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ASSESSMENT

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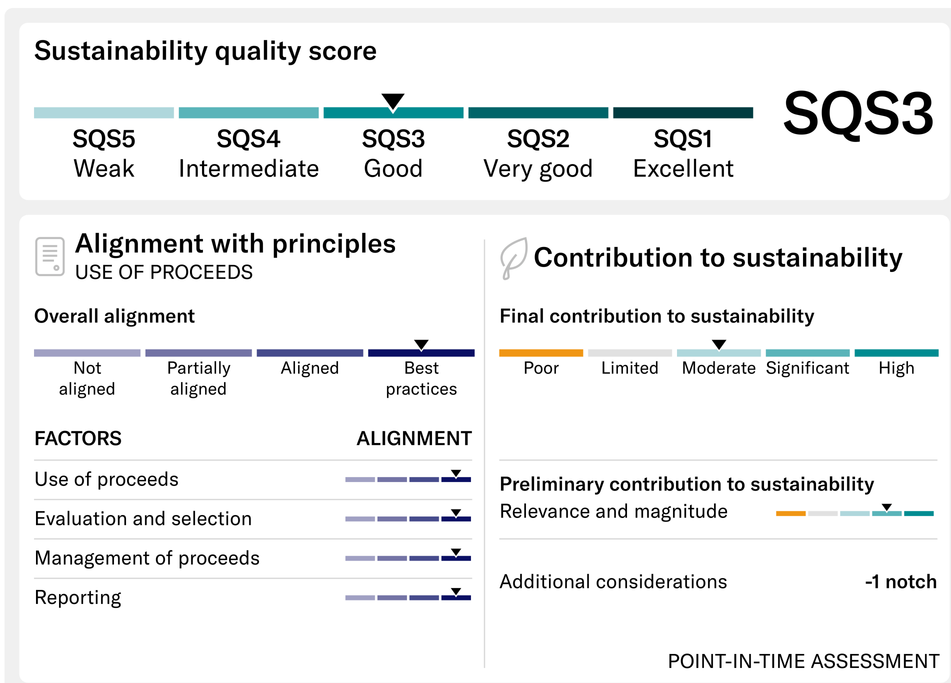
Yorkshire Water Services Limited

Second Party Opinion – Sustainable Finance Framework
Assigned SQS3 Sustainability Quality Score

Summary

We have assigned an SQS3 sustainability quality score (good) to Yorkshire Water Services Limited's (Yorkshire Water) sustainable finance framework dated September 2026. Yorkshire Water has established its use-of-proceeds framework to finance six eligible green categories and one eligible social category. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2025, Social Bond Principles (SBP) 2025 and Sustainability Bond Guidelines (SBG) 2021, and the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2025 and Social Loan Principles (SLP) 2025, and incorporates all the best practices identified by Moody's Ratings. The framework demonstrates a moderate contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Yorkshire Water' sustainable finance framework, including the framework's alignment with the four core components of the ICMA's GBP 2025, SBP 2025 and SBG 2021, and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025. Under its use-of-proceeds framework, the company plans to issue sustainable finance instruments to finance projects in six eligible green categories and one eligible social category, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 31 July 2026, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in October 2025.

Issuer profile

With an RCV of £9.1 billion as of March 2024, Yorkshire Water is the fifth largest of the 10 water and sewerage companies in England and Wales. Yorkshire Water provides drinking water to over 5 million people and 140,000 local businesses over an area of around 14,294 square kilometres encompassing the former county of Yorkshire and part of North Derbyshire in Northern England.

Yorkshire Water's environmental score (E-3) is largely associated with the company's sewerage operations. Treatment of sewage carries environmental risk, and failures can result in fines and reputational damage. In particular, discharges from combined sewers can affect beaches and bathing waters. In November 2021, Ofwat and the Environment Agency announced a “major investigation” into sewage treatment works, and since July 2024 all wastewater companies in England and Wales were subject to enforcement activities. In March 2025, Ofwat announced it accepted a £40 million package of undertakings (6% of wastewater turnover) from Yorkshire Water, in lieu of a £37 million fine. On the drinking water side, shortages are likely to grow more acute with climate change, increasing investment needs for UK water companies. In 2025, the UK experienced its driest spring for over 100 years and its warmest summer on record.

Strengths

» The decision-making process around project eligibility is clearly defined and detailed, and includes relevant expertise.

» Reporting on proceeds allocation and sustainable benefits will be externally verified.

» The framework is aligned with identified best practices for three pillars of the green bond principles.

Challenges

» Biogas production lacks clearly defined thresholds for methane leakage.

» Operational performance related to pollution prevention has deteriorated, and while Yorkshire Water has announced significant investment and remediation measures, limited visibility regarding their effectiveness has impacted the overall positive expected impact.

Alignment with principles

Yorkshire Water's sustainable finance framework is aligned with the four core components of the ICMA's GBP 2025, SBP 2025 and SBG 2021; and the LMA/APLMA/LSTA's GLP 2025 and SLP 2025 and incorporates all the best practices identified by Moody's Ratings. For a summary alignment with principles scorecard, please see Appendix 1.

☑ Green Bond Principles (GBP)	☑ Green Loan Principles (GLP)
☑ Social Bond Principles (SBP)	☑ Social Loan Principles (SLP)
○ Sustainability-Linked Bond Principles (SLBP)	○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

Yorkshire Water has clearly communicated the nature of expenditures as capital expenditures, operating expenditures, and asset value. The eligibility criteria are clearly defined, and exclusion criteria are mentioned for all the project categories and target population for the social categories. The group has identified the primary locations for eligible projects as Yorkshire, Humber, and also a very small area of Northern Derbyshire.

