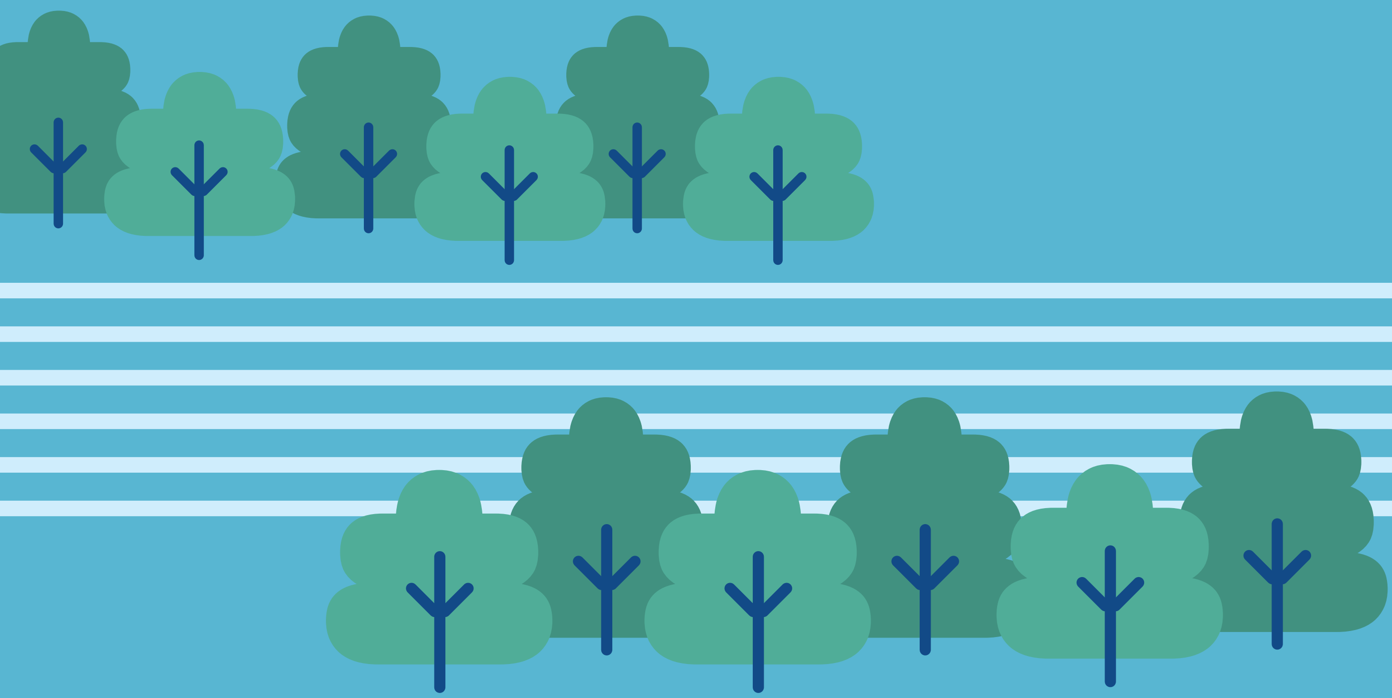
- To listen directly to a range of regional stakeholders regarding their experience of working with Yorkshire Water, and their views, to help inform wider Board decision-making;
- To demonstrate, through proactive Board-level engagement with key stakeholders, that Yorkshire Water is an organisation with a long-term interest in the success of the region;
- To promote Yorkshire Water as an open, transparent and constructive partner, through a programme of engagement with key stakeholders;
- To monitor matters of potential public interest to ensure these are being adequately considered and monitored by the business and are flagged to the Board as and when appropriate;
- To receive regular updates on behalf of the Board in relation to the plan to achieve net-zero; and
- To discuss and highlight to the Board any other matters of public value which the Committee believes should be considered in Board decision making.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or are on our website at **yorkshirewater.com**

Committee performance review

During the year, an externally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Public Value Committee showed it to be operating effectively, with no specific areas for development.

Dame Julia Unwin
Chair, Public Value Committee
10 July 2025



Safety, Health & Environment Committee report

A key part of our strategy for a thriving Yorkshire, right for customers and right for the environment, is that we have a sustainable business foundation. This includes ensuring we keep our people, our partners and any members of the public that we come into contact with safe and well.

We also have a similar responsibility to the environment, and it is essential that we understand any environmental incidents that occur, including the root cause of the incident and the actions taken to ensure it is not repeated. The Safety, Health and Environment Committee exists to allow more time to be spent focusing on these important matters at a Board level.

Health and safety

We have a health and safety vision of 'everyone, every day, safe and well', as well as a moral imperative for 'zero harm'. It is essential that these are embedded in everyday life across our business.

The Committee monitors performance and progress against our health and safety metrics and reviews any incidents or high potential incidents that occur during the year, and the actions taken as a result. After achieving our lowest ever Lost Time Injury Rate in 2024, we are disappointed that this has worsened slightly in 2025. As a business we are very aware of the constant risks we face and are always driving to improve our performance.

We include our partners in all our health and safety considerations and the Committee monitors the health and safety performance of our partners as part of the overall health and safety performance of our organisation. We are delighted that our partner Lost Time Injury Rate and rate of high potential incidents have both improved from the prior year, although the Lost Time Injury Rate remains below target, as we set the target at an extremely stretching level. We have worked hard with our partners during the year to simplify health and safety requirements and to emphasise the importance of compliance, and this work will continue into AMP8.

Two of the partners who work closely with Yorkshire Water were invited to attend Committee meetings in the year, giving the Committee members the chance to hear first-hand their experience of working with Yorkshire Water and to ask them directly for any suggested areas for improvement.

The Committee considers all health, safety and wellbeing risks and has a particular focus on three potentially high impact areas; water quality and how we ensure our water remains safe to drink; process safety, including the control framework around the handling of hazardous chemicals; and our approach to reservoir integrity risk.

During the year a series of independent process safety high hazard studies has been underway and the Committee has received regular updates on any findings arising from these.

The Committee also met with some of our Rangers during the year, to hear first-hand their experience of working in some of the most remote locations in Yorkshire and the safety risks from doing so.

The Committee also heard directly from the Group Occupational Health Manager, who provided an update on the wellbeing strategy for Yorkshire Water and the launch of Wellbeing Hubs across the business, to better understand and support colleagues with their wellbeing needs.

Water quality

The quality of the drinking water we provide to our customers is one of the three key risks overseen by the Safety, Health and Environment Committee. The Committee has received several updates on this during the year, including a detailed deep dive into our approach to 'forever chemicals' within the water supply.

The Committee has also met during the year with the Chief Inspector from the Drinking Water Inspectorate, to hear his views of Yorkshire Water, and any actions that we need to take to improve our performance.

Environmental incidents

There is clearly significant public interest in any environmental incidents, and the Board takes its responsibilities for protecting and enhancing the environment extremely seriously. The Board continues to push for wastewater discharges to be eradicated wherever possible, and we have detailed plans in place to achieve this over time. More information on our ambitions, targets and actions in this area are provided in the **Right for the environment** section of our **Strategic report**.

The Committee monitors the environmental performance of the business closely and has oversight of the investigation process into any incidents. We have disappointingly seen an increase in the total number of pollution incidents in the year, as well as those categorised as 'serious', with 13 serious incidents compared to five in the prior year. This is unacceptable and we are taking steps to address this as set out in more detail in our **Right for the environment** section.

The Chief Executive has led a detailed investigation into each of these incidents and the steps taken to prevent these events from happening again, either at the same or different locations. The Committee has received an update from the Chief Executive on this and will continue to monitor progress as we make improvements to our processes and procedures in this area.

We have a Pollution Reduction Plan in place and during the year this was reviewed by Cranfield University, who fed back directly to the Committee on the adequacy and deliverability of the Plan.

We are also disappointed to have continued with a two-star rating in the annual Environment Agency Environmental Performance Assessment. We continue to invest heavily in our wastewater infrastructure and have significant plans to improve things further in AMP8, more detail of which can be found in our **Right for the environment** section.

During the year, the Committee heard directly from the Area Director of the Environment Agency to hear his views on the performance of Yorkshire Water and any areas requiring increased focus.

Environment Agency

Attendance at Committee meetings

The Committee met four times during the year. Attendance at the Committee meetings is noted earlier in the **Governance report**. As well as the Committee members, meetings are also attended by the Director of Health and Safety, the Director of Wastewater, the Director of Water, the Director of Asset Delivery and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

Terms of Reference

The specific duties of the Committee in its Terms of Reference include:

- To consider the health, safety and wellbeing and environmental cultures across the business and the extent to which the desired cultures are embedded;
- To provide advice to the Board on the perceived 'tone from the top' in relation to health, safety, wellbeing and environmental matters;
- To review and approve the health, safety and wellbeing strategy and annual plan, ensuring that it appropriately prioritises health, safety and wellbeing across the business, is adequately resourced and reflects the risk appetite set by the Board;
- To consider the short, medium and long-term risks relating to health, safety, wellbeing and environmental incidents and the mitigations in place to reduce these risks as far as reasonably practicable;
- To receive regular updates on health, safety and wellbeing performance and details of any non-trivial incidents or near misses and the actions arising from these to prevent recurrence;
- To receive regular updates on environmental performance including in relation to statutory obligations and regulatory performance commitments;
- To receive details of any potential Category 1 or Category 2 environmental incidents and the actions arising from these as well as receiving and considering assurance that the company is identifying and applying lessons learnt;
- To keep under review relationships with third parties that are integral to health, safety, wellbeing and environmental risk management;
- To review the adequacy of the health, safety, wellbeing and environmental risk management framework across the business; and
- To review the findings from health, safety, wellbeing and environmental audits and other assurance programmes, including the mitigating actions and the timely closure of audit findings.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at **yorkshirewater.com**

Committee performance review

During the year, an externally facilitated performance review was undertaken of the Board and all of its Committees. The feedback on the Safety, Health and Environment Committee showed it to be operating very effectively with no specific areas for development.

We are aware that there is still much to be done to ensure that the performance of Yorkshire Water is consistently at the standard to which we aspire. I would like to thank my colleagues for their efforts during the year and we look forward to delivering improved performance in the future.

Andrew Wyllie CBE
Chair, Safety, Health and Environment Committee
10 July 2025

Audit and Risk Committee report

The Audit and Risk Committee provides oversight and challenge in relation to the risk management and controls framework and the integrity of operational and financial reporting, on behalf of the Board.

During the year, the Committee has focused on assurance over principal risks and risk appetite, alongside a thorough review of the risks that could have a very high impact on the business but are assessed as low or very low likelihood. Through positive relationships with the external and internal auditors the Committee has gained assurance that the internal controls framework remains robust, and that risks are identified, escalated, and managed in line with our agreed risk appetite. The Committee has delivered all of its duties, which are outlined in this report.

Role

The Committee's primary responsibilities are to:

- Monitor the integrity of our external reporting, ensuring that we provide clear, complete, fair, balanced, and understandable financial reports to all our stakeholders;
- Receive assurance to gain confidence over the design and operation of the internal controls and procedures, including oversight of our speaking up arrangements;
- Maintain oversight of the relationship with the external auditor;
- Provide oversight of the effectiveness of the process for identifying, assessing and managing key risks across the business, supporting the Board in agreeing and monitoring an appropriate risk appetite;
- Review the effectiveness of both external and internal audit;
- Review and approve the internal audit plan for the year, review internal audit reports and monitor completion of any actions arising; and
- Review the Speaking Up Policy, arrangements and activity.

Membership and attendance

The Committee met for six scheduled meetings during 2025. Membership and attendance of the Committee is shown earlier in this Governance report. In addition to the Committee members, the Chief Executive, Chief Financial Officer, Head of Finance, Head of Audit, Risk and Compliance, Manager of Internal Audit, Company Secretary and the external auditors are notified of all meetings and may attend. The Committee has taken the opportunity during the year to talk to the external and internal auditors without management being present.

Committee performance review

During the year, an externally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Audit and Risk Committee showed it to be operating effectively.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at yorkshirewater. com

Activity in the year

The Committee has discharged its responsibility to the Board through the year. The table that follows highlights the key matters that were considered and challenged as appropriate by Committee members. The table notes whether these were for review (R) or approval and recommendation to the Board (A).

Andrew Merrick
Chair, Audit and Risk Committee
10 July 2025

Key matters reviewed and approved at Committee meetings

Area of Focus	Matters for Consideration	Action
Integrity of external reporting, including significant areas of judgement		
Accounting policies and practices	The Committee reviewed the integrity and the appropriateness of significant accounting policies and disclosures, and material accounting estimates and judgements.	**R**
Fair, balanced, and understandable	The Committee assessed whether the information presented in the Annual Report and Financial Statements taken as a whole, is fair, balanced, and understandable and contains the information needed to enable stakeholders to assess the company's performance, risks, business model and strategy. It considered the process for producing the Annual Report and Financial Statements and the assurance available.	**R**
Long-Term Viability (LTV)	The Committee recommended the long-term viability assessment to the Board based on review and challenge of the time horizon, the risk scenarios and sensitivity analysis, the impacts of these scenarios on the financial covenants, and the headroom indicated by such testing.	**A**
Going concern	The Committee considered the appropriateness for the company's financial statements to be prepared on a going concern basis by reviewing the basis of management's assessment, including evidence of liquidity and funding, alongside the auditor's report. This included looking beyond 12 months at any financing events that could create material uncertainty. A full review was performed, and further details can be found in **note 1** to the **Financial statements**.	**A**
Infrastructure asset valuation	The Committee reviewed the methodology and assumptions around the infrastructure asset valuation, noting the external support received.	**R**
Financial instruments	The Committee reviewed the management judgements around the valuation of the company's financial instruments, looking at the use of third-party valuations and alignment with FRS102.	**R**
Annual Performance Report (APR)	The Committee reviewed the risks and assurance over the information included in the APR including performance against Outcome Delivery Incentives.	**A**

Area of Focus	Matters for Consideration	Action
Assurance over the design and operation of internal controls		
Internal control framework	The Committee received the internal audit reports and compliance updates, including the actions arising from these. It monitored and challenged the timely achievement of the action plans, noting the importance of timely implementation of such actions to mitigate risk.	**R**
Speaking Up arrangements	The Committee reviewed and approved the Speaking Up Policy and maintained oversight of individual speak ups, the outcomes and agreed actions, and received assurance that no one using the Policy has been victimised as a consequence.	**A**
Internal audit plan	The Committee satisfied itself that the annual internal audit plan provided sufficient third line assurance that risks are being managed to the level reported.	**A**
Internal audit performance	The Committee agreed the level of performance, experience and expertise required to deliver the internal audit plan and reviewed the performance of internal audit in relation to quarterly performance targets.	**A**
Effectiveness and independence of the external auditor		
Independence of the external auditor	The Committee considered the independence of the external auditor at the planning and reporting stage of the audit, to satisfy itself that there were no factors which may, or may be seen to, impact the independence and objectivity of the external audit process, particularly the level of fees relating to non-audit work. The Committee approves on an individual basis any non-incidental non-audit work by the external auditor which is capped at 70% of the three year average statutory external audit fee for the whole group. The 2025 split between audit and non-audit fees is shown in note 3 to the Financial statements, the non-audit fees of £87k relate to bond prospectus services (£60k) and regulatory reporting requirements (£27k).	**A**
Performance of the external auditor	The Committee assessed the performance of the external auditor by reviewing the findings from a survey completed by management stakeholders and the Committee about the conduct and quality of the audit.	**R**
External audit fee	The Committee reviewed and approved the external audit fee, plan, and approach for the financial year-end.	**A**

Area of Focus	Matters for Consideration	Action
Effectiveness of the risk management process		
Principal risks	The Committee noted the findings from the internal audit of risk management arrangements and was satisfied that the design and operation of the corporate risk management process were satisfactory. The Committee received deep dive reviews of some of the principal risks as part of an agreed programme of work, including a specific focus on cyber risk, the evolving threats, and the improvements being made in this area.	**A**
Risk appetite	The Committee reviewed the company's overall risk position and the level of risk against the agreed corporate risk appetite.	**A**

Discharge of responsibilities

The Committee has devoted sufficient time to reviewing and challenging all the areas in its Terms of Reference which are integral to the company's core management, risk, and financial processes, as well as engaging regularly with management, internal audit, and our external auditors. The Committee has, where necessary, taken the initiative in requesting and questioning information in order to discharge its constructive challenge role. The Committee believes it has had an impact on assuring and improving the internal control framework.

Directors' remuneration report

Our information on directors' remuneration is structured as follows:

- Annual Statement from the Chair of the Remuneration Committee, providing an overview of the key developments and remuneration decisions made during the financial year.
- Remuneration policy report, setting out the remuneration policy for 2026 that has been recommended by the Remuneration Committee and approved by our shareholders.
- Annual report on remuneration, showing how the remuneration policy for 2025 has been applied, how we intend to apply the policy for 2026, along with a summary of the work of the Remuneration Committee in the year.

Yorkshire Water is a private limited company and our shareholders do not require us to hold an Annual General Meeting (AGM). This report is therefore not subject to approval at an AGM but is presented for information to our stakeholders, to ensure we are transparent in what we pay our directors, and in compliance with the relevant legislation.

Annual Statement from the Chair of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 March 2025.

The Remuneration Committee is acutely aware of the intense scrutiny under which executive remuneration decisions are made, and we are clear that our role is to ensure that our executive directors are paid fairly, with a remuneration policy that drives the right behaviours and results for the benefit of our business, our customers and the environment.

How the Committee operates

Our Remuneration Committee is entirely independent from our executive directors, and has always operated in accordance with best practice, and in compliance with regulatory requirements and the UK Corporate Governance Code. The Committee consists of seven non-executive directors, who all bring considerable experience from other sectors and other Remuneration Committees, and have a clear understanding of how to apply remuneration policy to drive the right outcomes for businesses.

As well as overseeing the fixed pay of our executive directors, the Remuneration Committee measures the performance of the executive directors each year against the measures in our performance-related pay schemes; the annual Executive Bonus Plan (EBP) and the Long-Term Incentive Plan (LTIP). In our final review each year, before any performance-related payments are made, we consider an independent report on performance against those measures and then apply discretion to take account of any wider factors and the performance of the business in the round.

This year has seen the introduction of the Performance-related executive pay Prohibition Rule published by Ofwat in June 2025, which is to be applied retrospectively to the year ended 31 March 2025. This Rule is the result of the Water (Special Measures) Act, which became law on 24 February 2025, and applies to our executive directors. The Ofwat rules require a binary adjustment to the performance-related pay outcomes in the year, which can remove all performance-related pay because of one area of poor performance. The Committee has decided not to adjust its own remuneration policy to accommodate the Prohibition Rule, but will continue with the policy that it believes is right for Yorkshire Water and then apply the Prohibition Rule as a final step each year to reach the final remuneration outcome.

Responding to feedback from Ofwat

In November 2024, Ofwat published its annual assessment on 'protecting customer interests on performance-related executive pay'. This assessment concluded that the performance-related pay awarded by the Remuneration Committee in 2024 should not have been funded by customers, and therefore this will be recovered from the business through the Ofwat recovery mechanism, which means it will instead be funded by shareholders. For this reason, the company will not be seeking to recover any of the performance-related pay from the directors themselves.

The Ofwat decision was due to the Environmental Performance Assessment rating in the year being at a two-star level, and was despite the Remuneration Committee having already used its discretion to reduce the performance-related pay by 19% to reflect environmental performance.

The Committee had made the decision to award performance-related pay in 2024 to reflect the strong performance seen in that year in relation to C-MeX, drinking water quality contacts, leakage,colleague engagement, health and safety, and in all financial measures.

Policy changes

We reported last year on the change in our remuneration policy to have two separate performance-related schemes; the EBP and LTIP, as well as reducing the maximum award for executive directors under both schemes, from 150% to 110%. These changes came into effect on 1 April 2024. This year, the Remuneration Committee believes the new schemes remain fit for purpose and therefore only one minor change is proposed to the remuneration policy for 2026. This is an increase in the maximum company pension contribution, or equivalent cash allowance, from 10% of base salary to 12%. This is to align with the same increase being offered to colleagues across the business from 1 April 2025.

The Committee will continue to keep the remuneration policy under review to ensure it reflects best practice in remuneration.

Our performance for customers and the environment

As set out in our **Strategic report**, consistent with the rest of the sector, the performance of the business still needs to improve. The significant investment approved through the AMP8 Final Determination will help deliver the necessary changes, but as a business we have seen some disappointing results this year in relation to serious pollution incidents and C-MeX. We take poor performance very seriously and there are multiple steps being taken to ensure we improve our performance in these areas, as set out in the **Right for customers** and **Right for the environment** sections of our Strategic report.

During the year we have also seen some areas of strong performance, delivering our leakage reduction target of 15% since 2020, and improving colleague engagement for the second year in a row. The executive directors and senior leadership team has had significant turnover in recent years, with 38% of the senior leaders having joined the business in the last three years, including both of our executive directors. The Board and Remuneration Committee believe that performance-related pay must reflect the need for improvement, but it is also important to reward the strong performance that is being achieved and to ensure the right incentives are in place to recruit and retain the right talent within the business.

All of these factors have been considered by the Committee in our remuneration decisions as we strive to appropriately reward and motivate our executives, whilst never rewarding under-performance.

Key decisions by the Committee in the year

The Committee met five times during the financial year and there have been a number of key decisions taken, which are outlined below:

Change of Chief Financial Officer

As reported in our **Strategic report**, during the year Paul Inman indicated his intention to retire from the business on 31 May 2025 and the Committee reviewed the pay arrangements for his departure. It was agreed that Paul should be treated as a good leaver in accordance with the rules of the previous Executive Incentive Plan (EIP), and the current EBP and LTIP. This means that he will still receive the awards that remain outstanding at the date of his departure, pro-rated to the date of his retirement. These will be paid, if and when these vest, in July 2025, July 2026 and July 2027.

Martin Gee has been appointed as the successor to Paul Inman, and joined the business on 6 May 2025. The Committee reviewed the remuneration to be offered to Martin, and agreed a base salary of £500,000, with the rest of his benefits and remuneration in line with those paid to Paul. This aligns with the remuneration policy and reflects data on the market rate for the role. Further details of the amounts to be paid to Martin are shown later in this report.

Salary review for executive directors

The annual pay negotiations across the business resulted in an average pay rise of 4.5% being awarded across the business with effect from 1 April 2025. The Committee reviewed the pay of the executive directors in March 2025 and agreed to apply the same increase of 4.5% to the base pay of both Nicola and Paul, with effect from 1 April 2025.

The award and measures for the EBP and LTIP

As noted earlier, the new EBP and LTIP were launched on 1 April 2024 and the awards for these were approved by the Committee, in line with the remuneration policy. The measures to be applied to the EBP for 2026 were reviewed and approved by the Committee in March 2025. The measures for the LTIP to be awarded on 1 April 2025, with a three-year performance period through to 31 March 2028, were approved by the Committee in May 2025. More information on this can be found later in this report.

Performance-related pay vesting in 2025

The executive directors participated in two performance-related pay schemes that had performance periods ending in 2025; the annual EBP awarded on 1 April 2024, and the previous EIP scheme, for which one-third of the long-term element awarded in the year ended 31 March 2023 was due to vest.

The Committee reviewed the outcome of the performance metrics for both schemes, as well as the overall performance of the business in its decision-making process in relation to the vesting of the schemes. More information on this can be found later in this report.

The performance metrics for the EBP indicated vesting of 44.6%, which reflected performance in the year, with reward for financial efficiency but no rewards for customer service or environmental performance, both of which require improvement.

The performance metrics for the long-term element of the EIP indicated vesting equivalent to 38.8% of the maximum, which reflected that most measures had improved or been maintained since the first year of the scheme concluded in 2023.

These outcomes align with the deign of the schemes, which reward areas where performance has been strong, but do not give performance-related pay for areas where performance has not met expectations.

During the year, however, Nicola and Paul informed the Committee that they did not wish to accept any payment from the EBP for the year ended 31 March 2025; due in part to the undertakings that were agreed with Ofwat in March 2025 in relation to their wastewater network investigation. These undertakings related to breaches that were ongoing when both Nicola and Paul joined the business and considerable work is underway to ensure these breaches are fully addressed, however Nicola and Paul are aware that pollution performance in the year has not been where it needs to be. In addition, a specific Category 1 pollution event unfortunately occurred in December 2024 at one of our water treatment works. For these reasons, Nicola and Paul informed the Committee that they would not accept any payment this year from the EBP. The Committee subsequently noted that this outcome aligned with the Prohibition Rule published by Ofwat in June 2025.

Nicola has also chosen to waive the payment of the long-term element of the EIP, awarded in the year ended 31 March 2023, having already waived the short-term element of the same scheme in 2023.

Feedback

As a private limited company, our Directors' remuneration report is not subject to a vote at an AGM. We are keen, however, to receive any feedback from stakeholders on our remuneration policy, which may be directed to me via our Company Secretary, who can be contacted at **compsec@yorkshirewater.co.uk**

Wendy Barnes
Chair of the Remuneration Committee
10 July 2025

Remuneration policy report

This part of our Directors' remuneration report sets out a summary of how the Directors' remuneration policy for Yorkshire Water will apply from 1 April 2025. There has been only one minor policy change from last year, which is an increase in the maximum company pension contribution, or equivalent cash allowance, from 10% of base salary to 12%. This is to align with the same change being offered to all colleagues with effect from 1 April 2025.

Policy overview

The current remuneration policy for directors comprises the elements set out in the table overleaf.

In setting the policy, the Committee considers a number of factors, including:

- Alignment of the remuneration policy with the strategic objectives of the business and our desire for 'a thriving Yorkshire, right for customers and right for the environment', to ensure reward reflects performance;
- An appropriate balance between fixed and performance-related pay to incentivise strong long-term performance, sustained shareholder value creation and behaviour aligned with the Yorkshire Water values, whilst not driving unnecessary risk-taking or irresponsible behaviour;
- Provision of a remuneration structure that is sufficiently competitive to attract, retain and motivate high calibre executive directors;
- The principles set out in the Ofwat Board Leadership, Transparency and Governance Principles, as well as those in the UK Corporate Governance Code; and
- Periodic external comparisons of market trends and practices elsewhere in the water industry and in companies of a similar size, complexity and geographic scope.

We want our remuneration structure to be simple and transparent and to clearly link pay to performance. Our policy ensures that performance-related components form a significant proportion of the overall remuneration package, with maximum total potential rewards earned only through the achievement of stretching performance targets, based on measures selected to promote the long-term success of the company and to meet our vision of a thriving Yorkshire.

Consideration of pay and employment conditions across the business

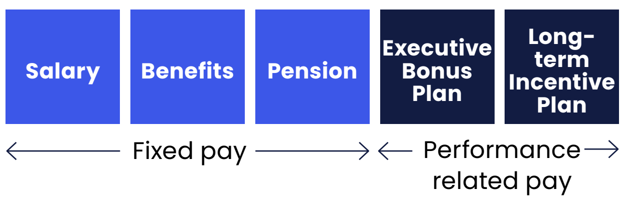
The Committee also considers the pay and employment conditions of colleagues across the business when setting the remuneration policy for the executive directors, to ensure that these are aligned where appropriate. We regularly monitor pay trends across all levels of the business and salary increases for the directors will normally be in line with, or lower than, those of the wider workforce in percentage terms.

The Committee also seeks views on remuneration from colleagues across the business through the Yorkshire Voice survey, which has been conducted twice during the year. This information is fed back to the Board after each survey.

How the Committee may exercise discretion

The Committee may exercise discretion in order ensure fairness and align executive remuneration with underlying individual and company performance. In exercising its discretion, the Committee may adjust, upwards or downwards, the outcome of any performance-related pay within the limits of the relevant plan rules. This includes, for example, taking into account significant health, safety or pollution incidents, serious criminal breaches, compliance issues, significant events that impact on customers, operational performance not covered elsewhere in the metrics, and financial resilience in the year under review.

Any use of discretion by the Committee during the financial year will be detailed in the Annual report on remuneration each year. **The remuneration of our executive directors is made up of five elements:**



Executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Fixed pay			
Base salary			
Setting the base salary at the right level enables us to attract and retain the high calibre executives required to deliver the performance we want at Yorkshire Water.	Salaries are reviewed annually with changes typically effective from 1 April. The review considers the general annual salary increases for the workforce as well as any other key internal and external reference points, including the calibre and performance of the individual. There is no prescribed maximum annual base salary or salary increase. Details of the base salaries for each of the executive directors are shown in the Annual report on remuneration.	No specific performance measures are used to determine base salary, but individual and business performance are considered as part of the discussion when setting the base salary levels.	There are no provisions to recover any sums paid.

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Fixed pay			
Benefits			
Paying the right level of benefits helps us to attract and retain the right individual for the role.	The provision of benefits is set based upon general market practice, considering the benefits available to other colleagues across the business. The benefits available to executive directors may include a combination of: • Private medical insurance for the executive, their spouse and dependent children; • Life assurance; • A choice of company car lease or a car allowance of up to £12,000 per annum for the CEO and £7,500 for the CFO; • Medical screening; and • Optional private fuel provision. Executive directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. We also reimburse normal business-related expenses for our executive directors. The cost of benefits may vary from year to year and there is no maximum level set.	Benefits are not performance related.	There are no provisions to recover any sums paid.
Retirement benefits			
Retirement benefits are paid as part of a market competitive package which, in turn, helps us to attract and retain high calibre individuals to deliver the strategic objectives of the business.	The maximum for executive directors is aligned to the contribution level for colleagues across the business: • a company contribution to the defined contribution stakeholder scheme of up to 12% of base salary; • a cash allowance of up to 12% of base salary; or • a combination of a company contribution to the defined contribution stakeholder scheme and a cash allowance of up to 12% of base salary in total. This has been increased from 1 April 2025 from 10% to 12% of base salary to align with the same increase being offered to colleagues across the business.	Retirement benefits are not performance related.	There are no provisions to recover any sums paid.

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Performance-related pay			
Executive Bonus Plan (EBP) The EBP is designed to ensure focus on short-term priorities for the benefit of our customers, the environment, our investors and other stakeholders. The EBP incentivises performance against stretching targets.	Performance targets are set at the beginning of the year by the Committee with up to 110% of base salary vesting each year depending on the performance in that year against the targets set, as determined by the Committee. All payments are at the ultimate discretion of the Committee.	A balance of financial and non-financial measures is selected by the Committee at the start of each year. All targets are clear, stretching and measurable and relate to the main KPIs for the company. The measures agreed for 2025 and 2026 are set out in more detail later in this report. In addition to the performance measures set by the Committee, there is an underpin that the Committee must be satisfied that the financial and non-financial performance of the business over the performance period warrants the level of vesting.	Payments are subject to clawback for a two year period after payment, in the event of material misstatement of performance, errors, inaccuracies or misleading information or assumptions being found to be the basis of the assessment of performance conditions, serious misconduct or any other reason at the discretion of the Remuneration Committee.

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Performance-related pay			
Long-term Incentive Plan (LTIP)			
The LTIP is designed to ensure focus on long-term business goals and sustainability for the benefit of our customers, the environment, our investors and other stakeholders. The LTIP incentivises performance against stretching targets.	Performance targets are set at the beginning of the three year performance period by the Committee with up to 110% of base salary vesting following the end of the third year, depending on the performance over the period against the targets set, as determined by the Committee. All payments are at the ultimate discretion of the Committee.	A balance of financial and non-financial measures is selected by the Committee at the start of each performance period. All targets are clear, stretching and measurable and relate to the main KPIs for the company. The measures agreed for the performance period starting on 1 April 2025 are set out in more detail later in this report. In addition to the performance measures set by the Committee, there is an underpin that the Committee must be satisfied that the financial and non-financial performance of the business over the performance period warrants the level of vesting.	Payments are subject to clawback for a two-year period in the event of material misstatement of performance, errors, inaccuracies or misleading information or assumptions being found to be the basis of the assessment of performance conditions, serious misconduct or any other reason at the discretion of the Remuneration Committee.

Non-executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
Fees			
Fees are set to provide competitive pay to enable us to attract and retain the right calibre of individual and the right balance of skills on the Board. Only our independent non-executive directors receive any fees from the company.	Fees are reviewed annually. Any increase will be guided by changes in market rates, time commitments and responsibility levels as well as by increases for the broader colleague population. The Chair is paid an all-encompassing fee to take account of all Board responsibilities. The other independent non-executive directors receive a base fee with additional fees paid for additional responsibility, such as the chairing of a committee or performing the role of the Senior Independent Director. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for independent non-executive directors, the company may pay extra fees to recognise the additional workload. We reimburse our independent non-executive directors for any normal business-related expenses.	Performance is addressed through regular one-to-one meetings between the Chair and each independent non-executive director. The performance of the Chair is reviewed at one-to-one meetings between the Chair and the Senior Independent Director.	There are no provisions to recover any sums paid.

How does the remuneration policy for executive directors differ from that of other colleagues?

Overall, the remuneration policy set for the executive directors is more heavily weighted towards performance-related pay than for most other colleagues. As such, a greater proportion of their remuneration is dependent upon the performance of the business.

The key differences are noted in the table below:

Remuneration component	Difference
Base salary	Base salaries are reviewed in the same way for executive directors as for other senior colleagues, considering market rate information, internal reference points, individual performance, the scope of the role, the financial performance of the business and the average increases across the rest of the business. Most colleagues are covered by collective agreements which are negotiated based on our principles of affordability, fairness and transparency. The outcome of these negotiations is also taken into account when considering pay increases for more senior colleagues. We pay all colleagues, contract partners and service providers salaries at least equivalent to the voluntary Real Living Wage.

Remuneration component	Difference
Benefits	An increasing level of benefits is offered to colleagues as their job level increases. Those offered to the executive directors are consistent with those offered to other senior colleagues, with a slightly higher car allowance offered to the CEO.
Retirement benefits	All colleagues are entitled to pension contributions from Yorkshire Water. The amount contributed increases as the colleague contribution increases. The policy for executive directors is consistent with that for new colleagues across the business with a maximum company contribution of 12% of base salary.
Short-Term and Long-Term Incentive Plans	Performance-related pay awards are made only to those individuals who are most able to directly influence delivery of the corporate strategy. Along with the executive directors, senior leaders are also invited to participate in the performance-related pay schemes. The performance measures and performance periods are the same for all participants in the scheme. The level of award increases with seniority. Colleagues just below senior leader level participate in an annual bonus scheme with payments of up to ten or 15 per cent of salary, dependent on role. All other colleagues participate in a bonus scheme which pays up to £1,000 per annum depending on company performance.

Service contracts

Our policy is to set notice periods for executive directors at six months' notice from either party.
The current service agreement dates are set out in the table below:

Director	Date of appointment	Date of current service agreement
Nicola Shaw	9 May 2022	6 April 2022
Martin Gee	6 May 2025	31 March 2025

Letters of appointment

Independent Non-Executive Directors are appointed by letters of appointment for a period of two years. Appointments may be renewed by mutual agreement for further periods of up to two years subject to a total period of nine years' service with the company. The letters of appointment allow for termination by either party without a requirement for notice.

The appointment of the Chair is for a period of three years and may be renewed by mutual agreement for further periods of up to three years, subject to a total period of nine years' service with the company. The notice period is set at three months for either party.

The dates of the current letters of appointment are noted in the table below:

Director	Date of original appointment	Date of most recent re-appointment
Vanda Murray	1 July 2021	1 July 2024
Furqan Alamgir	1 October 2024	-
Wendy Barnes	1 November 2022	1 November 2024
Andrew Merrick	1 June 2019	1 June 2025
Julia Unwin	1 January 2017	1 January 2025
Andrew Wyllie	1 September 2017	1 September 2023

The following Non-Executive Director appointments were made in accordance with Clause 4 of the Shareholders Agreement dated 20 June 2023. This permits investors to appoint representatives to the company in accordance with their holdings.

Non-executive director	Appointed
Simon Beer	26 November 2024
Isabelle Caumette	20 November 2023
Andrew Dench	13 September 2017
Russ Houlden	19 January 2022
Scott Auty (as an alternate for Isabelle Caumette)	20 January 2025


Yorkshire Water

Annual report on remuneration

This part of the Directors' remuneration report sets out the amounts we have paid to directors for the year ended 31 March 2025 and describes how the policy will be implemented in 2026.

The financial information contained in this part of the report has been audited where indicated.

Single total figure table (audited)

	Nicola Shaw		Paul Inman		Total	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
Base salary	615	585	407	388	1,022	973
Taxable benefits	13	13	9	9	22	22
Retirement benefits	61	59	41	39	102	98
Total fixed remuneration	**689**	**657**	**457**	**436**	**1,146**	**1,093**
EIP – short term element	-	371	-	245	-	616
EIP – long-term element	**-**	-	6	-	6	-
Total variable remuneration	**-**	**371**	**6**	**245**	**6**	**616**
Buy-out payments	-	-	199	-	199	-
Sub-total	**-**	**-**	**199**	**-**	**199**	**-**
Total	**689**	**1,028**	**662**	**681**	**1,351**	**1,709**

Notes to the table

- Nicola and Paul received their retirement benefits in cash during the year instead of opting for a contribution to the Kelda Stakeholder+ Plan.
- Buy-out payments represent a payment of £199,000 paid to Paul in September 2024 to compensate him for remuneration he forfeited upon his resignation from his previous role in order to join Yorkshire Water. A further payment of £111,000 was forfeited by Paul upon his resignation from Yorkshire Water.
- Both Nicola and Paul also received remuneration for services to other group companies in the year, which was paid by Kelda Holdings Limited and is therefore disclosed in the Financial Statements of that company.

EBP

The EBP is an annual bonus scheme with awards made with effect from 1 April each year. The EBP has metrics which are agreed by the Remuneration Committee each year to measure performance in key areas during the year.

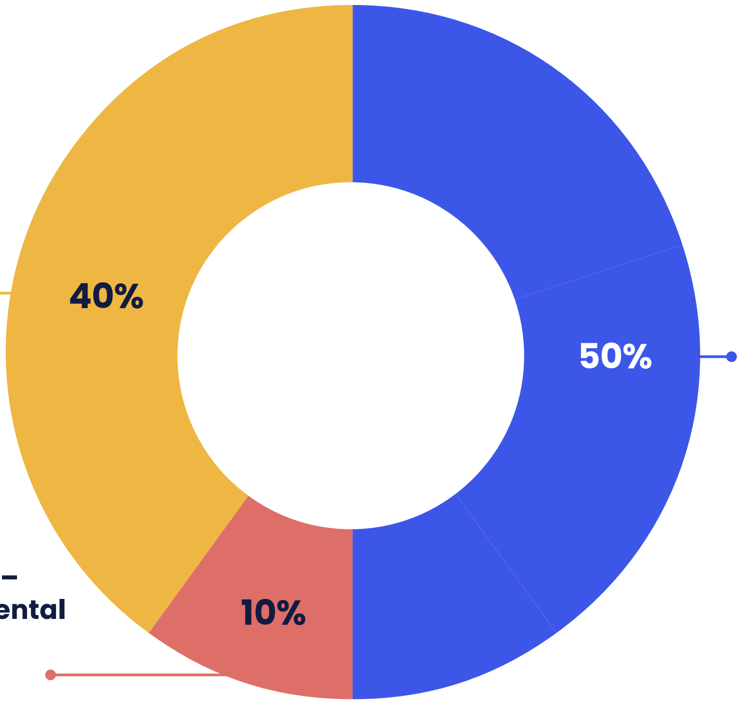
EBP awards will not vest unless the Committee is satisfied that the underlying financial and non-financial performance has been satisfactory over the performance period, considering any relevant factors. The Committee has authority to exercise its discretion to adjust the level of vesting to any extent considered appropriate. Any amounts that vest are paid in cash to participants in July of each year.

Vesting of the EBP in 2025

Awards of up to 110% of base salary were made to executive directors on 1 April 2024. The performance period ran to 31 March 2025. The performance measures are focused on two key areas: delivering for customers, environment, and our people, and our financial efficiency.

The specific performance metrics are set out as follows, along with how the actual performance in the year compares.

Vesting of the EBP in 2025



Managing our finances carefully

Maximum: **40%**

Vesting before discretion: **31.4%**

Delivering for customers, the environment and our people

Maximum: **50%**

Vesting before discretion: **13.2%**

Personal objectives – these are environmental measures for our executive directors

Maximum: **10%**

Customer, environment and people measures

C-MeX

Target: Eighth in the sector
Actual: **Tenth in the sector**

C-MeX stands for the Customer Measure of Experience and was designed by Ofwat to incentivise excellent customer experience for residential customers. This was chosen as a performance metric as improving customer experience is a key focus for the business.