Clarity of the environmental or social objectives – BEST PRACTICES

Yorkshire Water has clearly outlined the environmental and social (E&S) objectives associated with the seven eligible categories. The objectives are relevant for all eligible categories and are coherent with recognized international standards such as the United Nations' (UN) Sustainable Development Goals (SDGs), as detailed in Appendix 2.

Clarity of expected benefits – BEST PRACTICES

Yorkshire Water has identified clear expected environmental and social benefits for all the eligible categories. The benefits are considered measurable and relevant for all categories, and the company will report on these quantitative benefits in its annual reporting. The issuer communicated that it will include the share of new financing and refinancing in the allocation report, as well as the intended share of it to potential investors at bond marketing. The look-back period is disclosed and it is up to two years prior to the issuance.

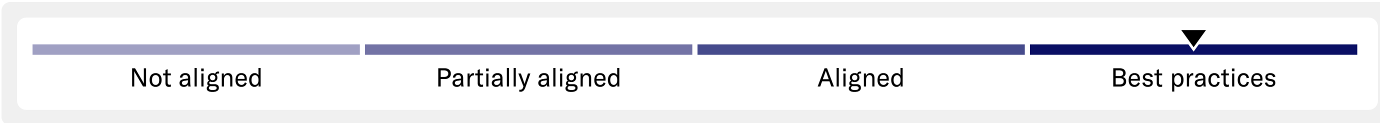
Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

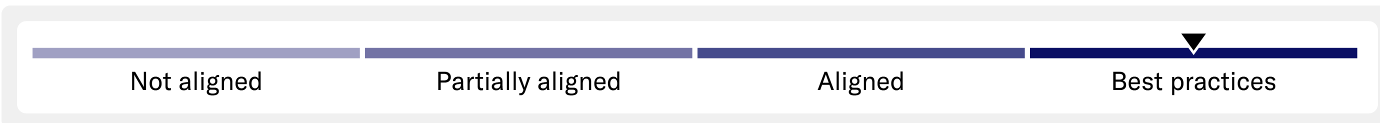
Yorkshire Water has established a clear and structured decision-making process for determining the eligibility of projects, which is detailed in the publicly available framework. The eligible projects will be assessed, reviewed, and selected by the Sustainable Finance Committee which include representatives from Yorkshire Water's treasury, finance and sustainability functions. The committee will review projects semiannually, and monitor the allocation of proceeds to such projects. If a project is identified as no longer meeting the eligibility or exclusion criteria, or in the event of divestment or postponement, it will be removed from the eligible portfolio, and the related proceeds will be replaced with suitable alternatives in line with the framework. The process to identify and manage environmental and social risks has been disclosed in the framework.

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES
Yorkshire Water has clearly defined the process for allocating and tracking proceeds within its publicly available framework. The net proceeds from any financial instruments issued under the framework will be deposited in the general operating account and be managed by the treasury team in accordance with Yorkshire Water internal treasury policy. The matching of allocations to eligible projects will be adjusted at least annually. Yorkshire Water intends to allocate all proceeds within 24 months of issuance. Temporarily unallocated proceeds will be invested in deposits with money market funds, holding in cash, cash equivalents or other permitted instruments, in accordance with internal treasury policy.

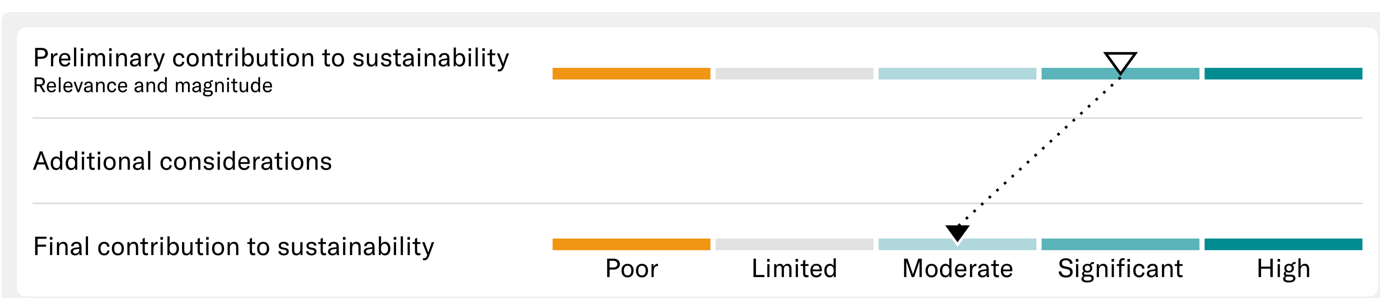
Reporting



Reporting transparency – BEST PRACTICES
Yorkshire Water will report annually on the use of proceeds for the eligible categories. Allocation and impact reporting will take place until full allocation of proceeds and on a timely basis in case of material developments. The impact reporting will occur until maturity of the instruments. The issuer will make the reports available publicly on the Yorkshire Water's website. The report is considered exhaustive. It will include the total amount allocated to eligible green and social projects, total amount allocated to each eligible green or social asset, share of new financing and refinancing, remaining amount unallocated, as well as the expected E&S benefits of each eligible categories. The issuer commits on disclosing the methodologies and assumptions for the impact indicators. Furthermore, the issuer commits on engaging a third-party verification firm or auditor to provide a limited assurance report on the annual allocation and impact reporting.