Last year saw an improvement in our performance from tenth to ninth, and the target was set to improve this further whilst investment has continued in improving our services to customers. Our ambition is to be a top quartile business by the end of the next AMP, but we believe increasing our position by one in 2025 was a stretching target when all companies are also striving to improve.

Time, Cost, Quality Index

Target: At least 70%
Actual: **69%**

This is the measure we use to ensure our capital projects are delivering for customers as required, in terms of their time taken to deliver, the cost to deliver and the quality delivered. The target was set at 70% as this would have been an improvement from the prior year score of 69%, when the Time, Cost, Quality Index was first introduced to the business.

Water quality – Compliance Risk Index

Target: No more than 3.50
Actual: **3.61**

The Compliance Risk Index is a measure designed by the Drinking Water Inspectorate to illustrate the risk arising from treated water compliance failures. It adds together failures in water supply zones, at treatment works and at service reservoirs, dividing these by the total population served, the volume of water supplied daily and the total service reservoir capacity of the company. The lower the score the better. The score in the prior year was 9.3 and therefore a target score of 3.5 was considered extremely stretching.

Pollution incidents

Target: No more than 97 incidents
Actual: **151 incidents**

The total number of Category 1, 2 and 3 pollution incidents in the 2024 calendar year was chosen as a performance metric because of its significance to our customers and the focus that we are placing on driving this number down. The target was set at 97 as this would have been a decrease of over a quarter from the prior year, and therefore was considered a stretching but suitable target.

Lost Time Injury Rate

Target: No more than 0.10
Actual: **0.14**

The lost time injury rate measures working time lost as a result of an injury at work. In 2024, we achieved our lowest ever lost time injury rate at 0.10. This was solely for Yorkshire Water as a company. This year we have included the performance of our contract partners, when undertaking work on behalf of Yorkshire Water, within our measure and we set the target at 0.10, which was extremely stretching in comparison to the performance of 0.16 last year when combining Yorkshire Water and contract partner performance.

Financial measures

EBITDA

Target: At least £690.2m
Actual: **£686.4m**

EBITDA is earnings before interest, taxation, depreciation and amortisation and is the key profit indicator used by the company to track and assess financial performance. A stable and resilient financial performance is key to ensuring the ongoing resilience of the business. Careful management of the money we receive from customers is also essential to ensure we are delivering services in as cost effective a way as possible.

The EBITDA target reflects the budgeted EBITDA for the year, which is considered stretching in the current economic climate with continued high inflation, increased energy and chemical costs and a larger proportion of customers struggling to pay their bills.

Operating cash flow

Target: No more than £135.3m net outflow
Actual: **£114.4m net outflow**

Cash flow is important to any business to ensure that the business can continue to run day-to-day. This has been chosen as a key performance metric to ensure colleagues are focused on ensuring cash is handled carefully across the business. The target was set in line with the budget for the financial year, which is considered stretching in the current economic climate.

Personal objectives

Each senior participant in the EBP this year has had personal objectives agreed their line manager which are focused on the delivery of strategic objectives. The personal objectives for both executive directors were agreed by the Board.

Given the significant focus on the environment and the need for improvements in this area, it was agreed by the Board that the personal objectives of the executive directors should be solely focused on environmental measures, to ensure that 30% of the total EBP related to the environment. In 2025 our environmental performance has not been where we want it to be and therefore there was no vesting of the personal objectives part of the EBP for the executive directors.

Application of discretion

The performance set out indicates a total vesting of 44.6% for the EBP.

This was discussed in detail by the Remuneration Committee to consider whether such vesting represented performance in the round. Factors taken into consideration as part of the discussion around overall performance included:

Performance across the other performance commitments not included in the EBP - the Board receives regular updates on all 44 performance commitments throughout the year. There has been both under and over performance on these measures which are not included within the EBP. The Committee does not consider that any under performance in these measures is sufficient to warrant a discretionary adjustment to the outcome of the EBP. Further information on performance in relation to all our performance commitments can be found in our Annual Performance Report which is on our website at **yorkshirewater.com**

- **Financial resilience** – there has been much work on the financial resilience of the business over recent years and the Committee believes that Yorkshire Water is in a financially resilient position and will continue to be so, as set out in our **Going concern and long-term viability statements**.

- **Reputational and compliance issues** – there have been 13 serious pollution incidents in the year under review, for which the Board has received regular updates throughout the year. The Committee has considered the causes and impacts of these and the fact that these have contributed to our two-star Environmental Performance Assessment rating. During the year Yorkshire Water signed undertakings with Ofwat to commit to improving environmental performance, and received praise from Ofwat for its handling of the undertakings and the accountability that had been taken to put things right. As the EBP outcome already contained no reward for environmental performance, the Committee concluded that no further downward adjustment would be required.
- **Other overall performance considerations** – during the year Ofwat confirmed that Yorkshire Water had moved from a 'lagging company' to an average company for FY24. Whilst this is pleasing, the Board is very aware of the need to continue to improve, and believes that Nicola, Paul and Martin are the right executives to continue to lead this transformation. There were no other performance considerations noted by the Committee which would require discretion to be applied to reduce the EBP outcome further for the year under review.

In addition, the Committee has considered whether any malus or clawback provisions could be enforced in relation to events that have taken place in previous years, but for which the full impact has only now become apparent. It has concluded that there were no provisions in place at the time of these incidents that would allow recovery of any performance-related pay elements to be enforced.

Decision by the executive directors

Regardless of the outcome of the scheme in the year, both of the executive directors informed the Committee during the year that they would not accept any performance-related pay from the EBP in 2025. This is in part due to the undertakings signed with Ofwat on 17 March 2025, that were agreed in lieu of a financial penalty for a breach of s.94 of the Water Industry Act 1991, that was ongoing before either of our executive directors joined the business. Whilst much has been done since Nicola and Paul joined the business to mitigate this breach, our pollution performance is still not where it needs to be. More information on this can be found in our **Right for the environment** section within our **Strategic report**.

Also, on 6 December 2024, planned maintenance at our water treatment works at Holmbridge led to sodium hypochlorite being inadvertently released to the River Holme by contractors working on behalf of Yorkshire Water, resulting in around 400 fish being killed, which means this is classified as a Category 1 incident.

In the light of these matters, the executive directors informed the Committee that they would not accept any remuneration from the EBP for the year ended 31 March 2025.

The Committee respect this decision and noted subsequently that this aligned with the Ofwat Prohibition Rule that came into force on 6 June 2025.

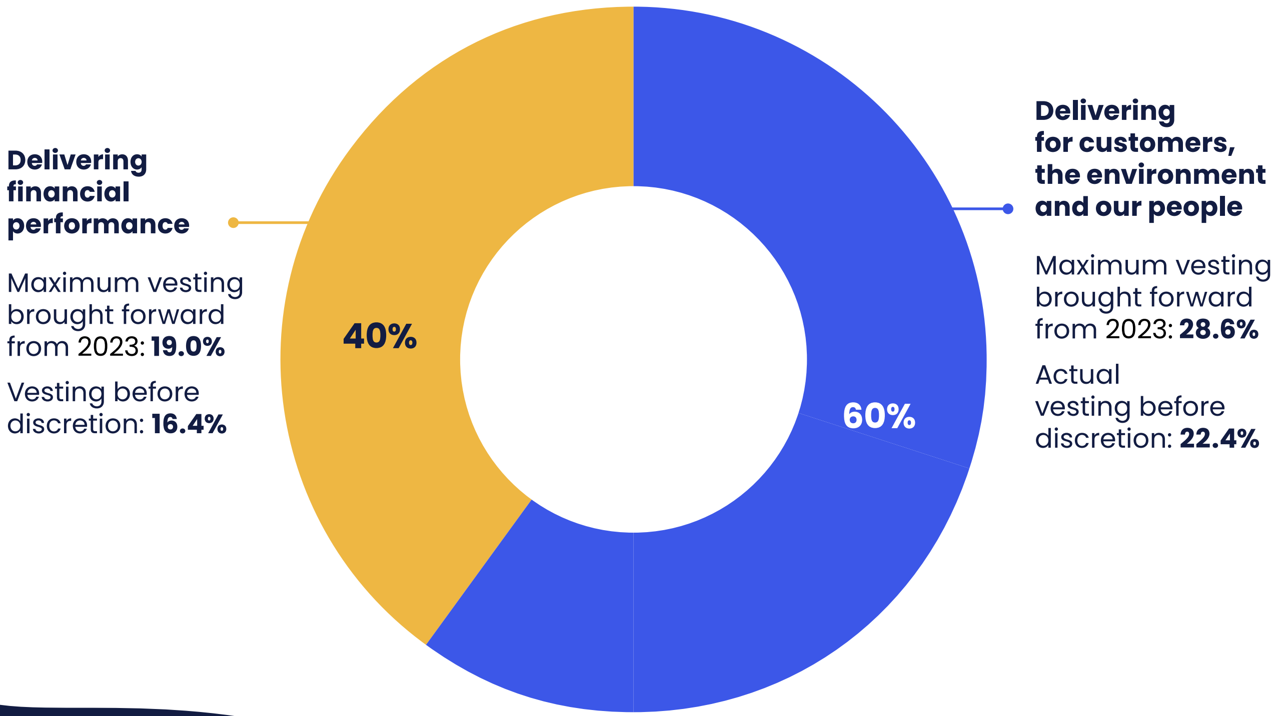
Vesting of the EIP in 2025

The EIP was a rolling five-year plan, with awards made with effect from 1 April each year. The scheme has now been replaced by the EBP and LTIP, but there are outstanding awards brought forward which are due to vest in 2025, 2026 and 2027.

Nicola Shaw and Paul Inman joined the business in 2022 and 2023 respectively and therefore did not participate in any of the schemes awarded prior to this time. Their awards due to vest in 2025 therefore relate solely to the performance period from 1 April 2022 to 31 March 2025. The performance measures are focused on four key areas: customer, environment, people and financial.

The long-term element of the EIP was adjusted at the end of the first year of the performance period to reflect performance in the year, this performance then had to be maintained in order for the vested amount not to decrease further. The adjusted amount at the end of the first year was 47.6% of the maximum, therefore this is reflected in the vesting shown below:

Vesting of the EIP in 2025



Area	Measure	Maximum vesting on award	Maximum vesting after one year	Movement since 31 March 2023	Amount vesting
Customer	Performance commitments relating to C-MeX, leakage, interruptions to supply, internal and external sewer flooding, and significant water supply events.	30%	14.3%		13.2%
Environment	Performance commitments relating to the Compliance Risk Index and total pollution incidents.	10%	4.8%		2.4%
	Environmental Performance Assessment	5%	2.4%		0%
	Operational carbon	5%	2.4%		2.0%
People	Colleague engagement and Lost Time Injury Rate	10%	4.8%		4.8%
Financial	Return on Regulated Equity	40%	19.0%		16.4%
Total					38.8%

The long-term element of the EIP was designed to ensure that short-term performance was not achieved to the detriment of the longer-term. The Remuneration Committee has considered whether performance in the round in the three-year period to 31 March 2025 justifies the amount that has vested, and it was agreed that the scheme was appropriately rewarding the areas where good performance had been maintained, whilst not rewarding areas where performance had not met target. The Committee therefore concluded that no further adjustment to the outcome was needed. Despite being eligible to receive £100,000 from the EIP scheme this year, Nicola has waived this amount to align with her decision to waive the short-term element of the same scheme for the year ended 31 March 2023.

LTIP

Awards are made for the LTIP annually on 1 April and have a three-year performance period, with targets sets in the context of a five-year time horizon.

The awards made on 1 April 2024 have the following measures:

Customers and the environment 60%	Financial 40%
Improving our service to customers – measured through C-MeX. Reducing leakage – measured through the volume of leaks on a three-year rolling average. Reducing sewer flooding – measured through the number of incidents.	Return on Regulated Equity – measured as the AMP8 Allowed Return.

The detailed performance against these measures will be reported in the remuneration report in 2027. The Committee is very mindful of the need to ensure that it sets targets that are stretching but achievable in order to drive the right focus and behaviour amongst the colleagues in the scheme.

Outstanding long-term awards as at 31 March 2025

The table below relates to the long-term elements of the EIP and LTIP schemes:

	Nicola Shaw			Paul Inman		
Effective date of award	09.05.2022	01.04.2023	01.04.2024	01.03.2023	01.04.2023	01.04.2024
Awards outstanding at 1 April 2024 £'000	367	555	-	23	371	-
Awards made in the year £'000	-	-	676	-	-	448
Vested during the year £'000	-	-	-	6	-	-
Lapsed during the year £'000	22	-	225	2	-	149
Waived during the year £'000	100	-	-	-	-	-
Awards outstanding at 31 March 2025 £'000	245	555	451	15	371	299
Face value of maximum total award £'000	245	555	451	15	371	299
Total % that would vest at threshold performance %	20%	20%	20%	20%	20%	20%

The LTIP awards made in the year to 31 March 2025 have been reduced by one third to reflect the impact of the Ofwat Prohibition Rule as a result of the undertakings signed with Ofwat in March 2025, and the Category 1 pollution incident in December 2024.

Payments for loss of office (audited)

No payments have been made for loss of office during the year under review.

The retirement of Paul Inman

Paul Inman retired from the Board after the year-end, on 31 May 2025, having worked his six months' notice. The Committee reviewed the pay arrangements for his departure and agreed that Paul should be treated as a good leaver in accordance with the rules of the EIP, EBP and LTIP. This means that he will still receive the awards that remain outstanding at the date of his departure, but that these will be pro-rated to the date of his leaving. Paul has outstanding awards that fall due in July 2025, July 2026 and July 2027. The amounts to be paid will be calculated each year in line with the vesting of the schemes and these will be disclosed in the relevant remuneration report.

Payments to past directors (audited)

No payments were made to past directors during the year.

Independent non-executive directors

Single total figure table (audited)

The total annual fees paid to each independent non-executive director are shown in the table below.

Non-executive director	2025 £000	2023 £000
Vanda Murray	303	289
Furqan Alamgir[1]	31	-
Wendy Barnes	82	85
Andrew Merrick	75	71
Ray O'Toole[2]	-	15
Julia Unwin	75	71
Andrew Wyllie	85	81

[1] Furqan Alamgir joined the Board on 1 October 2024 and therefore his fee was pro-rated from that date.
[2] Ray O'Toole stepped down from the Board on 6 July 2023 and therefore his fee was pro-rated to that date.

The investor directors do not receive any remuneration from Yorkshire Water.

Remuneration of the CEO

The table below sets out the remuneration for our CEO in each of the last ten years. If there was a change of CEO part way through the year, we have added together the total remuneration to show the total paid for the role of CEO in that year.

	2025 £000	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Total remuneration	689	1,028	767	1,419	1,316	1,469	1,328	932	1,328	1,231
Annual bonus paid against maximum opportunity[1]	-	42.2%	-	43.0%	84.0%	74.8%	64.6%	67.7%	73.5%	60.0%
Long-term incentive vesting against maximum opportunity[2]	-	-	-	39.5%	45.3%	74.8%	50.0%	-	50%	50%

[1] Our CEO, Nicola Shaw, waived her annual bonus for the year ended 31 March 2023. The amount that vested was 47.9% of the maximum, equivalent to £369,000, but this was not paid.

[2] Nicola Shaw joined the business in May 2022 and therefore did not participate in a long-term incentive scheme vesting in 2023 or 2024. She waived her entitlement to receive any long-term vesting in 2025, equivalent to £100,000.

Implementation of policy for 2026

The table below sets out how we will implement the remuneration policy for the 2026 financial year:

	Implementation in 2026
Base salary	The Committee reviewed base salaries in March 2025 and agreed an increase of 4.5% for Nicola and Paul to align with the increase given to other colleagues with effect from 1 April 2025. The base salaries for 2026 are therefore as follows: • Nicola Shaw: £642,418 • Paul Inman: £425,294, up until his retirement on 31 May 2025 • Martin Gee: £500,000, from his appointment on 6 May 2025
Benefits	Benefits remain unchanged from 2025.
Retirement benefits	Retirement benefits have increased from 1 April 2025 to 12% of base salary, to align with the increase offered to all colleagues across the business from the same date.
EBP and LTIP	Performance-related pay awards made with effect from 1 April 2025 for Nicola Shaw and 6 May 2025 for Martin Gee are equivalent to a maximum of 110% of base salary for both executive directors for EBP and 110% of base salary for the LTIP, with the LTIP subject to a three-year performance period. No performance-related pay award will be made to Paul Inman in the year ended 31 March 2026.

The appointment of Martin Gee

Martin has joined the Board as our new CFO after the year-end, on 6 May 2025. The Board believes Martin brings the skills and experience required to continue the work begun by Paul Inman in his time with the business. The role of CFO was benchmarked against similar roles in the top-half of the FTSE 250, as well as similar utilities, to obtain a view of the appropriate market rate for the role. This also took into account the current challenge of working in the water sector and the significant demands of the role.

The Committee concluded that the base salary to be offered to Martin should be £500,000, with the rest of the benefits and remuneration in line with that offered to Paul.

In leaving his previous role to join Yorkshire Water, Martin had to forfeit his participation in the annual incentive scheme offered by his previous employer. The Committee agreed to exercise its discretion to compensate Martin for the losses he incurred upon his resignation from his previous role. This amount will be confirmed and paid in August 2025 and disclosed in our report next year. This payment is subject to Martin remaining in the employment of Yorkshire Water for 12 months from the date of payment.

Independent Non-Executive Directors

The Board undertook its annual review of fees for the Independent Non-Executive Directors in March 2025, taking into account the average increase for the wider workforce of 4.5%. It decided that the same increase of 4.5% should be applied to the base fees for Independent Non-Executive Directors and for the Chair, with additional fees increased to £15,000 for the role of Committee Chair and £12,000 for the role of Senior Independent Director, to align more closely with the median rate for the market. These changes are effective from 1 April 2025.

The fees to be paid in 2026 are set out below:

	£000
Chair fee	317
Base Independent Non-Executive Director fee	65
Additional fee for Committee Chair[1]	15
Additional fee for Senior Independent Director	12

[1] The additional fee for the role of Committee Chair is not paid to the Chair for her role as Nomination Committee Chair. The fee paid to Vanda as Chair already encompasses her additional role as Committee Chair.

Remuneration Committee

The membership and attendance at Committee meetings during the year is shown in the table in Leadership within the **Governance report**. Meetings are also attended by the CEO, the Director of People, the Head of Reward and the Company Secretary. No colleagues are present when their own reward is discussed. The Remuneration Committee is a sub-committee of the Board and has five scheduled meetings a year. The specific matters considered by the Committee at each of the meetings are shown in the table below:

Meeting	Matters considered
May 2024	• A detailed discussion around performance-related pay outcomes in 2024, including consideration of guidance from Ofwat and potential areas for Committee discretion. • Approval of the remuneration package for the appointment of a member of the Executive team. • A review of the draft Directors' remuneration report for 2024.
June 2024	• A detailed discussion and approval of performance-related pay outcomes for schemes vesting in July 2024. • Approval of the Directors' remuneration report for 2024.
July 2024	• Approval of the EBP and LTIP targets for the awards made on 1 April 2024 and the long-term targets for the EIP awarded on 1 April 2023. • Approval of the new scheme rules for the EBP and LTIP.
January 2025	• A detailed discussed around executive remuneration and the impact of the Water (Special Measures) Bill, as well as an update on variable pay performance for the year-to-date. • Approval of the over-arching measures to be used in the EBP and LTIP to be awarded on 1 April 2025. • Approval of the updated Terms of Reference for the Committee. • Discussion around the psychology of incentivisation, presented by PricewaterhouseCoopers.
March 2025	• An update on performance-related pay performance. • Approval of the detailed metrics to be used in the EBP and LTIP to be awarded on 1 April 2025. • Approval of the annual pay award for the Executive team. • A review of the first draft of the Directors' remuneration report for 2025.

During the year under review, the Committee received remuneration advice from Willis Towers Watson. Willis Towers Watson received fees of £25,000 for their updates on the remuneration market, and benchmarking data in relation to executive director and senior management roles. Willis Towers Watson did not provide any other services to the business during the year. They are signatories to the Remuneration Consultants Group Code of Conduct and the Committee has reviewed the way in which they operate and their relationships with the business and is satisfied that the advice it receives is independent and objective.

During the year, an externally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Remuneration Committee showed it to be continuing to operate effectively.

The Committee is responsible for:

- Setting the remuneration policy for all executive directors and senior executives, considering relevant legal and statutory requirements, the Ofwat Board Leadership, Transparency and Governance Principles, and the UK Corporate Governance Code, having regard to pay and employment conditions across the business;
- Ensuring the remuneration policy attracts, retains and motivates executive management of the quality required to run the company successfully, without paying more than necessary and while having regard to the views of investors and other stakeholders and driving delivery for customers and the environment;
- Considering the clarity, simplicity, risk mitigation, predictability, proportionality and alignment to purpose, values, strategy and culture of the remuneration policy and practices;
- Designing remuneration policies and practices that support the business strategy and promote long-term sustainable success, aligned to performance, behaviours and the achievement of the company purpose, values and strategy;
- Using discretion where appropriate to over-ride formulaic outcomes;
- Overseeing any remuneration paid to leavers from amongst the executive directors and senior executives; and
- Appointing remuneration consultants to provide reports, surveys or information deemed necessary to assist with the setting of an appropriate remuneration policy.

Copies of the Terms of Reference are available from the Company Secretary or are on our website at **yorkshirewater.com**

Consideration of shareholders' views

The presence of four directors representing investors on the Board of Yorkshire Water enables a direct flow of communication and sharing of views by investors to the Board. Three of the four investor directors also sit on the Remuneration Committee.

Approved by and signed by the order of the Board

Kathy Smith
Company Secretary
10 July 2025

Directors' report – other disclosures

Indemnities

As required by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The company also has directors' and officers' liability insurance in place.

Research and development

The company undertakes a programme of research in pursuit of improvements in service and operating efficiency. In 2025 £1.0m (2024: £2.9m) was committed to research and development. In addition, £4.5m (2024: £4.4m) of costs have been accrued by Yorkshire Water in relation to the Innovation in Water Challenge scheme operated by Ofwat for Asset Management Period 7. These expenses offset revenue recognised during the year. The amounts accrued will either be spent on innovation projects that the group successfully bids for or will be transferred to other successful water companies in accordance with the scheme rules.

Employment, training and advancement of disabled colleagues

Applications for employment by disabled persons are welcomed. In the event of a colleague becoming disabled, every effort is made to ensure that their employment with the group continues, and that appropriate training is arranged. It is our policy that the training, career development and promotion of disabled colleagues should, as far as possible, be identical to that of other colleagues.

We run a supported internship in partnership with a local school for students with an autistic spectrum condition where students work in real roles in the business at the same time as gaining a formal qualification. Yorkshire Water is now part of a group leading the roll out of an internship programme across the region. We are a Disability Confident employer and any candidate who considers themselves to have a disability is guaranteed an interview if they meet the essential criteria for the role.

Political donations

Yorkshire Water does not support any political party and does not make what are commonly regarded as donations to any political party or other political organisations. However, the definition of "donations" in the Political Parties Elections and Referendums Act 2000 covers a number of activities which form part of the necessary relationship between the company and stakeholders, for example, attendance at party conferences or other events. As part of its stakeholder engagement programme Yorkshire Water incurred expenditure of £1,913 (2024: £656) on such activities.

Other matters

Some matters required to be disclosed in our Directors' report have been included within our Strategic report, to sit alongside other relevant information. These are:

- Information on future developments – which can be found throughout our **Strategic report**, particularly where we have highlighted how we are cracking on;
- Information on colleague engagement – which is included within **Our people** section; and
- Engagement with suppliers, customers and others in a business relationships with the company, which is included within our **s.172(1) Statement** and our **Right for customers** section.

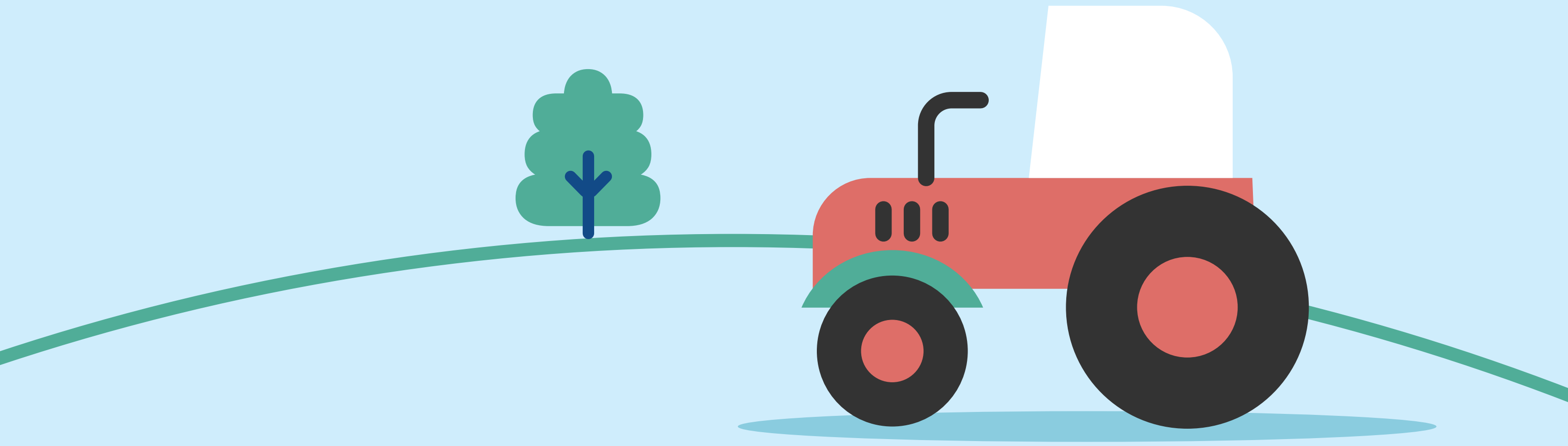
Post balance sheet events

Following the year-end, the Board of directors proposed a dividend of 1.94 pence per share, equating to a total dividend of £42.6m paid ultimately to Kelda Finance (No.2) Limited on 30 May 2025. Kelda Finance (No.2) Limited have utilised these funds in the early repayment of secured bank loans with nominal values of £50.0m and £45.0m that were due to mature in December 2025. None of these dividends were paid to the ultimate shareholders.

This report has been approved by the Board of directors and is signed on behalf of the Board.

Nicola Shaw CBE
Chief Executive Officer
10 July 2025

Financial statements



Profit and loss account

for the year ended 31 March 2025

	Note	2025 £m	2024 £m
Revenue	2	**1,299.4**	1,227.0
Operating costs before charge for bad and doubtful debts		**(942.6)**	(966.9)
Charge for bad and doubtful debts		**(32.6)**	(23.5)
Operating costs	3	**(975.2)**	(990.4)
Operating profit		**324.2**	236.6
Interest receivable and similar income before fair value movements	6	**52.5**	66.7
Interest payable and similar charges before fair value movements	7	**(256.7)**	(275.8)
Fair value movements	7	**309.6**	71.6
Net fair value movement and interest receivable/(payable)		**105.4**	(137.5)
Profit before taxation		**429.6**	99.1
Taxation	8	**(114.2)**	(31.7)
Profit for the financial year		**315.4**	67.4

Statement of comprehensive income and expense

for the year ended 31 March 2025

	Note	2025 £m	2024 £m
Profit for the financial year		**315.4**	67.4
Items that will not be reclassified to profit or loss:			
Revaluation of tangible assets before taxation	11	**-**	19.2
Tax on revaluation of tangible assets		**-**	(4.8)
Revaluation of retirement benefits before taxation		**0.3**	-
Tax on revaluation of retirement benefits		**(0.1)**	-
		0.2	14.4
Items that may be subsequently reclassified to profit or loss:			
Movement on cash flow hedges taken to equity before taxation	17	**1.2**	(3.5)
Tax on cash flow hedges		**(0.3)**	0.9
		0.9	(2.6)
Total other comprehensive income for the year		**1.1**	11.8
Total comprehensive income for the year		**316.5**	79.2

All of the results above relate to continuing operations.

Balance sheet
as at 31 March 2025

	Note	2025 £m	2024 £m
Fixed assets			
Intangible assets	10	**328.0**	290.1
Tangible assets	11	**9,951.5**	9,374.6
Investments	12	**2.2**	2.2
Non-current debtors	13	**540.5**	498.8
		10,822.2	10,165.7
Current assets			
Stocks		**8.3**	8.3
Current debtors (including £279.6m (2024: £240.9m) due after more than one year)	13	**637.2**	700.4
Cash and cash equivalents		**490.5**	49.7
		1,136.0	758.4
Creditors: amounts falling due within one year	14	**(751.6)**	(763.2)
Net current assets/(liabilities)		**384.4**	(4.8)
Total assets less current liabilities		**11,206.6**	10,160.9
Creditors: amounts falling due after more than one year	15	**(8,879.3)**	(8,199.7)
Provisions for liabilities			
Deferred tax liability	19	**(813.9)**	(722.5)
Other provisions	20	**(39.7)**	(29.0)
		(853.6)	(751.5)
Net assets		**1,473.7**	1,209.7
Capital and reserves			
Called up share capital	21	**11.0**	11.0
Revaluation reserve	21	**583.5**	583.5
Hedging reserve	21	**1.8**	0.9
Profit and loss account	21	**877.4**	614.3
Shareholders' funds		**1,473.7**	1,209.7

The Financial Statements on pages 216 to 259 were approved, and authorised for issue, by a duly authorised committee of the Board of directors on 10 July 2025 and were signed on its behalf by:

Nicola Shaw CBE
Chief Executive Officer
Yorkshire Water Services Limited
Registered in England and Wales no. 02366682

Statement of changes in equity

for the year ended 31 March 2025

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2024		**11.0**	**583.5**	**0.9**	**614.3**	**1,209.7**
Total comprehensive income/(expense) for the year						
Profit for the financial year		-	-	-	**315.4**	**315.4**
Revaluation of retirement benefits before taxation		-	-	-	**0.3**	**0.3**
Tax on revaluation of retirement benefits		-	-	-	**(0.1)**	**(0.1)**
Movement on cash flow hedges taken to equity before taxation		-	-	**1.2**	-	**1.2**
Tax on cash flow hedges		-	-	**(0.3)**	-	**(0.3)**
Total comprehensive income for the year		-	-	**0.9**	**315.6**	**316.5**
Transactions with owners recorded directly in equity						
Dividends	9	-	-	-	**(52.5)**	**(52.5)**
Balance at 31 March 2025		**11.0**	**583.5**	**1.8**	**877.4**	**1,473.7**

Statement of changes in equity (continued)

for the year ended 31 March 2025

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2023		11.0	569.1	3.5	631.0	1,214.6
Total comprehensive income/ (expense) for the year						
Profit for the financial year		-	-	-	67.4	67.4
Revaluation of tangible assets before taxation		-	19.2	-	-	19.2
Tax on revaluation of tangible assets		-	(4.8)	-	-	(4.8)
Movement on cash flow hedges taken to equity before taxation		-	-	(3.5)	-	(3.5)
Tax on cash flow hedges		-	-	0.9	-	0.9
Total comprehensive income/ (expense) for the year		-	14.4	(2.6)	67.4	79.2
Transactions with owners recorded directly in equity						
Dividends	9	-	-	-	(84.1)	(84.1)
Balance at 31 March 2024		11.0	583.5	0.9	614.3	1,209.7

Notes

1. Accounting policies

Yorkshire Water Services Limited (Yorkshire Water or the company) is a private company limited by shares, incorporated in the United Kingdom (UK) under the Companies Act 2006, registered in England and Wales, and resident for tax in the UK. Registered address: Yorkshire Water Services Limited, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

Basis of preparation

These Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group Financial Statements. These Financial Statements present information about the company as an individual undertaking and not its group.

The presentation currency of these Financial Statements is £ sterling (GBP) because that is the currency of the primary economic environment in which the company operates.

Kelda Eurobond Co Limited includes the company in its consolidated Financial Statements. The consolidated Financial Statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

In these Financial Statements, the company, as a qualifying entity, has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Transactions between wholly-owned subsidiaries, or with their parent.

As the consolidated Financial Statements of Kelda Eurobond Co Limited include the equivalent disclosures, the company has also taken certain exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The preparation of these Financial Statements requires the use of certain critical accounting judgements and key sources of estimation uncertainty. Judgements made by management in applying the significant accounting policies and estimates made at the end of the reporting period are discussed at the end of this note.

1. Accounting policies (continued)

Prior year restatement

Following a review by the Financial Reporting Council's (FRC's) Corporate Reporting Review Team of the Kelda Eurobond Co Limited ARFS for the year ended 31 March 2024 we have reviewed these Financial Statements for consistency and have made the following changes as a result:

Treatment of accumulated depreciation on revaluations to tangible assets
£1,755.2m restatement has been made relating to brought-forward depreciation on *Infrastructure assets* has been eliminated, with corresponding adjustments to the gross carrying value. This presents as offsetting adjustments to *Cost or valuation and Depreciation and impairment* within **note 11** – *Tangible assets*. Revaluations have previously been posted in full against *Cost or valuation* and depreciation charged annually against these amounts. The correction reflects elimination of accumulated depreciation each year at the date of revaluation against the gross carrying amount of the asset in line with IAS 16. There is no change to *Net Book Value or Revaluation reserve* as a result of this change and therefore no change to the Balance Sheet. Restatements have been made for revaluations made since adoption of the revaluation policy in 2011.

Following this, the revalued *Land and buildings revalued* category of assets has also been reviewed and similar adjustments made, restating £21.8m as offsetting adjustments to *Cost or valuation and Depreciation and impairment* within **note 11** – *Tangible assets* in order to eliminate brought-forward accumulated depreciation each year at the date of revaluation.

An amount equal to depreciation relating to the revalued portion of these assets is deemed distributable under the Companies Act. The standard allows for (but does not require) a transfer of this excess depreciation from the revaluation reserve directly to retained earnings. Whilst Yorkshire Water has not elected to make this reserves transfer, these amounts remain distributable. Yorkshire Water has not included these amounts in error in the distributable reserves disclosure within **note 9** – *Dividends*. This will now be restated to increase distributable reserves.

Land and buildings revalued has been presented as a separate category to *Land and buildings* in **note 11** – *Tangible assets* in order to distinguish revalued assets in this category from those presented at historic cost less depreciation.

1. Accounting policies (continued)

	Reported 2024 £m	Restated adjustments 2024 £m	Re-presentation adjustment 2024 £m	Restated disclosure 2024 £m
Note 9 – Dividends				
Distributable reserves	371.8	42.4	–	414.2
Note 11 – Tangible assets				
Infrastructure assets				
Cost or valuation				
At 31 March 2024	7,247.6	(1,755.2)	–	5,492.4
Depreciation and impairment				
At 31 March 2024	1,857.8	(1,755.2)	–	102.6
Land and buildings				
Cost or valuation				
At 31 March 2024	2,228.9	–	(112.3)	2,116.6
Depreciation and impairment				
At 31 March 2024	674.6	–	(22.4)	652.2
Land and buildings (revalued)				
Cost or valuation				
At 31 March 2024	–	(22.4)	112.3	89.9
Depreciation and impairment				
At 31 March 2024	–	(22.4)	22.4	–
Total				
Cost or valuation				
At 31 March 2024	13,113.7	(1,777.6)	–	11,336.1
Depreciation and impairment				
At 31 March 2024	3,739.1	(1,777.6)	–	1,961.5

Please see the Kelda Eurobond Co Limited ARFS for the year ended 31 March 2025 for more detail, including the scope and limitations, of FRC's review.

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are described in the Strategic report. Our long-term viability statement has also been included in the Strategic report.

Yorkshire Water's available combination of cash and committed undrawn facilities totalled £1,569.0m at 31 March 2025 (2024: £981.7m), comprising £1,078.5m (2024: £932.0m) undrawn committed facilities and £490.5m (2024: £49.7m) of cash and cash equivalents.

The directors have considered the budget and the cash position of the company, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for at least the 12 months from the date of signing the Financial Statements. In addition, we have considered any known material refinancing events up to the end of March 2027 which could have an impact on going concern. We have also considered that Yorkshire Water, the largest subsidiary of the Kelda group, has an indefinite licence to operate as a water and sewerage operator terminable with a 25-year notice period.

In assessing going concern, the directors have considered the company's business activities, including the company's financial and operational performance which has demonstrated resilience against additional operational pressures as a result of severe weather, including five named storms in the period from September 2024 to January 2025, and the driest Spring period in Yorkshire for 132 years.

The going concern review has primarily been centred around financial modelling which depicts the best estimate forecast profit and loss, balance sheet and cash flow, as well as reviewing the impact on available liquidity and key interest cover ratios for 2026 and 2027.

The base case Board-approved budget cash flows show available headroom in the key metrics reviewed. A sensitivity scenario linked closely to our principal risks was then overlayed to the base case to consider a number of possible adverse scenarios. Mitigating actions such as insurance claims, engagement with regulators to reduce fines, and non-essential cost reduction were also considered to ensure headroom remained on facilities available, key interest cover ratios and to ensure the company can manage its business risks appropriately throughout the going concern period.

In addition, the directors have considered the company's business activities, including the company's financial and operational performance, accuracy of historical forecasting and strength of the year end net asset position.

Yorkshire Water's securitised financing arrangements include covenants with 'trigger' and 'default' thresholds, which are reported bi-annually. Covenant calculations are undertaken at each reporting period based on the Financial Statements adjusted, where appropriate, for costs deemed to be atypical or exceptional in nature which has previously included items such as significant weather related events or business re-organisations.

As a result of this analysis, the directors believe that the company is well placed to manage its business risks successfully and have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

To support this conclusion, management has taken into consideration a number of key judgements up to the end of March 2027, with the most significant noted overleaf:

1. Accounting policies (continued)

Yorkshire Water Financing Group debt maturities
External debt raised by subsidiary financing companies within the Yorkshire Water Financing Group (YWFG) funds YWS activities under 'back to back' loan arrangements on materially similar terms. Accordingly, we have considered all debt maturities within the YWFG up to March 2027. There are no significant debt maturities due during the next 12 months, with the next bond maturity being £300m in November 2026. Repayment of this amount is to be funded from new debt that is planned to be raised in Summer 2025. The timing of the planned debt issuance is to comply with our Treasury policy which requires us to target sufficient liquidity to cover non-discretionary cash flow requirements for a rolling period of 15 months or more to provide contingency in the event that capital market access is temporarily restricted. The directors are confident that the required debt can be raised to fund this repayment, based on the YWFG investment grade credit rating and its ability to access the market successfully, with £800m raised in the past financial year, during a period of significant uncertainty over the Water sector.

Kelda Eurobond Co Limited (Eurobond) repayment of intercompany loan
In line with the undertaking to Ofwat to repay the intercompany loan from Yorkshire Water, Kelda Eurobond Co Limited is due to make a final payment of £437m, plus any unpaid accrued interest at the time of repayment (forecast at up to £178m), by 31 March 2027. Whilst this is beyond the going concern horizon, we have considered this as part of our review. Kelda Eurobond Co Limited has already repaid £500m of the intercompany loan that was subject to the undertaking and has done so earlier than required. Repayment of the final tranche of the loan is included in the business plan for AMP8 and Ofwat's final determination, and has been agreed by the Board and the shareholders. The directors are confident that the final tranche will be repaid on or before 31 March 2027.

On the basis of all of the above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through profit or loss and certain categories of tangible assets measured using the revaluation model.

Basic financial instruments

Trade and other debtors
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Trade and other creditors
Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest-bearing borrowings are stated at amortised cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances, call deposits, and other short-term highly liquid investments.

1. Accounting policies (continued)

Other financial instruments

Financial instruments not considered to be basic financial instruments
Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less any impairment losses.

Derivative financial instruments and hedging
Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as set out below.

Fair value hedges
Where a derivative financial instrument is designated to hedge the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Hedge effectiveness is assessed on an ongoing basis and evaluates whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk. This is done through evaluating the economic relationship between hedged item and instrument, the effectiveness of which can be reliably measured.

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

The company applies fair value hedge accounting to its cross-currency interest rate swaps and associated debt and certain fixed to floating interest rate swaps and associated debt.

Cash flow hedges
Where a derivative financial instrument is designated to hedge the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated, or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately. Energy derivatives, which hedge the company's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price, are designated as cash flow hedges and hedge accounting has been applied.

Restructuring events
The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The accounting treatment is subject to judgement at the date of each restructuring transaction on an item by item basis. Further information on the treatment of previous restructures can be seen in the **Critical accounting judgements and key sources of estimation uncertainty** section of this note.