Contribution to sustainability

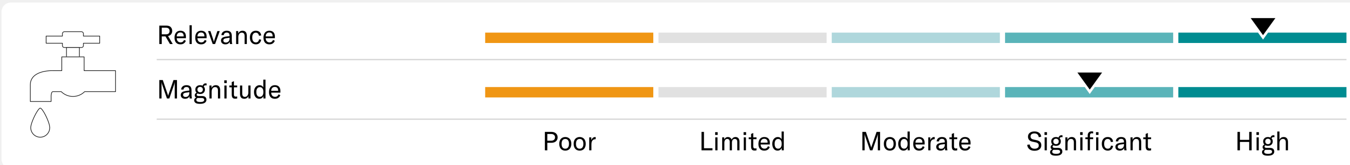
The framework demonstrates a moderate overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of significant, based on the relevance and magnitude of the eligible project categories, and we have made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is significant, based on the relevance and magnitude of the eligible project categories. The issuer communicated that most of the funding will go to the categories of sustainable water and wastewater management, as well as pollution prevention and control. To assess the score, we have weighted the categories accordingly. A detailed assessment by eligible category has been provided below.

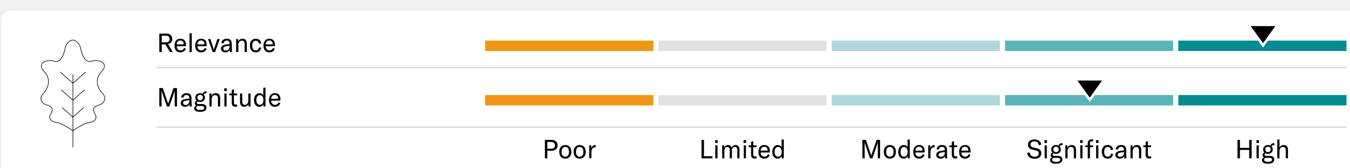
Sustainable Water and Wastewater Management



Sustainable water and wastewater management is highly relevant for the issuer, its sector and the regional context. The category is closely aligned with the issuer's strategic priorities, as reflected in its planned £8.3 billion investment programme between 2025 and 2030 aimed at enhancing regional infrastructure and services. The relevance of these investments is further underscored by Yorkshire Water's reported leakage rate of 21%, which exceeds the national average of 19%, highlighting the need to improve water efficiency. The category is also supported by the regional context, where population growth and climate-related pressures are increasing demand for resilient water infrastructure. Only around 15% of English surface water bodies achieved good ecological status in the most recent classification from the Environment Agency.[2] The UK Government's Environmental Improvement Plan 2023 establishes additional water resource efficiency objectives, and Ofwat's PR24 determinations and the UK Government's Environmental Improvement Plan 2023 establish ambitious targets for leakage reduction, water consumption and resource efficiency.

Projects financed under this category are anticipated to contribute significantly to the sustainable water objective. The category supports the construction, extension, operation and renewal of water collection, treatment and supply systems intended to secure water resources, reduce leakage, improve water efficiency and enhance network resilience. Eligible investments include activities targeting a 10% reduction in both water leakage and per capita water consumption. While quantitative thresholds are included, they are not among the most stringent market standards. Although the framework does not specify a minimum share of renewable energy for pumping operations, the current figure stands at 18% of renewable on-site generation, mainly through biomass and combined heat and power (CHP), which is viewed positively. Plans to monitor and reduce methane and nitrous oxide process emissions, together with the extensive recycling of biosolids through anaerobic digestion for agricultural use, support the category's overall environmental benefits.

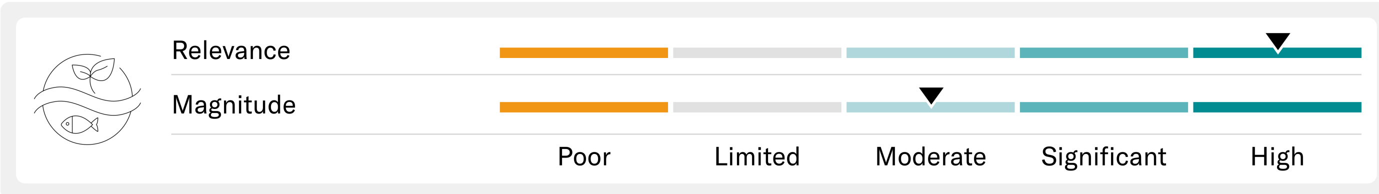
Pollution prevention and control



Pollution prevention and control is highly relevant for the issuer, the water utility sector and the local context. Wastewater collection, treatment and discharge are core operational activities for Yorkshire Water, which serves approximately five million people and collects, treats and returns around 1.9 billion litres of wastewater and rainwater every day, making water quality management central to its environmental footprint. The objective is also highly relevant in the regional context, where water quality remains a relevant environmental challenge and nutrient pollution, wastewater discharges and urban runoff continue to affect river systems.[3], and only around 15% of water bodies achieved a good ecological status under the latest assessment cycle[4]. In addition, increasing regulatory scrutiny of storm overflows and anticipated pressure on wastewater infrastructure from more frequent extreme rainfall events reinforce the importance of investments that improve effluent quality, reduce discharge events and strengthen the resilience of wastewater systems.

Projects financed under this category are anticipated to significantly contribute to pollution prevention and control. Approximately 20% of storm overflow solutions are expected to incorporate blue-green or nature-based infrastructure, which is seen positively. The recycling of more than 95% of biosolids to agricultural land and the absence of landfill disposal further also support long-term benefits of this category.[5] However, although the issuer targets an energy reduction of approximately 50 GWh, energy-efficiency performance (586 kWh/megalitre of wastewater treated) is expected to remain broadly unchanged through 2030; moreover, the absence of defined methane and nitrous oxide reduction targets beyond monitoring and early-stage mitigation measures further constrains the overall environmental expected positive impact.