1. Accounting policies (continued)

Tangible assets

Infrastructure assets are valued annually using the support of a third party expert. Residential properties, non-specialised properties and rural estates held within land and buildings are held at their revalued cost less accumulated depreciation. Other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a tangible asset have different useful lives, they are accounted for as separate items.

The company assesses at each reporting date whether an indicator of impairment exists, and if such an indicator exists, then an impairment test is performed.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

The estimated useful lives are as follows:

Land and buildings	
Buildings	25 – 100 years
Residential properties, non-specialised properties (revalued)	60 years
Rural estates (land) (revalued)	Not depreciated
Plant and equipment	
Fixed plant	5 – 40 years
Vehicles, mobile plant, and computers	3 – 10 years
Infrastructure assets	
Infrastructure assets – water mains and sewers (revalued)	40 – 125 years
Infrastructure assets – earth banked dams and reservoirs (revalued)	200 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Revaluation
Infrastructure assets, residential properties, non-specialised properties, and rural estates are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the profit and loss account.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in the profit and loss account. FRS 102 requires assets held at fair value to be valued by an independent third party on a periodic basis. See note 11 for further detail.

Grants and contributions
Grants and contributions in respect of property, plant and equipment are held as deferred income and credited to the Profit and Loss account by instalments over the expected economic lives of the related assets. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Grants and contributions received in respect of an item of expense during the year are recognised in the Profit and Loss account on a systematic basis in line with the cost that it is intended to compensate.

1. Accounting policies (continued)

Intangible assets

Software as a service (SaaS)
Costs incurred to configure or customise SaaS application software are expensed when the costs are incurred. Costs which relate to the development of software code that enhances or modifies on-premise software, or costs incurred for software which meet the recognition criteria for an intangible asset, are capitalised as incurred. Any costs expensed are recognised in line with the service provided. Any intangible assets identified are initially carried at cost and follow the existing accounting policy for intangible assets.

Other intangible assets
Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

Amortisation
Software is amortised on a straight-line basis over its useful life which is estimated to be 3 - 15 years. Software under construction in not amortised until taken into use.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Intangible assets are tested for impairment in accordance with FRS 102 Section 27 *Impairment of assets* when there is an indication that an intangible asset may be impaired.

Impairment

Financial assets (including trade, intercompany and other debtors)
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets
An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Leases

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

1. Accounting policies (continued)

Employee benefits

Defined contribution plans and other long-term employee benefits
A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Group defined benefit plan
Some of the company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer of the plan, which is Kelda Group Limited. The company recognises a cost equal to its contribution payable for the period as an expense.

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

Revenue

Water charges
This revenue stream comprises charges to customers for water, wastewater and other services excluding value added tax, and arises only in the UK.

Revenue is recognised when the performance obligations have been discharged to the customer with respect to the services detailed above, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance. Revenue for measured water charges includes amounts billed plus an estimation of the amounts unbilled at the year end. The accrual is estimated using a defined methodology based upon daily average water consumption, which is calculated based upon latest and historical billing information.

No revenue is recognised for unoccupied properties and no bills are raised. If a bill has been issued, and the company subsequently become aware that the property is unoccupied, the bill and relevant revenue is cancelled. Generally, a property is classed as void if it is unoccupied and unfurnished.

Connection charges
This revenue stream comprises charges to property developers for the connection of new properties to the water and sewerage network. Revenue relating to these charges is deferred and recognised over the expected useful life of the related infrastructure assets.

Infrastructure charges
This revenue stream comprises charges to property developers to compensate for the additional strain on the infrastructure system. The associated revenue is deferred and recognised over the expected useful life of the associated assets.

Expenses

Operating leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1. Accounting policies (continued)

Finance lease
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest payable and interest receivable

Interest payable and similar charges include interest payable, movements in the fair value of financial instruments excluding those meeting cash flow hedging criteria, and finance lease charges recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income include interest receivable on funds invested and bank interest.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

Dividends

Dividends payable are recognised on approval by the Board.

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense. Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

The Group has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described earlier in this note, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

1. Accounting policies (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

The directors consider the key sources of estimation uncertainty made in the Financial Statements to be:

Fair value of derivative financial instruments

The company's accounting policy for financial instruments is detailed earlier in note 1. In accordance with FRS 102, derivative financial instruments are recognised in the Financial Statements at fair value. The fair value of derivative financial instruments that are not traded on an active market is determined using a discounted cash flow valuation technique. Management uses its judgement, after taking advice from external parties, to determine the derivative valuations. The calculations include adjustments to the Mark to Market (MtM) value to arrive at the reported fair values. Details of the nature of the assumptions inherent within the financial instrument fair valuations can be found in note 18. Particular estimation uncertainty exists in relation to counterparty funding adjustments and own and counterparty credit risk assumptions since these are unobservable inputs to which the valuation model is materially sensitive.

The fair value of net derivative financial liabilities of £1,229.0m (2024: £1,518.8m) would be £16.0m (2024: £19.6m) higher or lower were the counterparty funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,229.0m (2024: £1,518.8m) would be £10.6m (2024: £12.8m) higher or lower were the credit curve assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,229.0m (2024: £1,518.8m) would be £38.3m (2024: £41.5m) higher or lower were the recovery rate assumption to change by ten percent.

Disclosing an appropriate sensitivity of fair values could vary based on what is reasonably possible in the market but a change of ten basis points demonstrates the level of movement in the assumption which results in a material difference, this can be scaled up or down and is consistent with sensitivities reported previously.

The restructure of a derivative measured at fair value may result in a change to the observed fair value on the restructure date. The change can be due to factors not fully observable in the market, including counterparty credit, capital, funding and trading charges. In cases where the company has restructured derivatives, and changes in fair values on restructure dates were due to factors that not fully observable in the market, the whole of the immediately observed changes have been capitalised on the balance sheet and recognised in the profit and loss account on a straight-line basis over the maturity period of the relevant restructured derivatives.

Where restructured derivatives are subject to further restructures at later dates, capitalised amounts on the balance sheet are recalibrated to equal the immediate change in fair value on the later restructure date due to factors not fully observable in the market, and recognised in the profit and loss account on a straight-line basis over the maturity period of the relevant derivatives.

Infrastructure assets valuation

Infrastructure assets are held under a revaluation model. Fair value is determined with the support of a third party using a market value approach, which uses discounted cash flow modelling to calculate a valuation range for the Enterprise Value (EV) of Yorkshire Water. Management conclude on the appropriate EV to be used from within this range using their judgement. The adjusted EV is then allocated against certain assets and liabilities to estimate the fair value of infrastructure assets. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data.

Estimates are made in respect of the key assumptions applied in the valuation model. The key assumptions requiring estimation are the discount rate and the underlying forecast cash flows. The discount rate applied is 10.00% (2024: 9.50%).

1. Accounting policies (continued)

See note 11 for the revaluation in the year and total net book value of tangible assets held as at the year end. The key judgements inherent within the valuation methodology are the selection of the appropriate point within the range of EVs calculated by the third party valuation expert, and the attribution of the EV to relevant assets and liabilities. The selection within the range is undertaken with due consideration of the regulatory capital value of the infrastructure assets.

The key sensitivities to assumptions that would cause a material[1] movement in the model's valuation output are: a £2.1m pa movement in the underlying cash flows[2]; and a 0.04% movement in the discount rate.

Household bad debt provision (expected credit losses)

At each reporting date, management makes an estimate regarding future cash collection to form the basis of the household expected credit loss provision. Estimates associated with this provision are based on historical, current, and forward-looking information where available.

Following a review of the method of estimating expected credit losses, the method of estimation has been updated to more effectively consider three primary elements; historical performance, management action to address debt and macroeconomic factors. The historical performance forms the basis of the expected losses provision, using our bespoke household billing system which produces a monthly report that tracks payments by customer and age over a two-year period. Intuitively, changes in inflation are strongly correlated with the movements in overdue customer debt and as such has been considered as the primary macroeconomic factor. The management action element considers the forward-looking impact of debt recovery initiatives such as bill support, and whether changes in management action in the near term (within the last two years) are likely to result in a change in debt recovery levels.

When the application of the updated method of estimation is retrospectively applied to the 2024 accounts, this would have had an immaterial impact of £4.8m increase to the provision at 31 March 2024.

The revised method has been progressively applied from 2025 and is used as the basis of the expected credit losses (ECL) provision at 31 March 2025. The impact of the change in estimation on the provision at 31 March 2025 is £2.8m.

The household bad debt provision is based on historic collections and consideration of the impact of management action, adjusted for the high correlation between inflation and debt and assesses the three time periods pre, during and post Covid-19 and the cost of living crisis, giving a range of macroeconomic factors which are then applied to overdue debt. If the worst-case factor (during Covid) was applied, then the provision would increase by £0.4m. If the best-case factor (pre-Covid) was applied, the provision would decrease by £3.4m. If the recovery percentage applied worsened by 1%, then the provision would increase by £2.3m.

At 31 March 2025, the total amount provided for relating to household customer debt was £38.5m (2024: £33.3m) and non-household debt was £0.4m (2024: £0.5m), totalling an overall bad debt provision of £38.9m (2024: £33.8m). The increase in provision reflects the current economic environment and effects of welfare reform, alongside the increase in average bills in the year. This will be closely monitored as we move into AMP8 with higher bills and is considered in our strategy for increased customer support.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

The directors consider the critical judgements made in the Financial Statements to be:

Capitalisation of labour costs

Additions made to property, plant, and equipment (PPE) include £89.1m (2024: £79.8m) of own work capitalised. The increase in capitalised labour costs reflects the increased capital activity in the year as we head into AMP8. Judgement is made to ensure these costs relate to relevant assets and that future economic benefits will flow to the company.

[1] *Material is defined as more than 2.8% of group EBITDA in the year.*
[2] *Across all years of the model.*

1. Accounting policies (continued)

Depreciation

The company's accounting policy for PPE is detailed earlier in note 1 of the Financial Statements. Estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of capital investment to the company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Historically, only minor changes to estimated useful lives have been required. See note 11 for the depreciation charge.

Climate change

Yorkshire Water continues to develop its assessment of the impacts that climate change may have on the amounts recognised in the Financial Statements. The natural environment in which we operate is continually changing, influencing our investment strategy and how our water and wastewater services are to be delivered in the future.

We have considered the impact of climate-related risks in the preparation of these Financial Statements, including adaptation actions to improve the company's resilience to the effects of climate change, minimisation and mitigation of the group's contribution to climate change, and the transition to net zero.

Impacts of these risks on the Financial Statements are predominantly in respect of the valuation of the tangible assets held by the company. Asset life reviews are undertaken regularly for facilities impacted by climate change, environmental legislation or the company's transition plans. This can result in the acceleration of depreciation or be an indication of potential impairment of assets that are deemed to be commercially obsolete or for which no further use is planned.

The company is exposed to potential asset write-downs following flooding resulting from extreme weather events, the frequency and severity of which are expected to increase over the coming years. Following any significant flooding, assets damaged beyond repair are identified for impairment or write-off. No such charges were required in the current financial year.

Extreme rainfall events can also impact sewer flooding and pollution events. Provisions for potential environmental claims and undertakings relating to these events are recognised at the best estimate of the amount required to settle the obligation at the reporting date, as noted earlier in note 1.

Climate change also presents challenges relating to extreme temperature events, particularly heatwaves, hot spells and extreme wind and storms, the frequency, intensity and severity of which are generally expected to increase. Chronic risks are also considered, such as wetter winters, drier summers and sea level rise. These could potentially impact the viability of certain types of assets in future years such as those associated with the intake of water from the natural environment, or require a strategic reconfiguration of assets to respond to such challenges. It is expected that if any such impact were to materialise this would be over a longer period of time rather than within a single financial year, and no financial impact has been identified in the current year.

The company mitigates the exposure that the carrying value of its asset base has to climate-related risks through strategic planning activities that include asset management and investment plans, drought plans, emergency response plans, relocation of at-risk assets and flood screening for all new capital schemes. The company installs physical flood defences and other resilience measures at the most vulnerable facilities to reduce the risk to its assets. The company further mitigates the financial exposure arising from climate-related risks through the use of insurance policies, which insure against costs incurred as a result of major environmental incidents.

Further detail of these climate-related risks and the expected impacts and mitigations climate change is set out within the Climate-related Financial Disclosures section of the Strategic report.

The risks are long-term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the Financial Statements, nor do they lead to any additional key sources of estimation or judgement.

2. Revenue

	2025 £m	2024 £m
UK regulated water and sewerage services	**1,283.9**	1,212.8
UK non-regulated water services	**15.5**	14.2
Total revenue	**1,299.4**	1,227.0

3. Operating costs

Included in the operating costs for the financial year are the following:

	2025 £m	2024 £m
Depreciation and impairment of tangible assets (**note 11**)	**311.7**	331.9
Staff costs (**note 4**)	**219.0**	199.0
Hired and contracted services (including repairs and maintenance)	**126.7**	136.1
Energy	**100.0**	124.0
Raw materials and consumables	**70.5**	72.9
Business rates	**57.7**	53.2
Amortisation of software (**note 10**)	**50.5**	43.4
Other operating costs	**26.0**	24.6
Software and telecommunications	**23.5**	20.7
Abstraction and discharge licenses	**21.9**	17.0
Insurance	**9.2**	13.6
Other licenses and subscriptions	**7.4**	6.8
Operating lease charges	**5.0**	3.1
Water and sewerage charges	**4.5**	4.3
Restructuring costs	**0.8**	0.6
Pension deficit contributions	**-**	0.1
Other operating income	**(2.7)**	(4.6)
Own work capitalised	**(89.1)**	(79.8)
Operating costs before charge for bad and doubtful debts	**942.6**	966.9
Charge for bad and doubtful debts	**32.6**	23.5
Operating costs	**975.2**	990.4

The above table has been re-presented in the year to disclose a more detailed breakdown of operating costs.

	2025 £m	2024 £m
Auditor's remuneration (included in hired and contracted services above):		
Audit of the Financial Statements	**0.7**	0.7
Other assurance services	**0.1**	-
	0.8	0.7

Other assurance services of £60k (2024: £nil) relates to bond prospectus services and £27k (2024: £27k) relates to regulatory reporting obligations.

4. Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2025	**2024**
Activity:		
UK regulated water & wastewater	**3,080**	2,912
Support services	**796**	774
	3,876	3,686

The aggregate payroll costs of these persons were as follows:	2025 £m	2024 £m
Wages and salaries	**184.8**	165.8
Social security costs	**19.7**	17.8
Other pension costs	**14.5**	15.4
	219.0	199.0

In the Strategic report of this ARFS in the **Our People** section there are details of a range of employee diversity statistics. In those statistics, a total of 4,004 (2024: 3,773) colleagues were employed on the last day of the financial year, whereas a total of 3,876 (2024: 3,686) employees were employed based on a monthly average throughout the financial year. Both approaches are accurate and are provided in the format stated by the relevant regulatory and statutory requirements.

5. Directors' remuneration

	2025 £m	2024 £m
Aggregate emoluments	**2.0**	2.3
The amounts in respect of the highest paid director are as follows:		
Total amount of emoluments	**0.7**	1.0

During the financial year, none of the executive directors (2024: none) were contributory members of the Kelda Group Pension Plan, a defined benefit scheme and accordingly the accrued pension benefit of the highest paid director in 2025 was £nil (2024: £nil).

Full details of directors' remuneration are given in the **Directors' remuneration report**.

6. Interest receivable and similar income

	2025 £m	2024 £m
Interest on amounts owed by group undertakings	**43.2**	61.1
Interest on bank deposits	**9.3**	5.6
Total interest receivable and similar income	**52.5**	66.7

Interest on amounts owed by group undertakings includes £43.2m (2024: £61.1m) receivable from Kelda Eurobond Co Limited, of which £15.7m cash repayment was received in the year to 31 March 2025 (2024: £27.9m).

7. Interest payable and similar charges

	2025 £m	2024 £m
Finance leases	**2.1**	2.2
Interest on amounts owed to subsidiary undertakings	**265.3**	272.1
Other interest	**41.6**	42.1
Net interest payable from swaps in hedge relationships	**12.0**	14.2
Interest capitalised (note 11)	**(64.3)**	(54.8)
Interest payable and similar charges before fair value movements	**256.7**	275.8

Interest on amounts owed to subsidiary undertakings relate to payments made to entities within the Whole Business Securitisation (WBS) group (note 16).

	2025 £m	2024 £m
Fair value movements		
Movement in fair value of inflation linked swaps	**(322.8)**	(69.3)
Movement in fair value of RPI to CPI swaps	**4.3**	3.4
Movement in fair value of cross-currency interest rate swaps	**-**	23.5
Movement in fair value of debt associated with cross-currency swaps	**-**	(23.1)
Movement in fair value of floating to fixed interest rate swaps	**(1.2)**	(0.7)
Movement in fair value of fixed to floating interest rate swaps	**10.3**	(13.1)
Movement in fair value of debt associated with fixed to floating interest rate swaps	**(0.2)**	7.7
Total fair value movements	**(309.6)**	(71.6)

The above table has been re-presented in the year to show favourable and (unfavourable) movements.

Favourable movement in fair value of inflation linked swaps of £322.8m (2024: £69.3m favourable movement) includes a charge of £65.6m (2024: £97.3m) in relation to the RPI bullet accumulated as at 31 March 2025; interest payable of £57.6m (2024: £63.2m) offset by interest receivable of £113.9m (2024: £118.8m); and other favourable fair value movements of £332.1m (2024: £111.0m favourable movement).

Movement in fair value of RPI to CPI swaps includes a £5.2m (2024: £1.2m) charge relating to net cash accretion paid. Movement in fair value of floating to fixed interest rate swaps includes £0.2m (2024: £0.2m) net interest payable.

Movement in fair value of fixed to floating interest rate swaps includes £6.1m adverse movement (2024: £4.0m favourable movement) relating to swaps in hedge relationships with associated debt and £4.2m adverse movement (2024: £9.1m favourable movement) relating to swaps not in hedge relationships. The movement in fair value of fixed to floating swaps not in hedge relationships includes £3.7m (2024: £1.2m net interest receivable) net interest receivable.

8. Taxation

Total tax charge recognised in the profit and loss account

	2025 £m	2024 £m
Current tax		
Accrual for payment to other group companies for tax losses	**22.8**	26.1
Adjustments in respect of prior periods - relates to payments to group companies for tax losses	**0.4**	-
Total current tax charge	**23.2**	26.1
Deferred tax (note 19)		
Origination and reversal of timing differences	**91.4**	6.0
Adjustments in respect of prior periods	**(0.4)**	(0.4)
Total deferred tax charge	**91.0**	5.6
Total tax charge included in profit and loss account	**114.2**	31.7
Total tax charge recognised in other comprehensive income and expense		
Deferred tax (note 19)		
Origination and reversal of timing differences	**0.4**	3.9
Total deferred tax charge included in other comprehensive income and expense	**0.4**	3.9

The Finance Bill 2021, enacted on 24 May 2021 set the main rate of corporation tax to 25% from 1 April 2023. This is the rate which has been used in preparing these Financial Statements for both current tax and deferred tax.

8. Taxation (continued)

Reconciliation of effective tax rate

	2025 £m	2024 £m
Profit before taxation	**429.6**	99.1
Tax charge using the UK corporation tax rate of 25% (2024: 25%)	**107.4**	24.8
Effects of:		
Non-deductible expenses	**8.8**	9.2
Adjustments in respect of prior periods	**-**	(0.4)
Income not taxable	**(1.6)**	(1.6)
Other adjustments	**(0.2)**	(0.2)
Income from capital disposal not subject to tax	**(0.2)**	(0.1)
Total tax charge included in profit or loss	**114.2**	31.7

Non-deductible expenses: expenditure and costs that are incurred by the company but are not deductible for tax purposes. For Yorkshire Water, this mainly relates to non-deductible depreciation/ impairments of capital assets that do not qualify for capital allowances or non-deductible fines.

Income not taxable: income reflected in the accounts which is not subject to tax as either:

- it relates to an adopted asset where no cash is received by the company;
- the income has reduced the amount of capital allowances that can be claimed on the assets associated with the income; or
- the income relates to Research & Development (R&D) expenditure credits that have been taxed in a previous period.

Income from capital disposal not subject to tax: proceeds from property disposals that are not subject to tax either due to the offset of capital losses, indexation that is allowed for tax purposes or the properties have been transferred to other Kelda group companies and will be subject to tax when disposed from the group.