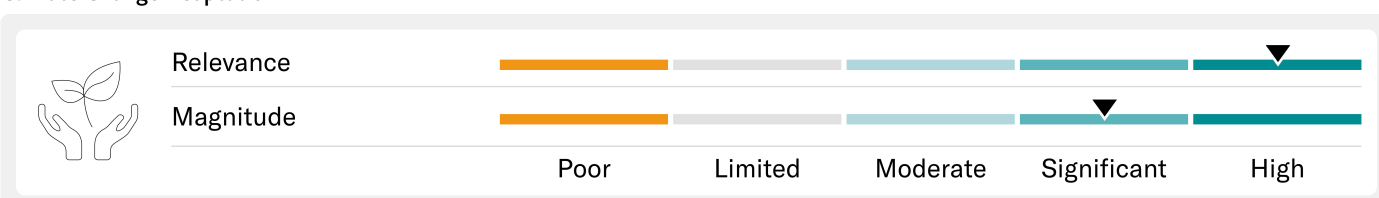
Terrestrial and Aquatic Biodiversity Conservation



Terrestrial and aquatic biodiversity conservation addresses biodiversity protection and ecosystem restoration, which is highly relevant for the issuer, the water utility sector and the regional context. Yorkshire Water relies on healthy ecosystems to maintain water quality, water availability and catchment resilience, while its ownership and management of approximately 28,000 hectares of land, making it the second-largest landowner in Yorkshire, creates a direct connection between its operations and biodiversity outcomes.[6] Biodiversity loss is a material challenge in the UK, where one in six species is at risk of extinction and 19% of monitored species have declined since monitoring began.[7] The category is also supported by a strengthening policy environment, including Biodiversity Net Gain requirements under the Environment Act 2021 and national commitments to halt species decline by 2030.

Projects financed under this category are anticipated to moderately contribute to terrestrial and aquatic biodiversity conservation. The category supports a range of nature-based conservation and restoration activities, including the protection of sites of special scientific interest, river restoration initiatives such as fish passes and eel screens, sustainable woodland management, invasive species control and captive breeding programmes for endangered species. The expected allocation demonstrates a meaningful focus on biodiversity outcomes, with 19% directed to biodiversity and conservation projects, 23% to river restoration and 6% to invasive species management. In addition, biodiversity units will be disclosed as a core performance metric, providing transparency on biodiversity outcomes through a recognized measurement framework. However, the expected contribution is moderated by the limited visibility on the net biodiversity improvements expected from financed activities. Furthermore, 45% of expected allocation is directed toward nature-friendly farming initiatives, for which criteria related to pesticide use is not clearly defined. While these programmes may generate positive outcomes through improved soil health, reduced nutrient and pesticide losses, and enhanced ecosystem resilience, the limited specificity of the eligibility criteria and the significant share of proceeds allocated to farming activities weigh on the overall expected contribution of the category.

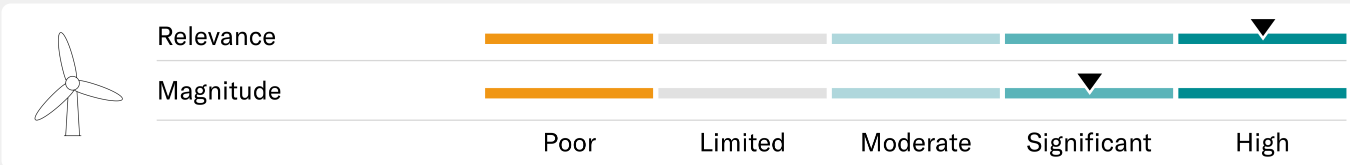
Climate Change Adaptation



Climate change adaptation addresses the resilience of water and wastewater infrastructure to the physical impacts of climate change and is therefore highly relevant for the issuer, the water utility sector and the regional context. Climate change, nature loss and the transition to net zero are identified as key challenges for Yorkshire Water, while increasingly frequent weather-related events have placed substantial pressure on water and wastewater infrastructure, necessitating significant investment in resilience measures. The category is also highly relevant in the UK context, where water supply resilience, flooding and infrastructure vulnerability are recognized as among the most significant climate-related risks. This relevance is particularly evident in Yorkshire, where flood risk remains a major challenge, including in Hull, one of England's most flood-vulnerable cities.

Projects financed under this category are anticipated to significantly contribute to climate change adaptation by strengthening the resilience of water and wastewater systems to acute and chronic climate risks. Expected investments include flood resilience measures, protection of critical assets from flooding and power outages, strategic water interconnectors that improve the flexibility of water transfers across the Yorkshire region, and partnership programmes that reduce community exposure to extreme weather events. The anticipated benefits are long term in nature, supported by asset-level climate risk assessments and quantitative modeling across a range of climate scenarios to direct investment toward higher-risk assets. The category also incorporates a mix of engineered infrastructure and nature-based solutions, with flood protection benefits delivered through both approaches on an approximately equal basis, enhancing resilience at both asset and catchment scales. However, the contribution is moderated by the absence of quantitative resilience improvement thresholds and limited granularity regarding specific projects, which constrains the ability to assess the expected resilience gains from financed activities.

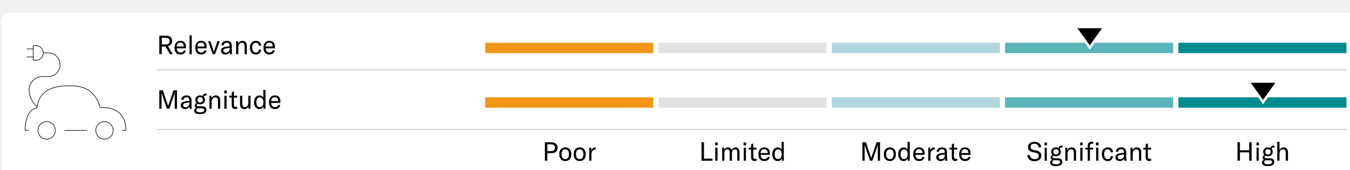
Renewable Energy



Low-carbon energy production addresses climate change mitigation which is highly relevant for Yorkshire Water, the water sector and the UK context. Together with nitrous oxide emissions from wastewater treatment, electricity consumption represents a significant source of greenhouse gas emissions in the water sector because water utilities rely on substantial energy inputs for water abstraction, treatment, distribution, wastewater collection and wastewater treatment. The sector accounts for up to 3% of total energy consumption in the UK, highlighting the importance of improving energy efficiency and increasing the use of renewable energy sources. Yorkshire Water has identified the expansion of self-generation and private-wire renewable energy as part of its Net Zero Transition Plan and expects its latest five-year business plan to increase renewable energy supply to 40% of its total energy needs by 2030. The category is also aligned with broader decarbonization objectives in the UK, where renewable sources represented 53.1% of electricity generation in the first quarter of 2026, [8]and with global net-zero pathways that indicate renewable energy will need to provide around two-thirds of energy supply by 2050.

Projects financed under this category are anticipated to significantly contribute to climate change mitigation through renewable electricity generation and storage, supporting long-term decarbonization while avoiding material lock-in effects. Renewable electricity assets are expected to deliver environmental benefits throughout their operating lives, with solar and onshore and offshore wind technologies representing best available technologies that generate electricity with limited operational emissions. Rooftop solar is prioritized, while ground-mounted solar projects are subject to assessments of land use, biodiversity, landscape and community impacts. Wind projects will be supported by environmental impact assessments covering biodiversity and ecosystem considerations. Small-scale hydro technologies, including in-pipe and run-of-sewer systems, are expected to have low carbon intensity and limited environmental impacts, although no power density or carbon intensity thresholds are specified and potential effects on water flows, water quality and energy extraction efficiency remain relevant considerations. The assessment is constrained by the absence of key performance thresholds for biogas, anaerobic digestion and pyrolysis projects, including minimum greenhouse gas emission reductions and methane leakage limits, although the allocation is deemed immaterial. In addition, the framework does not exclude low-carbon energy technologies based on emissions-intensity thresholds or specific fossil-based or transitional technologies, although the issuer indicates that no such investments are planned during the current investment period.

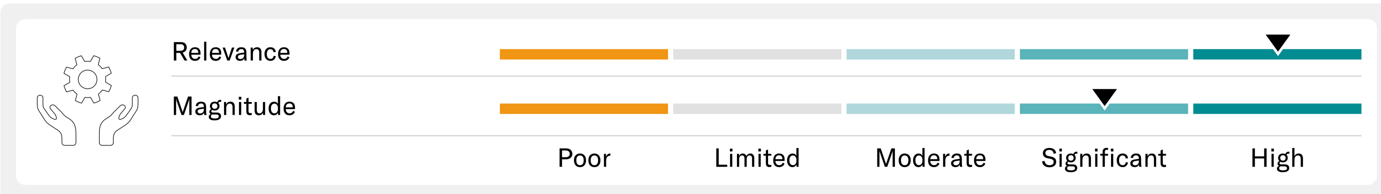
Clean Transportation



Expenditures under this category support climate change mitigation, which is significantly relevant for Yorkshire Water, its operating context and the UK transport sector. Climate change mitigation is a key sustainability challenge for the UK water sector, although the most material environmental impacts for water utilities are typically associated with wastewater process emissions, energy consumption, water resource management and pollution prevention rather than fleet transport emissions.[9] Yorkshire Water operates and maintains an extensive water and wastewater network across a geographically dispersed service area, requiring a substantial operational vehicle fleet to support service delivery. Fro a local perspective, the transition to zero- or low-carbon vehicles forms part of the issuer's Net Zero Transition Plan and aligns with broader UK transport decarbonization objectives.

Projects financed under this category are anticipated to highly contribute to climate change mitigation through the reduction of transportation-related greenhouse gas emissions. Investments in zero tailpipe emission vehicles and associated charging infrastructure are expected to generate substantial and long-term emissions reductions, supported by technologies that represent the current best available options and do not create material fossil-fuel lock-in risks. Although the framework also permits financing of hydrogen and biogas vehicles, the issuer indicated that no such vehicles are currently operated or planned before 2030, and therefore these sub-categories do not materially influence the assessment.

Access to Essential Services



Access to essential services addresses equitable access to water and wastewater services, which is highly relevant for Yorkshire Water, the water utility sector and the regional context. Access to water and wastewater services is fundamental to supporting public health, economic activity and social well-being. While virtually all of the population in Yorkshire already has access to water and wastewater services through extensive network coverage, the relevance of the category remains supported by the need to address service gaps associated with population growth, new developments and individual customer circumstances. Yorkshire Water also operates in a region facing affordability challenges, reflected in rising national concerns regarding water poverty.