During the year, payments of £24.3m (2024: £nil) were made to other group companies regarding the previous year's tax losses surrendered to Yorkshire Water. No payments in relation to corporation tax were made to HM Revenue & Customs (HMRC) (2024: £nil).

8. Taxation (continued)

Reconciliation of current tax

The current tax charge represents payments to other Kelda group companies as compensation for them surrendering tax losses to the company. The company has no current tax charge for the year in relation to corporation tax liabilities owed to HMRC.

	2025 £m	2024 £m
Profit before taxation	**429.6**	99.1
Tax charge using the UK corporation tax rate of 25% (2024: 25%)	**107.4**	24.8
Effects of:		
Non-deductible depreciation on tangible assets and amortisation of intangible assets	**58.6**	63.5
Potential capital allowances available to claim on tangible assets	**(117.9)**	(70.4)
Capital allowances waived and deferred to future years	**78.7**	56.4
Interest costs that have been capitalised on the balance sheet but are deductible for tax purposes	**(16.1)**	(13.7)
Non-deductible expenses	**2.7**	1.1
Income not taxable	**(2.1)**	(2.0)
Fair value movements on financial instruments that are disregarded for tax purposes and replaced by an accruals basis of accounting	**(83.2)**	(33.9)
Deductible payments to pension scheme	**(1.5)**	(1.1)
Adjustments in respect of prior years	**0.4**	-
Chargeable gains	**(0.2)**	(0.1)
Other timing differences in relation to provisions	**(1.9)**	2.3
Accrued employee remuneration deductible when paid	**0.2**	(0.6)
Brought forward tax losses used in the period	**(1.3)**	(1.3)
Spreading of swap termination payment	**(0.6)**	1.1
Current tax charge included in profit or loss	**23.2**	26.1

9. Dividends

	2025 £m	2024 £m
Dividends of 2.39 pence per share paid in the year (2024: 3.82 pence)	**52.5**	84.1

During the year, dividends of 2.39 pence per share (2024: 3.82 pence), totalling £52.5m (2024: £84.1m), were distributed to the parent company, none of which were paid to the shareholders of Kelda Holdings Limited (2024: £nil), Yorkshire Water's ultimate parent company.

No dividends have been proposed post year end in relation to 2025 (2024: £nil).

Pence per share is rounded to two decimal places.

As at 31 March 2025, the company's directors believe that £596.0m (2024: £371.8m) of the profit and loss account balance of £877.4m (2024: £614.3m) is distributable to shareholders, and a further £49.1m (2024: £42.4m) of the revaluation reserve relating to excess depreciation on revalued assets is also deemed distributable. The total distributable reserves as at 31 March 2025 is £645.1m (2024: £414.2m[1]). The deduction from the profit and loss account balance relates to adjustments in respect of certain financial instrument movements which are treated as unrealised.

10. Intangible assets

	Software £m	Software under construction £m	Total £m
Cost			
Balance at 1 April 2024	308.9	118.2	427.1
Additions	32.6	55.8	88.4
Transfers on commissioning	39.5	(39.5)	-
Disposals	(40.4)	-	(40.4)
Balance at 31 March 2025	340.6	134.5	475.1
Amortisation			
Balance at 1 April 2024	137.0	-	137.0
Amortisation for the year	50.5	-	50.5
Disposals	(40.4)	-	(40.4)
Balance at 31 March 2025	147.1	-	147.1
Net book value at 31 March 2025	**193.5**	**134.5**	**328.0**
Net book value at 31 March 2024	171.9	118.2	290.1

Software includes £32.2m (2024: £35.6m) in relation to SAP S4 assets, the remaining amortisation period is nine years.

[1] Restated, please see note 1 for further information.

11. Tangible assets

	Land and buildings £m	Restated[1] Land and buildings revalued £m	Restated[1] Infrastructure assets	Plant and equipment £m	Under construction £m	Restated[1] Total £m
Cost or valuation						
Balance at 1 April 2024	2,116.6	89.9	5,492.4	2,700.4	936.8	11,336.1
Additions	21.2	-	112.5	46.5	709.6	889.8
Transfers on commissioning	91.8	-	165.7	164.0	(421.5)	-
Disposals	(4.5)	(1.1)	(15.5)	(165.3)	-	(186.4)
Balance at 31 March 2025	2,225.1	88.8	5,755.1	2,745.6	1,224.9	12,039.5
Depreciation and impairment						
Balance at 1 April 2024	652.2	-	102.6	1,206.7	-	1,961.5
Depreciation charge for the year	40.9	1.1	109.6	160.1	-	311.7
Disposals	(4.5)	-	(15.5)	(165.2)	-	(185.2)
Balance at 31 March 2025	688.6	1.1	196.7	1,201.6	-	2,088.0
Net book value at 31 March 2025	**1,536.5**	**87.7**	**5,558.4**	**1,544.0**	**1,224.9**	**9,951.5**
Net book value at 31 March 2024	1,464.4	89.9	5,389.8	1,493.7	936.8	9,374.6

During the year the company capitalised borrowings costs amounting to £64.3m (2024: £54.8m) on qualifying assets. Borrowings costs were capitalised at the weighted average rate on the company's borrowings of 4.82% (2024: 5.35%). Included in the net book value as at 31 March 2025 are £287.7m of capitalised borrowing costs (2024: £237.5m).

Infrastructure assets included above held under a finance lease amount to:

	Infrastructure assets £m
Cost and net book value at 31 March 2025	**30.9**
Cost and net book value at 31 March 2024	32.0

[1] Restated, please see note 1 for further information.

Land and buildings

The total net book value of land and buildings (including revalued assets) comprises:

	2025 £m	2024 £m
Freehold	**1,616.8**	1,547.6
Long leasehold	**6.1**	6.2
Short leasehold	**1.3**	0.5
	1,624.2	1,554.3

Revaluation – Infrastructure assets

The company's infrastructure assets were valued as at 31 March 2025 and 31 March 2024 using the approach outlined in note 1. These annual valuations are performed on a consistent basis in accordance with FRS 102 which requires that assets subject to a policy of revaluation should be carried at their fair value less any subsequent accumulated depreciation and accumulated impairment losses. FRS 102 allows, where market based evidence of fair value is not available due to the specialised nature of the items of property plant and equipment, an entity to estimate fair value using an income approach.

11. Tangible assets (continued)

For the year ended 31 March 2025, no adjustment was made to the existing book value of infrastructure assets (2024: £nil). The directors note that the revaluation reserve position may be subject to movements in future periods as key discounted cash flow (DCF) model assumptions are revised as information regarding future price controls and regulatory policy becomes available.

Revaluation – Land and buildings

Certain categories of the company's land and buildings are also held under a revaluation model, on the basis of existing use, and were valued by independent qualified valuers as at 31 March 2024.

The valuations were undertaken in accordance with the professional standards and practice guidance issued by the Royal Institution of Chartered Surveyors in the UK by the following surveyors:

Non-specialist properties	Lambert Smith Hampton Limited
Rural estates	Carter Jonas LLP
Residential properties	Carter Jonas LLP

The external valuations on properties will be re-performed on a periodic basis. An interim valuation is booked in intervening years based on directors' valuations. The valuations carried out at 31 March 2024 have been considered at 31 March 2025 by the directors, taking into account indicators such as the continued impact of climate change, and have concluded that the current book values are not materially different to current market values.

The following information relates to tangible assets carried on the basis of revaluation:

	Valuation £m	Historical cost basis £m
Infrastructure assets	5,558.4	4,619.0
Non-specialist properties	19.0	16.8
Rural estates	64.7	0.5
Residential properties	4.0	-
At 31 March 2025	**5,646.1**	**4,636.3**

Analysis of the net book value of the revalued non-specialised properties, rural estates and residential properties is as follows:

	Valuation £m	Historical cost basis £m
At 31 March 2023	82.8	30.4
Disposals	(1.6)	(1.5)
Net revaluation gain	19.1	-
Depreciation and impairment	(10.4)	(10.1)
At 31 March 2024	89.9	18.8
Disposals	(1.1)	(0.6)
Depreciation and impairment	(1.1)	(0.9)
At 31 March 2025	**87.7**	**17.3**

Analysis of the net book value of the revalued infrastructure assets is as follows:

	Valuation £m	Historical cost basis £m
Valuation/cost at 31 March 2025	5,755.1	6,504.9
Aggregate depreciation	(196.7)	(1,885.9)
Net value at 31 March 2025	**5,558.4**	**4,619.0**
	Restated[1]	
Valuation/cost at 31 March 2024	5,492.4	6,242.2
Aggregate depreciation	(102.6)	(1,791.9)
Net value at 31 March 2024	5,389.8	4,450.3

[1] Restated, please see note 1 for further information.

12. Investments

	Shares in subsidiary undertakings £m
Cost and net book value	
At 31 March 2024 and at 31 March 2025	**2.2**

The directors believe that the carrying value of the investments is supported by their underlying net assets.

The company has the following investments in subsidiaries whose registered office, unless otherwise stated, is Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ:

	Country of incorporation	Principal activity	Class of shares held	Ownership 2025 %	Ownership 2024 %
Yorkshire Water Services Finance Limited	England & Wales	Finance company	Ordinary	100	100
Yorkshire Water Finance Plc	England & Wales	Finance company	Ordinary	100	100

13. Debtors

	2025 £m	2024 £m
Trade debtors	**209.9**	195.3
Amounts owed by group undertakings	**-**	114.8
Amounts owed by subsidiary undertakings	**0.6**	0.6
Other debtors	**31.5**	33.2
Derivative financial assets (including £279.6m (2024: £240.9m) due after more than one year (note 17))	**281.5**	250.0
Prepayments	**13.8**	12.1
Accrued income	**99.9**	94.4
Current debtors	**637.2**	700.4
Amounts owed by group undertakings	**540.5**	498.8
Non-current debtors	**540.5**	498.8

Amounts owed by group undertakings include loans to Kelda Eurobond Co Limited totalling £437.2m (2024: £537.2m). The remaining amounts in amounts owed by group undertakings relate to £103.3m (2024: £76.4m) accrued interest on the loans. The loans bear interest at a Sterling Overnight Index Average (SONIA) based rate plus 4.25% margin.

A repayment profile is in place for the repayment of the loans to Kelda Eurobond Co Limited. In October 2022 it was agreed with Ofwat that these loans would be repaid by April 2027 defined on the following basis: at least £300.0m by the end of June 2023; at least £200.0m by the end of March 2025; the balance of the loans by the end of March 2027. In June 2023 £400.0m was received reducing the outstanding loan balances to £537.2m. In May 2024, a further £100.0m was received reducing the outstanding loan balances to £437.2m. Accrued interest relating to the £400.0m and £100.0m repayments have also been repaid on a pro-rata basis.

Amounts owed by subsidiary undertakings are interest free and are repayable on demand.

14. Creditors: amounts falling due within one year

	2025 £m	2024 £m
Interest-bearing loans and borrowings (note 16)	**2.0**	82.0
Trade creditors	**186.8**	211.4
Capital creditors	**273.8**	179.6
Deferred grants and contributions on depreciating tangible assets	**15.5**	14.4
Amounts owed to group undertakings	**54.3**	52.7
Amounts owed to subsidiary undertaking	**122.3**	101.5
Taxation and social security	**4.8**	4.3
Receipts in advance	**81.3**	80.0
Other creditors	**3.0**	1.9
Accruals and deferred income	**7.8**	9.2
Derivative financial liabilities (note 17)	**-**	26.2
	751.6	763.2

Amounts owed to group undertakings are interest free and repayable on demand and include £23.2m (2024: £24.3m) in relation to corporation tax group relief, the remaining amounts being trading balances.

Amounts owed to subsidiary undertakings includes accrued interest and similar charges of £122.3m (2024: £101.5m charges) on amounts disclosed within borrowings in note 16.

Other creditors include external interest accrued of £3.0m (2024: £1.9m) on amounts disclosed within short-term and long-term borrowings in note 16.

15. Creditors: amounts falling due after more than one year

	2025 £m	2024 £m
Interest-bearing loans and borrowings (note 16)	**766.0**	703.1
Amounts owed to subsidiary undertakings (note 16)	**5,923.7**	5,120.6
Other creditors	**3.3**	2.0
Derivative financial liabilities (note 17)	**1,510.5**	1,742.6
Deferred grants and contributions on depreciating tangible assets	**675.8**	631.4
	8,879.3	8,199.7

Included within creditors: amounts falling due after more than one year are amounts repayable after five years by instalments of £26.1m (2024: £27.2m) in relation to finance leases.

16. Interest-bearing loans and borrowings

	Bank loans and overdrafts 2025 £m	Finance lease 2025 £m	Total 2025 £m
Short-term borrowings:			
In one year or less or on demand	-	2.0	**2.0**
Long-term borrowings:			
In more than one year, but not more than two years	-	2.0	**2.0**
In more than two years, but not more than five years	164.0	6.0	**170.0**
In more than five years	567.9	26.1	**594.0**
	731.9	34.1	**766.0**
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			**5,527.3**
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			**396.4**
Total borrowings			**6,691.7**
Cash and cash equivalents			**(490.5)**
Amounts owed by group undertakings			**(437.2)**
Net debt at 31 March 2025			**5,764.0**

Net debt is held at amortised cost, except for amounts owed to subsidiary undertakings in designated fair value relationships with associated fixed to floating interest rate swaps. The carrying value of these borrowings has been adjusted by £31.8m (2024: £31.6m) from £428.2m to £396.4m (2024: £427.9m to £396.3m) relating to the application of fair value hedge accounting.

	Bank loans and overdrafts 2024 £m	Finance lease 2024 £m	Total 2024 £m
Short-term borrowings:			
In one year or less or on demand	80.0	2.0	82.0
Long-term borrowings:			
In more than one year, but not more than two years	-	2.0	2.0
In more than two years, but not more than five years	159.1	6.0	165.1
In more than five years	508.8	27.2	536.0
	667.9	35.2	703.1
Amounts owed to subsidiary undertakings not in fair value hedge relationships (held at amortised cost)			4,724.3
Amounts owed to subsidiary undertakings in fair value hedge relationships (held at fair value)			396.3
Total borrowings			5,905.7
Cash and cash equivalents			(49.7)
Amounts owed by group undertakings			(537.2)
Net debt at 31 March 2024			5,318.8

16. Interest-bearing loans and borrowings (continued)

Amounts owed to subsidiary undertakings includes loans from other members of the Yorkshire Water Financing Group (YWFG) (those subsidiary undertakings being Yorkshire Water Finance Plc and Yorkshire Water Services Finance Limited).

Yorkshire Water Finance Plc is the principal financing company for Yorkshire Water and holds corporate debt issued since the establishment of the WBS. Yorkshire Water Services Finance Limited is a legacy financing company that holds debt issued prior to the WBS being established. In both instances, funds raised from debt issuance have been on-lent to Yorkshire Water via back-to-back intercompany loans that match the terms of the underlying debt.

Debt covenants covering the YWFG include the consolidated external debt position of this group of companies. When calculating the consolidated debt position of the YWFG it should be noted that the book value of certain intercompany loans from Yorkshire Water Finance Plc recorded in these Financial Statements are £7.6m (2024: £8.9m) higher than the book value of the related underlying external debt. These intercompany loans, including amortising and deeply discounted loans, are related to exchange bonds issued by Yorkshire Water Finance Plc. Amortising loan payments of £2.7m (2024: £2.7m) were made during the year to Yorkshire Water Finance Plc to fund interest payments on the exchange bonds.

In 2018, Yorkshire Water Finance Plc was substituted as the issuer of bonds and notes issued by Yorkshire Water Services Odsal Finance Limited and Yorkshire Water Services Bradford Finance Limited. The external debt, and related intercompany loans to Yorkshire Water, were initially recognised by Yorkshire Water Finance Plc at fair value. Yorkshire Water continued to recognise the intercompany loans at their original book value. Hence, there is a difference between the carrying value of the intercompany loans in each entity. This difference is eliminated in the consolidated Financial Statements of Kelda Eurobond Co Limited.

Amounts owed by group undertakings relate to loans of £437.2m (2024: £537.2m) receivable from Kelda Eurobond Co Limited, a parent company of Yorkshire Water. This is disclosed in **note 13**.

Net debt includes unamortised issue discount and costs of £127.0m (2024: £116.2m).

Borrowings repayable in instalments after more than five years include £25.3m (2024: £27.2m) in respect of a finance lease which matures in 2043, carries an interest rate linked to SONIA and is secured on the underlying assets and £0.8m (2024: £nil) in respect of a finance lease which matures in 2034.

On 3 July 2024, the company received the proceeds from drawing £50.0m private placement loan notes which mature in July 2034 with a coupon rate of 5.68%.

On 11 September 2024, Yorkshire Water Finance Plc agreed terms for the issue of £400.0m of sustainability bonds which mature in November 2034 with a coupon rate of 6.375%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water. The bonds were issued on 18 September 2024.

On 3 October 2024, Yorkshire Water Finance Plc agreed terms for the issue of £100.0m CPI linked bonds which mature in October 2039 with a coupon rate of 4.276%. The net proceeds from the issue of these bonds were loaned to Yorkshire Water. The bonds were issued on 10 October 2024.

On 20 January 2025, Yorkshire Water Finance Plc agreed terms to issue £250.0m of sustainability bonds, £50.0m due April 2030, £100.0m due November 2034 and £100.0m due April 2035. These tap bonds have been consolidated respectively with the existing £250.0m 5.25% sustainability bonds due April 2030, the £400.0m 6.375% sustainability bonds issued September 2024 and due November 2034, and the £275.0m 5.50% sustainability bonds due April 2035. The net £239.3m proceeds from the issuance of these bond, after taking into account discount on issuance and costs, and £8.3m accrued interest received for the period from the last interest payment date of the existing debt to the issuance date of the new bonds, were loaned to Yorkshire Water. The bonds were issued on 24 January 2025.

In November 2024, the company exercised an option to extend the term of its £630m Revolving Credit Facility (RCF) by 12 months to November 2029. As at 31 March 2025, £nil was drawn on the RCF (2024: £80.0m).

16. Interest-bearing loans and borrowings (continued)

In July 2024, the company exercised an option on the first anniversary of execution of its £80.0m committed credit facility to extend the term by 12 months to July 2027. Further 12 month extension options are available on the second and third anniversaries of execution. As at 31 March 2025, £nil was drawn on the committed credit facility (2024: £nil).

One-off cash interest financing fees totalling £0.7m were paid in relation to extending the term of the RCF and committed credit facility by 12 months.

During March 2025, Yorkshire Water extended its operating and maintenance bank liquidity facility (the O&M facility) to £148.5m (2024: £120.0m). This is a 12-month standby facility for the funding of Yorkshire Water's operating and maintenance expenditure. As at 31 March 2025, £nil amounts were drawn on this facility (2024: £nil).

Also during March 2025, Yorkshire Water increased its rolling five-year evergreen debt service reserve guarantee (the DSR facility) to £220.0m (2024: £182.0m). The company also extended the date of issuance to maintain the five-year term. This standby facility is required to cover Yorkshire Water's debt service obligation. As at 31 March 2025, £nil amounts were drawn on this facility (2024: £nil).

As at 31 March 2025, Yorkshire Water had access to undrawn committed facilities totalling £1,078.5m (2024: £932.0m), £148.5m of which expires in March 2026 (the O&M facility), £80m of which expires in July 2027 (the committed credit facility), £630.0m of which expires in November 2029 (the RCF) and £220.0m of which expires in March 2030 (the DSR facility).