Projects financed under this category are anticipated to significantly contribute to access to essential services. The projects are expected to generate positive long-term impacts by addressing structural barriers to access to water and wastewater services, particularly for underserved communities not connected to existing networks and customers in vulnerable circumstances. The target population is clearly defined and primarily comprises underserved and vulnerable groups. Accessibility is further enhanced through a range of financial and non-financial support measures designed to help customers maintain access to essential services, including affordability programmes, bill reductions, debt relief mechanisms, flexible payment arrangements and tailored assistance from specialist support teams. The quality and effectiveness of the supported services are maintained through regulatory oversight, governance processes, performance monitoring and customer feedback mechanisms. However, the contribution is moderated by the potential for high out-of-pocket expenditures for certain groups, particularly the most vulnerable customers, despite the availability of affordability support.

Additional contribution to sustainability considerations

We have made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

The contribution to sustainability score is adjusted downward by one notch to reflect Yorkshire Water's recurrent deteriorating environmental performance and the resulting concerns regarding the effectiveness of its environmental risk management practices. The issuer has experienced a significant increase in pollution incidents, with incidents rising by more than 70% over the last 12 months, alongside a decline in compliance with legally required environmental obligations and an expected deterioration in its Environment Agency performance rating. Yorkshire Water attributes part of this deterioration to methodological changes, delayed project completion and increasing regulatory scrutiny, and has implemented a range of corrective measures, including enhanced governance and compliance processes, operational improvements, increased staffing and targeted training, supported by approximately £800 million of planned investment in wastewater and environmental improvements between 2025 and 2030. However, these actions have yet to demonstrate sustained improvements in environmental outcomes, and management acknowledges that eliminating pollution incidents will require a longer-term effort. As a result, ongoing operational environmental risks and a track record of environmental performance deterioration constrain the expected sustainability benefits of the financed projects.

Appendix 1 - Alignment with principles scorecard for Yorkshire Water's sustainable finance framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	**Best practices**
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	**Best practices**
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	**Best practices**
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Aligned	**Aligned**
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	No		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
				Overall alignment with principles score:	**Aligned**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The seven eligible categories included in Yorkshire Water's framework are likely to contribute to seven of the United Nations' Sustainable Development Goals (SDGs), namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 6: Clean Water and Sanitation	*Access to essential services*	6.1: Achieve universal and equitable access to safe and affordable drinking water for all
	Pollution prevention and control	6.3: Improve water quality by reducing pollution, eliminating dumping and minimizing hazardous chemicals and materials
	Sustainable water and wastewater management; Climate change adaptation	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	*Renewable energy*	7.2: Increase substantially the share of renewable energy in the global energy mix
GOAL 11: Sustainable Cities and Communities	*Climate change adaptation*	11.5: Reduce deaths, people affected and economic losses caused by disasters, particularly for people in vulnerable situations
	Clean transportation	11.6: Reduce the adverse per capita environmental impact of cities, with special attention to air quality and waste management
GOAL 12: Responsible Consumption and Production	*Sustainable water and wastewater management*	12.2: Achieve the sustainable management and efficient use of natural resources
GOAL 13: Climate Action	*Climate change adaptation*	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 14: Life Below Water	*Pollution prevention and control; Sustainable water and wastewater management*	14.1: Prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities
	Terrestrial and aquatic biodiversity conservation	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	*Terrestrial and aquatic biodiversity conservation*	15.5: Reduce the degradation of natural habitats and biodiversity loss, and prevent the extinction of threatened species

The United Nations' Sustainable Development Goals (SDGs) mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer/borrower's financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in Yorkshire Water's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Sustainable water and wastewater management	Construction, extension, operation, and renewal of water collection, treatment and supply systems intended for human consumption based on the abstraction of natural resources of water from surface or ground water sources. Activities may include, but are not limited to, investments in: • Securing water supplies • Mitigating the adverse impacts of water abstraction • Reducing water lost to leakage from our clean water network • Improving water efficiency and reducing customer demand • Reducing risks to drinking water quality • Enhancing water network resilience Examples of Eligible Projects include: • Construction of new water abstraction sources • Upgrading water meters to smart meters • Leakage reduction programmes • Upgrading water treatment works and network infrastructure to improve supply resilience To be considered Nature, the primary focus of the projects will be nature-related in terms of either outputs delivered or outcomes achieved. Examples of Eligible Projects include: • Conservation of habitats key to environmental flows • Restoration of upland ecosystems to protect water quality To be considered Blue under IFC Guidelines, projects must meet one of the following criteria: • Water extraction activities that are conducted based on a comprehensive assessment of freshwater availability and that ensure a balance between discharge and recharge, thereby preventing overextraction of water • New, expansion, rehabilitation, or retrofitting of sustainable water supply infrastructure that would allow at least a 10% increase in the efficiency of the water supply system, thereby significantly reducing the volume of water abstracted to satisfy a defined demand • Development, replacement, and/or rehabilitation of water conveyance and distribution systems that document at least a 10% reduction in physical losses compared to a documented baseline • Water efficiency technologies, equipment and water management activities that document at least a 10 percent reduction per unit of service from a documented baseline to reduce water footprint	Sustainable use and protection of water and marine resources	• Water quality compliance (Compliance Risk Index) • Leakage reduction (%) • Per capita consumption reduction (%) • Water supply interruptions (average duration per customers) • Smart meters installed (Number) • Greenhouse gas emissions (kg CO2e per megalitre of water supplied)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Pollution prevention and control	Construction, extension, upgrade, operation and renewal of urban wastewater infrastructure. This includes treatment plants, sewer networks, storm water management structures, connections to the wastewater infrastructure, decentralised wastewater treatment facilities, including individual and other appropriate systems, and discharge structures for treated effluent. Activities may include, but are not limited to, investments in: • Maintaining, enhancing and upgrading wastewater infrastructure to reduce pollution, mitigate sewer flooding, and reduce the use of storm overflows • Expanding wastewater treatment processes to improve efficiencies and reduce pollutants (including phosphates, untreated sewage, atmospheric emissions, and other pollutants) from being discharged to the environment • Facilities for anaerobic digestion of sewage sludge for production and utilisation of biogas • Increasing network capacity to build resilience to population growth and climate change Examples of Eligible Projects include: • Investing in wastewater treatment works to reduce phosphorus from treated wastewater in line with environmental permit requirements • Installing UV wastewater disinfection equipment to reduce risks to bathing water quality • Creating new wastewater network storage to manage stormwater and reduce the number of spills from storm overflows • Reducing greenhouse gas emissions from wastewater treatment processes Construction, extension, operation and renewal of urban drainage systems facilities that mitigate pollution and flood hazards due to discharges of urban runoff and improve the urban water quality and quantity, by harnessing natural processes, such as infiltration and retention. Activities may include, but are not limited to, investments in: • Reducing surface water runoff into the wastewater network to reduce sewer flooding and the operation of storm overflows Examples of Eligible Projects include: • Sustainable drainage systems that reduce and slow water flowing into the wastewater network To be considered Nature, the primary focus of the projects will be nature-related in terms of either outputs delivered or outcomes achieved. Examples of Eligible Projects include: • Constructed wetlands to store and treat wastewater prior to its discharge to the environment • Natural infrastructure to manage rainwater, such as swales, rain gardens and detention ponds • Upgrades to wastewater treatment infrastructure to reduce pressures on freshwater and coastal ecosystems	Sustainable use and protection of water and marine resources	• Total pollution incidents (Number) • Internal sewer flooding (Number per 10,000 sewer connections) • External sewer flooding (Number per 10,000 sewer connections) • Discharge permit compliance (%) • Phosphorus load reduction (%) • Storm overflows (Average spills per asset) • Bathing water quality (%) • Greenhouse gas emissions (kg CO2e per megalitre of wastewater treated)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Pollution prevention and control (continued)	To be considered Blue under IFC Guidelines, projects must meet one of the following criteria: • Wastewater treatment plants and wastewater collection systems, including municipal, industrial, agri-business, commercial, and/or residential. • Wastewater reuse projects that demonstrate reduction of water abstraction or contamination of water bodies. • Drainage systems, flood management systems, and other adaptation and resilience infrastructure that prevent plastics, chemicals, or pollutants from reaching water runoff in areas close to a water body.		
Terrestrial and aquatic biodiversity conservation	Planning, construction, extension, and operation of large-scale nature-based flood or drought management and coastal, transitional or inland aquatic ecosystem restoration measures contributing to preventing and protecting against flooding or droughts, and enhancing natural water retention, biodiversity and water quality. Activities may include, but are not limited to, investments in: • Nature-based solutions and catchment management schemes • Conservation and restoration of species, habitats and ecosystems Examples of Eligible Projects include: • Protecting and improving Sites of Special Scientific Interest • Removing artificial river barriers (e.g. weirs) to fish migration • Managing our woodlands in line with recognised sustainable forestry management schemes • Captive breeding programmes to safeguard endangered species • Promoting nature-friendly farming practices To be considered Nature, the primary focus of the projects will be nature-related in terms of either outputs delivered or outcomes achieved. Examples of Eligible Projects include: • Biodiversity conservation and enhancement programmes • Activities to tackle the spread of invasive non-native species • Restoration and protection of sensitive species, habitats and landscapes and ecosystem services	Protection and restoration of biodiversity and ecosystems	• Length of river restored (km) • Land conserved and enhanced (ha) • Net change in biodiversity (Biodiversity units)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Climate change adaptation	Construction, renewal and operation of climate adapted centralised wastewater systems including collection (sewer network) and treatment, and water collection, treatment and supply systems. Activities may include, but are not limited to, investments to manage and control risks posed by: • Flooding • Drought • Extreme weather events • Coastal erosion Examples of Eligible Projects include: • Resilience measures to reduce the vulnerability of our sites from flooding or power outages • Strategic water interconnectors to allow us to move water around the Yorkshire region to strengthen resilience and meet customer demand • Partnership programmes to build climate resilience and support communities to reduce their exposure and vulnerability to extreme weather events, such as through our Living with Water partnership in Hull To be considered Nature, the primary focus of the projects will be nature-related. Examples of Eligible Projects include: • Nature-based solutions to build climate-resilient infrastructure. • Natural flood management interventions, such as woodland creation or moorland restoration To be considered Blue under ICMA Guidelines: • Projects must support ecological and community resilience and adaptation to climate change including using nature-based solutions • Projects must be within 50 km of the coast or within the marine environment	Climate change adaptation	• Customers at risk of severe restrictions in a drought (%) • Customer properties at risk of sewer flooding in a storm (%)
Renewable energy	Construction or operation of electricity generation facilities that produce electricity from wind, solar, hydro, anaerobic digestion, pyrolysis and other low-carbon energy sources. Construction and operation of facilities that store electricity and return it at a later time in the form of electricity. Activities may include, but are not limited to, investments in: • Expanding the generation capacity, efficiency or capability of our current renewable energy infrastructure • New renewable energy infrastructure, including new anaerobic digesters, wind and solar • Sourcing renewable energy through contractual arrangements, including power purchase agreements, electricity on certified zero-carbon tariffs and green gas certificates Examples of Eligible Projects include: • Solar panel installation on operational treatment sites • Combined renewable heat and power generation from biogas	Climate change mitigation	• Renewable energy generation (MWh) • Renewable energy self-generation (%)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Clean transportation	Purchase, financing, leasing, rental and operation of vehicles with zero tailpipe emissions. Construction, installation, modernisation, maintenance, repair and operation of infrastructure that is required for zero tailpipe CO2 operation of zero -emissions road transport. Activities may include, but are not limited to, investments in: • Transitioning our fleet to electric, biogas or hydrogen vehicles • Investments into new infrastructure to support low carbon transportation, including electric vehicle charging points. • Investments in new technologies to reduce travel • Improving fleet and logistics efficiency • Working with our value chain to support a wider move to clean transportation, including where relevant for our capital programmes and ongoing operation of our assets. Examples of Eligible Projects include: • Purchasing or leasing fully electric light commercial vehicles	Climate change mitigation	• Zero or ultra-low emission vehicles deployed in fleet (Number)
Access to essential services	Activities that facilitate equitable access to water and wastewater services within the Yorkshire region. Activities may include, but are not limited to, investments in: • New connections and growth schemes • Financial and non-financial support schemes Examples of Eligible Projects include • Upgrading infrastructure capacity to accommodate the needs of new household and business customers • Providing extra help to customers on our Priority Services Register • Affordability schemes for customers who struggle to pay their bills • Investing in digital platforms and smart metering technology to improve billing accuracy and provide more flexible payment options	Access to essential services	• New connections to water and wastewater networks (Number) • Customers provided with financial support (Number) • Customers on our Priority Services Register (Number)