Leases

The minimum lease payments in respect of finance leases are as follows:

	2025 £m	2024 £m
No later than one year	**3.8**	4.2
Later than one year and no later than five years	**14.4**	15.5
Later than five years	**34.8**	38.6
	53.0	58.3
Less: future finance charges on finance lease obligations	**(16.9)**	(21.1)
Carrying value of lease obligations	**36.1**	37.2
Amount due for settlement within one year	**2.0**	2.0
Amount due for settlement after more than one year	**34.1**	35.2
	36.1	37.2

16. Interest-bearing loans and borrowings (continued)

Interest rates on amounts owed to subsidiary undertakings are detailed in the table below:

Counterparty	Nominal £m	Interest rate %	Maturity date Year	Liability at 31 March 2025 £m
Amounts owed to subsidiary undertakings in fair value hedge relationships				
Yorkshire Water Finance Plc	250.0	3.625	2029	**228.6**
Yorkshire Water Finance Plc	90.0	3.540	2029	**85.3**
Yorkshire Water Finance Plc	90.0	4.965	2033	**82.5**
				396.4
Amounts owed to subsidiary undertakings not in fair value hedge relationships				
Yorkshire Water Finance Plc	300.0	1.750	2026	**299.6**
Yorkshire Water Finance Plc	150.0	5.500	2027	**142.6**
Yorkshire Water Finance Plc	60.0	2.030	2028	**59.9**
Yorkshire Water Finance Plc	250.0	5.250	2030	**247.8**
Yorkshire Water Finance Plc	50.0	5.250	2030	**47.8**
Yorkshire Water Finance Plc	50.0	2.140	2031	**49.9**
Yorkshire Water Finance Plc	240.0	6.625	2031	**239.7**
Yorkshire Water Finance Plc	350.0	1.750	2032	**346.1**
Yorkshire Water Finance Plc	50.0	2.210	2033	**49.9**
Yorkshire Water Finance Plc	100.0	1.524	2033	**219.7**
Yorkshire Water Finance Plc	400.0	6.375	2034	**395.7**
Yorkshire Water Finance Plc	100.0	6.375	2034	**99.1**
Yorkshire Water Finance Plc	250.0	5.500	2035	**247.7**
Yorkshire Water Finance Plc	100.0	5.500	2035	**91.8**
Yorkshire Water Finance Plc	25.0	5.500	2035	**23.5**
Yorkshire Water Finance Plc	40.0	2.300	2036	**39.9**
Yorkshire Water Finance Plc	50.0	2.300	2036	**49.8**
Yorkshire Water Finance Plc	200.0	6.375	2039	**199.2**
Yorkshire Water Finance Plc	100.0	6.375	2039	**102.4**
Yorkshire Water Finance Plc	100.0	4.276	2039	**100.7**
Yorkshire Water Finance Plc	175.0	2.718	2039	**324.0**
Yorkshire Water Finance Plc	85.0	2.718	2039	**162.8**
Yorkshire Water Finance Plc	50.0	2.160	2041	**82.1**
Yorkshire Water Finance Plc	350.0	2.750	2041	**342.4**
Yorkshire Water Finance Plc	100.0	2.750	2041	**103.1**
Yorkshire Water Finance Plc	275.0	2.750	2041	**182.3**
Carried forward				**4,249.5**

16. Interest-bearing loans and borrowings (continued)

Counterparty		Nominal £m	Interest rate %	Maturity date Year	Liability at 31 March 2025 £m
Brought forward					**4,249.5**
Yorkshire Water Finance Plc		50.0	1.803	2042	**81.3**
Yorkshire Water Finance Plc	Amortising loan		3.232	2027	**2.1**
Yorkshire Water Finance Plc	Amortising loan		6.611	2031	**5.5**
Yorkshire Water Finance Plc	Amortising loan		1.658	2033	**6.2**
Yorkshire Water Finance Plc	Deeply discounted loan		3.227	2027	**(6.2)**
Yorkshire Water Finance Plc	Deeply discounted loan		6.611	2031	**10.3**
Yorkshire Water Finance Plc	Deeply discounted loan		1.658	2033	**7.3**
Yorkshire Water Services Finance Limited		7.4	5.500	2027	**7.2**
Yorkshire Water Services Finance Limited		200.0	5.500	2037	**196.6**
Yorkshire Water Services Finance Limited		65.0	1.823	2050	**124.1**
Yorkshire Water Services Finance Limited		125.0	1.462	2051	**245.1**
Yorkshire Water Services Finance Limited		85.0	1.758	2054	**162.5**
Yorkshire Water Services Finance Limited		125.0	1.460	2056	**245.0**
Yorkshire Water Services Finance Limited		100.0	1.709	2058	**190.8**
					5,527.3
Amounts falling due after more than one year (note 15)					**5,923.7**

17. Derivative financial assets and liabilities

	Less than one year 2025 £m	More than one year 2025 £m	Total 2025 £m	Less than one year 2024 £m	More than one year 2024 £m	Total 2024 £m
Derivative financial assets:						
Inflation linked swaps	**-**	**278.3**	**278.3**	-	240.8	240.8
RPI to CPI swaps	**-**	**0.8**	**0.8**	-	-	-
Fixed to floating interest rate swaps	**-**	**-**	**-**	8.1	-	8.1
Energy derivatives	**1.9**	**0.5**	**2.4**	1.0	0.1	1.1
	1.9	**279.6**	**281.5**	9.1	240.9	250.0
Derivative financial liabilities:						
Inflation linked swaps	**-**	**(1,471.3)**	**(1,471.3)**	(26.2)	(1,704.9)	(1,731.1)
Floating to fixed interest rate swaps	**-**	**(3.5)**	**(3.5)**	-	(4.9)	(4.9)
Energy derivatives	**-**	**(0.1)**	**(0.1)**	-	-	-
Fixed to floating interest rate swaps	**-**	**(33.5)**	**(33.5)**	-	(30.6)	(30.6)
RPI to CPI swaps	**-**	**(2.1)**	**(2.1)**	-	(2.2)	(2.2)
	-	**(1,510.5)**	**(1,510.5)**	(26.2)	(1,742.6)	(1,768.8)
Net derivative financial liabilities	**1.9**	**(1,230.9)**	**(1,229.0)**	(17.1)	(1,501.7)	(1,518.8)

Managing financial risk

Yorkshire Water’s operations expose the company to a variety of financial risks that include, amongst other things, inflation risk and interest rate risk.

In relation to inflation risk, Yorkshire Water’s revenue is partly linked to the underlying rate of inflation, measured by consumer price index including owner-occupiers’ housing costs (CPIH) and is therefore subject to fluctuations in line with changes in CPIH. In addition, Yorkshire Water’s RCV, which is one of the critical components for setting customer’s bills, is also linked to inflation. Yorkshire Water and its financing subsidiaries raises funds from third parties.

These funds are used by the company to finance its activities (including funding the company’s long-term capital investment programme). As the percentage of the company’s net debt to RCV is a key covenanted ratio within Yorkshire Water’s financing arrangements with its lenders, negative inflation, without appropriate management, could potentially breach such covenants despite the company being profitable. Yorkshire Water manages its inflation risk via inflation linked debt, and a number of hedging instruments (termed as swaps in following sections).

17. Derivative financial assets and liabilities (continued)

Inflation linked swaps

The company holds a number of inflation linked swaps, with a notional value at 31 March 2025 of £1,088.6m (2024: £1,112.1m). There are three cash flows associated with these inflation linked swaps:

- six monthly interest receivable linked to SONIA;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receive six monthly interest amounts based on a fixed rate.

Interest payments and receipts are accrued in the profit and loss account. The RPI bullet accumulated at the balance sheet date has been accrued in the profit and loss account and is recognised within derivative financial assets and derivative financial liabilities. The RPI bullet accrued to 31 March 2025 was £522.3m (2024: £473.2m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreases it by £224.9m (2024: £217.0m) to £297.4m (2024: £256.2m).

Yorkshire Water's portfolio of inflation linked swaps gave rise to a net liability of £1,193.0m (2024: £1,490.3m net liability) at the year end date, comprising £278.3m assets and £1,471.3m liabilities (2024: £240.8m assets, £1,731.1m liabilities). Included within the net liability are net assets of £60.2m (2024: £63.0m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years.

During the year to 31 March 2025, the company addressed the mandatory break date of February 2025 on inflation linked swaps with a total notional value of £23.5m. Post-February 2025 cash flows have been cancelled through an early settlement payment made in June 2024. The next mandatory break date in the portfolio is February 2028 in relation to swaps with a notional value of £110.2m.

The valuation model used by Yorkshire Water to determine the fair value of the inflation linked swaps portfolio as at 31 March 2025 includes a funding valuation adjustment, credit valuation adjustment and debit valuation adjustment to reflect long-term credit risk. All the swaps in the portfolio have super-senior status. The funding valuation adjustments, credit valuation adjustments and debit valuation adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation, and therefore require estimation techniques to be adopted by management. Management uses a third party expert to advise on the appropriateness of these assumptions and has prepared sensitivity analysis in order to evaluate the impact of a reasonably possible range of assumptions on the resultant valuation. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £188.2m (2024: £199.5m).

RPI to CPI swaps

Yorkshire Water holds swaps with a notional value of £650.0m (2024: £300.0m) that have the following cash flows:

- annual accretion receivable linked to RPI; and
- annual accretion payable linked to CPI plus a fixed accretion amount payable.

These swaps are recognised as a net fair value liability of £1.3m at 31 March 2025 (2024: £2.2m net liability). Hedge accounting has not been applied. There has been £5.2m net cash accretion paid in the year to 31 March 2025 resulting in £4.3m expense (2024: £3.4m expense) to the profit and loss account.

17. Derivative financial assets and liabilities (continued)

Interest rate swaps

Yorkshire Water holds £45.0m notional value (2024: £45.0m) of floating to fixed interest rate swaps. These swaps are recognised at a fair value liability of £3.5m at 31 March 2025 (2024: £4.9m liability). Hedge accounting has not been applied. Of the year on year decrease in the liability of £1.4m (2024: decrease of £1.7m), £1.2m income (2024: £0.7m income) has been included in the profit and loss account, whilst £0.2m (2024: £1.0m) relates to net interest payments made during the year.

Yorkshire Water holds £430.0m notional value (2024: £1,430.0m) of fixed to floating interest rate swaps. These swaps are recognised as a net fair value liability of £33.5m at 31 March 2025 (2024: £22.5m liability). During the year to 31 March 2025, fixed to floating interest rate swaps with a notional value of £1,000.0m matured and are no longer included in the swaps portfolio.

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2024: £430.0m). These swaps are recognised as a fair value liability of £33.5m (2024: £30.6m liability). In line with FRS 102, the financial instruments to which these fixed to floating interest rate swaps relate to have also been adjusted for the hedged interest rate risk at 31 March 2025.

The net impact of the fair value movement of the hedged fixed to floating interest rate swaps and the associated debt has resulted in £5.9m of expense (2024: £3.7m expense) to the profit and loss account. This represents ineffectiveness in the hedge relationship due to sources of ineffectiveness such as credit risk.

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £nil (2024: £1,000.0m). These swaps matured in the year and are recognised as a fair value asset of £nil (2024: £8.1m asset).

The fair value movement of the fixed to floating interest rate swaps not in a hedge relationship has resulted in £4.2m expense (2024: £9.1m income) to the profit and loss account.

Energy derivatives

The company holds UK electricity swaps, which help hedge the company's exposure to energy price risk by exchanging the average day ahead baseload index price of electricity in a given month for a fixed price. These are designated as cash flow hedges and hedge accounting has been applied.

The net movement in the derivatives of £1.2m from £1.1m assets to £2.3m net assets (2024: movement of £3.5m from £4.6m assets to £1.1m net assets) has been recognised in other comprehensive income.

18. Financial instruments

The carrying amount of the derivative financial instruments is equal to the fair value, therefore a separate disclosure table has not been presented.

The below table shows the difference in carrying value and fair value for non derivative financial instruments, excluding any non derivative financial instruments where the carrying value is approximate to the fair value:

	Carrying value 2025 £m	Fair value 2025 £m	Carrying value 2024 £m	Fair value 2024 £m
Held at amortised cost				
Bank loans and overdrafts	**(731.9)**	**(627.8)**	(747.9)	(670.0)
Amounts owed to subsidiary undertakings not in fair value hedge relationships	**(5,527.3)**	**(4,761.2)**	(4,724.3)	(4,293.0)
Amounts owed by group undertakings	**437.2**	**466.8**	537.2	591.4

Bank loans and overdrafts includes £nil (2024: £80.0m) in relation to short-term borrowings and £731.9m (2024: £667.9m) long-term borrowings (**note 16**).

Fair values of financial assets and financial liabilities

The information set out below provides information about how the company determines fair values of various financial assets and financial liabilities.

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of financial assets and financial liabilities grouped into Level 2 and Level 3 are determined (in particular, the valuation technique(s) and inputs used). The level for inflation linked swaps is determined through assessing the percentage of the Debit Value Adjustment (DVA) and Funding Value Adjustment (FVA) of the Dirty MtM value of each swap. Valuations that are classed as Level 3 for inflation linked swaps are defined by the proportion of the DVA and FVA being greater than 10% of the Dirty MtM of the instrument. The Dirty MtM value includes accrued interest.

The following table provides the fair values of the company's financial assets and liabilities at 31 March 2025.

	Level 1 2025 £m	Level 2 2025 £m	Level 3 2025 £m	Level 1 2024 £m	Level 2 2024 £m	Level 3 2024 £m
Primary financial instruments financing the company's operations						
Derivative financial assets						
Measured at Fair Value Through Profit and Loss						
Inflation linked swaps	**-**	**254.1**	**24.2**	-	225.8	15.0
Fixed to floating interest rate swaps	**-**	**-**	**-**	-	8.1	-
RPI to CPI Swaps	**-**	**-**	**0.8**	-	-	-
Measured at Fair Value Through Other Comprehensive Income						
Energy derivatives	-	2.4	-	-	1.1	-
Total derivative financial assets	**-**	**256.5**	**25.0**	-	235.0	15.0
Derivative financial liabilities						
Measured at Fair Value Through Profit and Loss						
Inflation linked swaps	**-**	**(545.0)**	**(926.3)**	-	(694.0)	(1,037.1)
RPI to CPI swaps	**-**	**-**	**(2.1)**	-	-	(2.2)
Fixed to floating interest rate swaps	**-**	**(33.5)**	**-**	-	(30.6)	-
Floating to fixed interest rate swaps	**-**	**(3.5)**	**-**	-	(4.9)	-
Measured at Fair Value Through Other Comprehensive Income						
Energy derivatives	**-**	**(0.1)**	**-**	-	-	-
Total derivative financial assets	**-**	**(582.1)**	**(928.4)**	-	(729.5)	(1,039.3)
Net derivative financial liabilities	**-**	**(325.6)**	**(903.4)**	-	(494.5)	(1,024.3)
Non derivative financial instruments						
Held at amortised cost						
Bank loans and overdrafts	**-**	**(390.7)**	**(237.1)**	-	(360.3)	(229.7)
Amounts owed to subsidiary undertakings	**(3,468.4)**	**(1,292.8)**	**-**	(2,982.8)	(1,310.2)	-
Amounts owed by group undertakings	**-**	**466.8**	**-**	-	591.4	-
Borrowings measured at fair value in fair value hedge relationships						
Amounts owed to subsidiary undertakings	**-**	**(396.4)**	**-**	-	(396.3)	-

For financial assets and liabilities not included in the fair values hierarchy table, the carrying amount approximates the fair value. The carrying amounts of bank loans and overdrafts totalling £nil (2024: £80.0m) approximate their fair value, so are not included in the hierarchy table.

18. Financial instruments (continued)

Financial assets/financial liabilities	Fair value as at 31 March 2025	Fair value as at 31 March 2024	Fair value hierarchy	Valuation technique(s) and key input(s)
1. Interest rate swaps, inflation linked swaps, energy derivatives	Assets: £256.5m Liabilities: £582.1m	Assets: £235.0m Liabilities: £729.5m	Level 2	Discounted cash flow. Future cash flows are estimated based on forward rates (from observable yield curves at the end of the reporting year) and contract rates, discounted at a rate that reflects own or counterparty credit risk.
2. Amounts owed to subsidiary undertakings, bank loans and overdrafts	Liabilities: £2,079.9m	Liabilities: £2,066.8m	Level 2	The fair values of amounts owed to subsidiary undertakings have been determined by reference to the fair values of back-to-back debt issued by subsidiaries. In relation to bonds issued by the subsidiaries, fair values are determined by reference to quoted prices for identical instruments in inactive markets that can be accessed at the measurement date. In relation to private notes issued by subsidiaries, and bank loans and overdrafts, fair values are calculated by discounting expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.

Financial assets/ financial liabilities	Fair value as at 31 March 2025	Fair value as at 31 March 2024	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value 31 March
3. Inflation linked swaps, RPI to CPI swaps, bank loans and overdrafts	Assets: £25.0m Liabilities: £1,165.5m	Assets: £15.0m Liabilities: £1,269.0m	Level 3	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Inflation linked swaps: • Counterparty cost of funding assumption. • Assumptions relating to long-term credit beyond observable curves. • Recovery rates. RPI to CPI swaps, bank loans and overdrafts: • Level 3 instrument valuations relate to CPI linked transactions where inputs are from a less liquid market.	Unobservable inputs contribute on average to 24.5% of the fair value of level 3 instruments, equalling a total of £220.8m of the fair value included in the Financial Statements. A ten basis point or percentage shift in each of these assumptions in either direction gives rise to an aggregate impact on the valuation of £60.5m higher or lower. A ten basis point shift in the RPI to CPI wedge would give rise to a £4.2m higher or lower valuation of RPI to CPI swaps, bank loans and overdrafts.

19. Deferred tax assets and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets 2025 £m	Liabilities 2025 £m	Net 2025 £m	Assets 2024 £m	Liabilities 2024 £m	Net 2024 £m
Accelerated capital allowances	**-**	**1,046.1**	**1,046.1**	-	1,041.5	1,041.5
Timing differences on financial instruments	**(191.9)**	**-**	**(191.9)**	(277.2)	-	(277.2)
Losses	**(40.3)**	**-**	**(40.3)**	(41.8)	-	(41.8)
Net tax (assets)/liabilities	**(232.2)**	**1,046.1**	**813.9**	(319.0)	1,041.5	722.5

Movement in deferred tax during the year

	1 April 2024 £m	Recognised in income £m	Recognised in equity £m	31 March 2025 £m
Accelerated capital allowances	**1,041.5**	**4.6**	**-**	**1,046.1**
Timing differences on financial instruments	**(277.2)**	**84.9**	**0.4**	**(191.9)**
Losses	**(41.8)**	**1.5**	**-**	**(40.3)**
	722.5	**91.0**	**0.4**	**813.9**

Movement in deferred tax during the prior year

	1 April 2023 £m	Recognised in income £m	Recognised in equity £m	31 March 2024 £m
Accelerated capital allowances	1,063.7	(27.0)	4.8	1,041.5
Timing differences on financial instruments	(307.5)	31.2	(0.9)	(277.2)
Losses	(43.2)	1.4	-	(41.8)
	713.0	5.6	3.9	722.5

All the timing differences above are expected to reverse after more than 12 months.

The company has no deferred tax assets that are unrecognised in its Financial Statements (2024: none).

20. Provisions for liabilities

	Operational activities £m	Regulatory activity £m	Total £m
Balance at 1 April 2023	8.0	6.0	14.0
Charged to the profit and loss account	19.6	4.4	24.0
Utilised in the year	(4.4)	(4.6)	(9.0)
Balance at 31 March 2024	**23.2**	**5.8**	**29.0**
Charged to the profit and loss account	**12.4**	**4.5**	**16.9**
Utilised in the year	**(2.4)**	**(3.8)**	**(6.2)**
Balance at 31 March 2025	**33.2**	**6.5**	**39.7**

The regulatory activity relates to regulatory commitments governed by Ofwat schemes. Operational provisions largely relate to public liability matters and potential environmental claims. The provisions reported represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

21. Share capital and other reserves

	2025 £m	2024 £m
Allotted, called up and fully paid		
22,000,000 (2024: 22,000,000) ordinary shares of 50 pence each	**11.0**	11.0

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Also included within equity are reserves, the nature of which are as follows:

Revaluation reserve: Infrastructure assets, residential properties, specialised properties, and rural estates are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. For further details, see **note 1** and **note 11**.

Hedging reserve: Energy derivatives, which hedge the company's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price, are designated as cash flow hedges and hedge accounting has been applied. The hedging gain or loss is recognised in other comprehensive income. For further details, see **note 1** and **note 17**.

Profit and loss account: Cumulative profits or losses, net of revaluation of retirement benefits and dividends paid.

22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2025 £m	Other 2025 £m	Total 2025 £m	Land and buildings 2024 £m	Other 2024 £m	Total 2024 £m
Less than one year	**0.4**	**2.9**	**3.3**	0.4	3.2	3.6
Between one and five years	**1.5**	**3.2**	**4.7**	1.4	3.9	5.3
More than five years	**12.8**	**-**	**12.8**	13.0	-	13.0
	14.7	**6.1**	**20.8**	14.8	7.1	21.9

The payments shown are the total future minimum lease payments under non-cancellable operating leases.