Appendix 4 - Alignment with the IFC's Blue Finance Guidelines v2.0

Aligned

We have provided a supplementary opinion on the framework's alignment with the IFC's Blue Finance Guidelines v2.0, published in September 2025, as defined in the scope section of this report. This appendix covers requirements in the IFC's Blue Finance Guidelines v2.0, that extend beyond the requirements in the ICMA's GBP (the "Requirements"). Commensurate requirements that exist have been assessed in the alignment with principles section of this report.

As detailed below, we consider the framework to be aligned with the IFC's Blue Finance Guidelines v2.0.

Use of proceeds

» In line with the Requirements, the proceeds of the bond or loan will be exclusively earmarked for ocean-related projects and critical clean water resources protection.

» In its framework, the issuer has clearly identified and defined clear eligibility criteria for blue eligible projects, contributing to SDG 6 and SDG 14 across three eligible categories.

» We note that some projects that could be financed may not exclusively address ocean-related projects or critical freshwater resources protection, given the nature of the activities. For example, certain activities under the Sustainable Water and Wastewater Management category may support broader nature objectives.

» In addition, we note that the framework incorporates minimum thresholds within certain blue categories. For example, projects involving water efficiency technologies, equipment and water management activities that document at least a 10% reduction per unit of service from a documented baseline to reduce water footprint, consistent with recommendations under the IFC Blue Finance Guidelines v2.0.

Exclusion criteria

» In line with the Requirements, the proceeds of blue bonds or loans will not be allocated to projects that meet the illustrative exclusionary criteria referenced in the IFC Blue Finance Guidelines v2.0. The issuer has confirmed that all eligible projects will be screened against the principles of the IFC Blue Finance Guidelines, including consideration of potential impacts on protected habitats, biodiversity, ecosystem functioning, water quality, and natural resource sustainability. Projects associated with significant environmental harm, material deterioration of aquatic ecosystems, unsustainable resource exploitation, or non-compliance with applicable environmental regulations would not qualify.

» Eligible blue projects are not expected to affect environmental or social progress, including alignment with the Paris Agreement, as outlined in the IFC Blue Finance Guidelines v2.0.

Identification and management of material ESG risks

» In line with the Requirements, the issuer has adequate measures in place to identify, manage and monitor the material environmental and social (E&S) risks associated with the selected projects.

» As mentioned in the E&S risk management analysis, the issuer has a formal risk management process. This process includes policies, governance arrangements, and management systems aimed at identifying, assessing, managing, and monitoring environmental, social, and governance risks throughout the project's lifecycle. This includes projects that fall within eligible blue categories. However, broader concerns regarding the issuer's environmental performance remain. Recent operational challenges, including the deterioration in pollution performance and compliance outcomes may constrain the sustainability benefits associated with the financed projects. These considerations are discussed further in the section Additional contribution to sustainability considerations above.

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 Englands Waterways, Environment Agency, accessed August 2026.

3 Environment Agency, Environment Agency, accessed on 25 August 2026.

4 Catchment Planning, Environment Data

5 Yorkshire Water Services Limited, Annual Performance Report 2025/2026, July 2026.

6 Yorkshire Water, About our reservoirs, accessed on 25 August 2026.

7 State of Nature, State of Nature Partnership, 26 September 2023.

8 Energy Trends June 2026, accessed 2026.

9 Water UK, The Big Upgrade: rebuilding our nation's water networks, accessed on 25 August 2026.

Moody's assigns SPOs in alignment with the main tenets of the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews and the LSTA/LMA/APLMA Guidance for Green, Social and Sustainability-Linked Loans External Reviews, as applicable; Moody's practices may however diverge in some respects from the practices recommended in those documents. Moody's approach to assigning SPOs is described in its Assessment Framework, and is subject to the ethical and professional principles set forth in the Moody's Investors Service Code of Professional Conduct.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

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