23. Commitments

Capital commitments

	2025 £m	2024 £m
Capital and infrastructure renewals expenditure commitments for contracts placed at 31 March were:	**832.7**	701.5

The long-term investment programme for the company, which identified substantial future capital expenditure commitments in the period from 2025 to 2030, was agreed as part of the AMP8 Price Review process. £20.8m (2024: £28.6m) of the above capital commitments relate to intangibles (software).

On 20 March 2025 Ofwat published their Final Decision Notice concluding their investigation into wastewater management. Yorkshire Water has agreed undertakings in the form of a redress package to be invested in Yorkshire, together with plans to be put in place to secure compliance with the Urban Waste Water Treatment Regulations 1994, Section 94 Water Industry Act 1991 and Condition P.12 of the Yorkshire Water Licence.

£36.6m of this package forms part of our capital and infrastructure renewals expenditure commitments over the five-year regulatory asset management period from 2026 to 2030. This is to be invested between 2025-30 to reduce discharges from overflows. These overflows will be sites that were due to receive investment in the 2030-35 period, Yorkshire Water will be accelerating these improvements.

A further £3.4m is as a contribution to the Great Yorkshire Rivers Partnership, a partnership between Yorkshire Water, Environment Agency (EA) and The Rivers Trust. This will be used to improve water quality and biodiversity in the area and reconnect up to 500km of rivers.

24. Contingencies

Certain bank accounts of the company operate on a pooled basis with certain bank accounts of other members of the YWFG, whereby these bank account balances offset against each other. The company had guaranteed the following bonds and notes issued by Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc at 31 March 2025:

	Nominal £m	Coupon %	Maturity date Year	Book liability at 31 March 2025 £m
Fixed rate				
Yorkshire Water Services Finance Limited	7.4	5.500	2027	**7.2**
Yorkshire Water Services Finance Limited	200.0	5.500	2037	**196.6**
Yorkshire Water Finance Plc	300.0	1.750	2026	**299.6**
Yorkshire Water Finance Plc	135.5	6.454	2027	**135.4**
Yorkshire Water Finance Plc	60.0	2.030	2028	**59.9**
Yorkshire Water Finance Plc	250.0	3.625	2029	**228.6**
Yorkshire Water Finance Plc	90.0	3.540	2029	**85.3**
Yorkshire Water Finance Plc	300.0	5.250	2030	**295.7**
Yorkshire Water Finance Plc	255.0	6.601	2031	**254.8**
Yorkshire Water Finance Plc	50.0	2.140	2031	**49.9**
Yorkshire Water Finance Plc	350.0	1.750	2032	**346.1**
Yorkshire Water Finance Plc	90.0	4.965	2033	**82.5**
Yorkshire Water Finance Plc	50.0	2.210	2033	**49.9**
Yorkshire Water Finance Plc	500.0	6.375	2034	**494.9**
Yorkshire Water Finance Plc	375.0	5.500	2035	**363.0**
Yorkshire Water Finance Plc	40.0	2.300	2036	**39.9**
Yorkshire Water Finance Plc	50.0	2.300	2036	**49.8**
Yorkshire Water Finance Plc	300.0	6.375	2039	**301.7**
Yorkshire Water Finance Plc	725.0	2.750	2041	**627.9**
Total fixed rate				**3,968.7**
Inflation linked				
Yorkshire Water Services Finance Limited	65.0	1.823	2050	**124.1**
Yorkshire Water Services Finance Limited	125.0	1.462	2051	**245.1**
Yorkshire Water Services Finance Limited	85.0	1.758	2054	**162.5**
Yorkshire Water Services Finance Limited	125.0	1.460	2056	**245.0**
Yorkshire Water Services Finance Limited	100.0	1.709	2058	**190.8**
Yorkshire Water Finance Plc	127.8	3.307	2033	**229.2**
Yorkshire Water Finance Plc	260.0	2.718	2039	**486.7**
Yorkshire Water Finance Plc	100.0	4.276	2039	**100.7**
Yorkshire Water Finance Plc	50.0	2.160	2041	**82.1**
Yorkshire Water Finance Plc	50.0	1.803	2042	**81.3**
Total inflation linked				**1,947.5**

25. Parent companies, controlling parties and the larger group

The company's immediate parent undertaking is Yorkshire Water Services Holdings Limited. The ultimate parent company is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors there is no ultimate controlling party.

The largest UK group in which the results of the company are consolidated is that headed by Kelda Eurobond Co Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Kelda Finance (No.1) Limited, incorporated in England and Wales. The registered address of these companies is the same as that of Yorkshire Water. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford, BD6 2SZ.

26. Contingent liabilities

Claims relating to property searches
The 31 March 2024 Annual Report and Financial Statements contained a contingent liability with respect to claims by personal search companies (PSCs). The claims related to historical search fees that PSCs paid to Yorkshire Water for water and drainage reports obtained when buying a house. The PSCs claimed that the historical fees should not have been paid to Yorkshire Water as the information should have been provided for no fee under the Environmental Information Regulations 2004. The case was dismissed against Yorkshire Water on 3 October 2024. The contingent liability has therefore now been closed and disclosures will be excluded from future reports.

EA investigations into the operating of wastewater assets
Both the EA and Ofwat commenced investigations in November 2021, against all water and sewerage companies in relation to the operations of their wastewater treatment assets.

On 20 March 2025 Ofwat published their decision concluding their investigation. Yorkshire Water has agreed undertakings in the form of a £40m redress package to be invested in Yorkshire. These amounts largely take the form of commitments to reduce spills from overflows over the next five-year period. This is disclosed in further detail in note 23 - Commitments.

Yorkshire Water and all water and sewerage companies are subject to information requests from the EA in respect of their investigations. The EA released an update on its website on 3 February 2025 confirming that they were now seeking to take witness statements from external parties such as "campaign and pressure groups, academics, citizen science projects, leisure water users and businesses, NGOs around the water sector and people who have reported a relevant incident to the Environment Agency." The update further goes on to state that the EA "continue to gather evidence on the environmental effects of the discharges. After gathering witness statements, we will examine victim impacts of the discharges before inviting the water companies to interview." The EA have not provided any timescales for completion of these next steps. No further updates are available on this investigation at the time of writing. EA fines are dealt with via sentencing guidelines and therefore are not possible to estimate at the date of publication.

Collective proceedings order (class action)
The proposed class representative (PCR) is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out basis) and proceedings have been lodged on this basis. The claim is based on an alleged abuse of a dominant position in relation to the prices customers were charged for sewerage services. Similar claims were commenced against five other water and sewage companies (WaSCs). Following the Certification hearing in September 2024, the judgment was received on 7 March 2025 confirming that the matter had not been certified. The PCR made an application for permission to appeal this decision to the Competition Appeals Tribunal. Permission to appeal was rejected and the WaSCs were each awarded a proportion of their legal costs to date. The PCR then made an application to the Court of Appeal for permission to appeal. This permission has been granted and a date for the substantive appeal hearing is now awaited. The Claimant alleges that the damages are likely to be substantial, being at least £150.7m and as high as £390.9m including interest. Yorkshire Water has indicated that it will be defending the claim in full.

27. Post balance sheet events

Following the year end, the Board of Directors proposed a dividend of 1.94 pence per share, equating to a total dividend of £42.6m paid ultimately to Kelda Finance No.2 Limited on 30 May 2025. Kelda Finance No.2 Limited have utilised these funds in the early repayment of secured bank loans with nominal values of £50.0m and £45.0m that were due to mature in December 2025. None of these dividends were paid to the ultimate shareholders.

Independent auditor's report

Independent auditor's report to the members of Yorkshire Water Services Limited

Report on the audit of the Financial Statements

1. Opinion

In our opinion the Financial Statements of Yorkshire Water Services Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2025 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the profit and loss account;
- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation and allocation of manual adjustments to household bad debt provisioning; • Valuation of infrastructure assets; • Valuation of derivative financial instruments; and • Going concern. Within this report, key audit matters are identified as follows: ! Newly identified Similar level of risk
Materiality	The materiality that we used in the current year was £19.0m which was determined on the basis of 2.8% of earnings before interest, tax, depreciation and amortisation ("EBITDA"). This metric is explained further and reconciled within the Alternative Performance Measures outlined by the company in the Key Performance Indicators ("KPI") section of the annual report.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	Going concern was newly identified as a key audit matter in the current year. This is due to there being increased judgement around the going concern assessment, arising from the reduced timeframe for repayment of an intercompany loan to the company. There have been no other significant changes in our audit approach.

4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.4.

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 12 months from when the Financial Statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the Financial Statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation and allocation of manual adjustments to household bad debt provisioning

Key audit matter description	A proportion of the group's household customers do not or cannot pay their bills, which results in the need for provisions to be made for non-payment of the customer balance. Management makes an estimate regarding future cash collection when calculating the bad debt provision. Management have revised their approach to calculating the provision in the current year to more effectively consider three primary elements: historical performance, management action to address debt, and macroeconomic factors. In the current year, the continued high household costs in the UK are putting pressure on customers' ability to pay, leading to greater judgement in assessing whether future cash collection will differ from historical experience. A key audit matter exists on whether historical data is reflective of the current cost of living crisis and those struggling with inflation, and whether the management action and macroeconomic factors manual adjustments are appropriate to reflect the future risk of cash collection. The value of the household provision for trade receivables at 31 March 2025 is £38.5m (2024: £33.3m). The Audit and Risk Committee also considered this as a significant matter as discussed in the **Audit and Risk Committee Report** on page 180 and it is also included as an area of key estimation uncertainty in **note 1** to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of and challenged the appropriateness of management's revised approach to calculating the provision in the current year, (incorporating the management action and macroeconomic factors manual adjustments) and agreed a sample of the management action assumptions to supporting documentation; • obtained an understanding of the relevant controls established by management to consider the valuation and allocation of the bad debt provision; • searched for contradictory evidence (e.g. economic forecasts regarding unemployment and disposable income) to assess management's conclusion regarding the provision; • considered economic data surrounding inflation and the future impact of the current cost of living crisis; • performed sensitivity analysis on the provisioning models to assess the impact of changes in cash collection rates; and • performed benchmarking against other water companies with a similar provisioning approach.
Key observations	We consider the household bad debt provision, inclusive of consideration of manual adjustments, to be reasonable and compliant with accounting standards.

5.2. Valuation of infrastructure assets

Key audit matter description	Infrastructure assets are stated at fair value less any subsequent accumulated depreciation and impairment losses. Infrastructure assets are valued annually using the support of a third party expert to determine an enterprise value for the company. After review and consideration, management uses this valuation to determine the fair value of infrastructure assets of the company by making certain adjustments to exclude other assets and liabilities of the company. There is a significant level of judgement in determining the fair value of these assets from the enterprise value, with the key assumptions included in this valuation being future cash flows for the business, an appropriate cost of equity and the terminal value of the business. The fair value of infrastructure assets at the year end was £5,558.4m (2024: £5,389.8m). The value of the infrastructure assets, and the valuation adjustment of £nil (2024: valuation adjustment of £nil) recognised on these assets at the year end, is disclosed in **note 11** to the Financial Statements. The Audit and Risk Committee also considered this as a significant matter as discussed in the **Audit and Risk Committee Report** on page 180 and it is also included as an area of key estimation uncertainty in **note 1** to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of relevant controls relating to the asset revaluation process; • understood the scope of work and the key judgements made by the third party expert. We also evaluated their competence, capabilities and objectivity; • involved internal valuation specialists to challenge the third party valuation through benchmarking the valuation against recent market transactions and comparable companies; • assessed the fair value calculation prepared by management for mathematical accuracy and tested the appropriateness of the cash flow assumptions; • assessed the bridge between the third party's enterprise valuation and the valuation applied to the infrastructure assets, and re-performed management's calculation; • evaluated contradictory evidence surrounding the enterprise valuation, such as forecast economic indicators and market transaction valuations and comparable companies; and • evaluated that the valuation adjustment of £nil has been accurately recorded in the Financial Statements.
Key observations	We consider that the assumptions inherent in the fair value calculation, and the valuation methodology applied, are appropriate, and that the fair value of the infrastructure assets recognised is reasonable.

5.3. Valuation of derivative financial instruments

Key audit matter description	Section 12 of FRS 102 "Financial Instruments" requires all derivatives to be accounted for in the balance sheet at fair value with movements recognised in profit or loss unless designated in a hedging relationship. Where possible, management has elected to apply hedge accounting. We identified a key audit matter in relation to the valuation of derivatives, including the application of credit, debit and funding risk valuation adjustments due to the subjectivity and appropriateness of market inputs used in the underlying models. The fair value of derivative financial instruments at 31 March 2025 totalled £281.5m of assets and £1,510.5m of liabilities (2024: £250.0m) of assets and £1,768.8m of liabilities) and the fair value credits recognised in the income statement for the year ended 31 March 2025 totalled £309.6m (2024: £71.6m). The movement in fair value of derivatives in the year is disclosed in **note 7** and the fair value held at year end is disclosed in **note 17** to the Financial Statements. The Audit and Risk Committee also considered the valuation of derivatives as a significant matter as discussed in the **Audit and Risk Committee Report** on page 180 and it is also included as an area of key estimation uncertainty in **note 1** to the Financial Statements.
How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of relevant controls around the valuation techniques used in determining the fair value of derivatives; • inspected the nature and number of derivatives held at both the year end and during the year; • involved internal valuation specialists to perform independent valuations of derivatives at the balance sheet date, including the calculation of credit, debit and funding risk adjustments on both derivative assets and liabilities; • tested the accounting for all derivative positions, both external to the company and intercompany arrangements, to assess whether the accounting is in accordance with FRS 102; and • evaluated the disclosures made for the year end derivatives, to assess whether they are in line with FRS 102.
Key observations	We consider that the fair values recognised and disclosures made in respect of the derivatives recorded in the Financial Statements are reasonable.

5.4. Going concern

Key audit matter description	To support their going concern assessment, the directors have considered the budget and the cash position of the company, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for at least the 12 months from the date of signing the Financial Statements. In addition, the directors have considered any known material refinancing events up to the end of March 2027 which could have an impact on going concern. At the year end, the company had cash and cash equivalents of £490.5m (2024: £49.7m) and undrawn committed facilities of £1,078.5m (2024: £932.0m). The company also had borrowings totalling £6,691.7m (2024: £5,905.7). Borrowings are subject to covenants as set out in the disclosure on pages 223 to 224. There are no significant debt maturities due during the next 12 months, with the next bond maturity (held under a 'back to back' loan arrangement within the Yorkshire Water Financing Group) being £300m in November 2026. The directors have concluded that the going concern basis is appropriate. As set out on pages 223 to 224, the directors have taken into consideration a number of key facts and judgements up to the end of March 2027 and have made the following assumptions: • there will be headroom on all covenants in the going concern assessment period, as indicated by the Board-approved budget; moreover, in adverse scenarios, mitigating actions would be available to maintain headroom and manage the company's business risks appropriately; • the directors expect the final instalment of the loan due from the company's ultimate parent, Kelda Eurobond Co Limited, will be paid by 31 March 2027, in line with Kelda Eurobond Co Limited's undertaking to Ofwat; and • further borrowing will be raised in the next year to cover the company's £300m fixed rate bond maturity, which is due in November 2026. We consider the going concern assessment to be a key audit matter due to the level of judgement involved, especially in the following key judgements: • the assumption that the intercompany loan will be repaid; and • the assumption that further new borrowings will be raised in the next year. The going concern statement is disclosed in the **Directors' Report** on page 168 and in the accounting policies in **note 1** of the Financial Statements.

How the scope of our audit responded to the key audit matter	The procedures we performed were as follows: • obtained an understanding of financing facilities including their maturity, compliance with interest cover ratios and other covenants, and obtaining confirmation of undrawn facilities; • tested the going concern model for consistency with the business model and the forecasts used for infrastructure asset valuation; • tested the accuracy of the model and assessed the historical accuracy of forecasts prepared by management; • assessed the key assumptions used in the forecasts, such as revenue levels and both operating and capital expenditure; this included consideration of the current and forecast economic environment and financial pressures on households; • performed sensitivity analysis including consideration of contradictory evidence, latest third party economic forecasts, latest ratings agency reports, Ofwat financial resilience measures and 2026 results to date; • evaluated management's assumptions that the intercompany loan will be repaid and further new borrowings will be raised in the next year with reference to the procedures above; • involved our debt advisory specialists to assist in our evaluation of the above; • assessed the risk of any management manipulation of key financial metrics that would impact covenant calculations; and • assessed the appropriateness of the going concern disclosures made in the Financial Statements.
Key observations	In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate and that the going concern disclosure is appropriate.

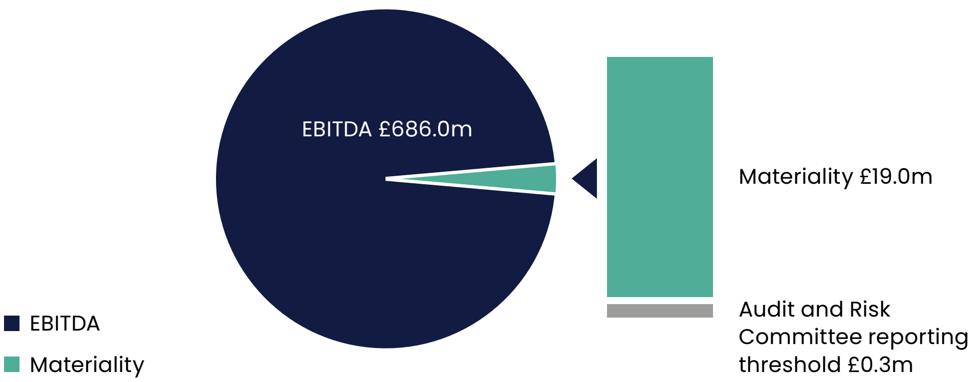
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Materiality	£19.0m (2024: £16.3m)
Basis for determining materiality	Our determined materiality equates to 2.8% of earnings before interest, tax, depreciation, and amortisation ("EBITDA") (2024: 2.7% of EBITDA). This metric is reconciled within the Alternative Performance Measures outlined by the company as outlined in the Key Performance Indicators ("KPI") section of the annual report.
Rationale for the benchmark applied	EBITDA has been used in order to focus on the company's underlying trading performance consistent with the company's internal and external reporting and the focus of key stakeholders for the business.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 77%) with the reduction being a result of benchmarking against other similar entities in the sector. In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the company's overall control environment and whether we were able to rely on controls; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.3m (2024: £0.3m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including key controls surrounding the financial reporting cycle and identified key audit matters, and assessing the risks of material misstatement to the company. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We have considered the key IT systems that were relevant to the audit to be the SAP system, which is the core IT system used for recording the financial transactions of the entity and the billing and cash collection systems. We involved our IT specialists to assess the relevant General IT controls ("GITCs") and test a sample of the controls' instances.

We have not relied on the SAP system, the billing, or cash collection systems due to the ongoing remediation of control deficiencies identified in prior years, and adapted our substantive audit procedures in response to the risks presented. We have held discussions with management around their remediation strategies, in readiness for potential controls reliance in future periods.

We obtained an understanding of and tested the relevant controls in place for the following business processes: bad debt provisioning, fixed asset additions, transactional revenue and expenditure. We do not currently rely on controls in these areas due to the lack of formal documentation and retention of audit evidence, and the control remediations in progress by management noted above. This is consistent with the Director's assessment on page 169.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its Financial Statements. We have evaluated management's documentation regarding the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Financial Statements as included as a critical accounting judgement in **note 1** to the Financial Statements. Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2025.

We performed our own qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions and did not identify any additional risks of material misstatement as a result of climate change. We also assessed that the climate-related risks have no significant impact on our key audit matters. Our procedures were performed with the involvement of climate change and sustainability specialists and included reading disclosures included in the **Strategic Report** to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit and evaluating whether appropriate disclosures have been made in the Financial Statements.

8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the 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.

10. Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, financial instruments and climate change and sustainability specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- valuation and allocation of manual adjustments to household bad debt provisioning; and
- classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority (Ofwat).

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation and allocation of manual adjustments to household bad debt provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to 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 and Risk Committee and in-house 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, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat and other regulatory authorities;
- in addressing the risk of fraud through the classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense, we tested a sample of in-year costs to supporting documentation to determine if they have been appropriately expensed or capitalised. We have also performed analysis over the level of postings made in the year to consider anomalous trends in recognition;
- 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.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 168;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 121;
- the directors' statement on fair, balanced and understandable set out of page 167;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 121;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 109; and
- the section describing the work of the Audit and Risk Committee set out on page 180.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Robertson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
10 July 2025

Thank you for reading

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