Sustainable Finance Framework

Published September 2026

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.
2. This button takes you to the previous page.
3. This button takes you to the next page.

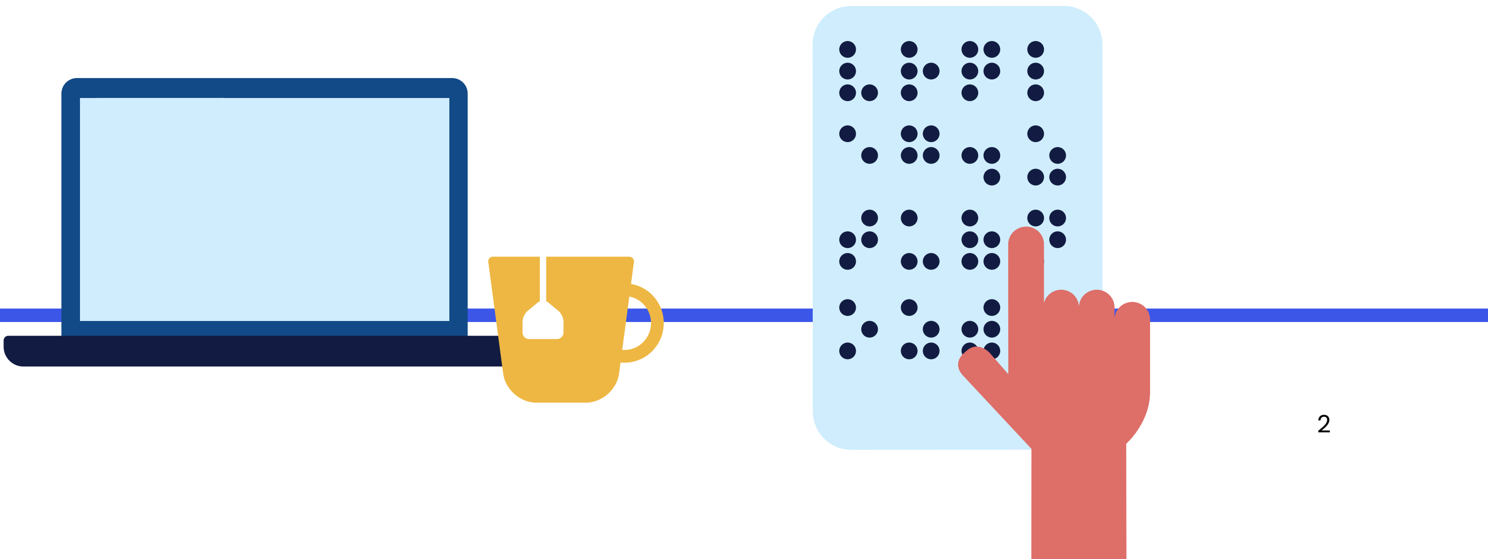
There are also many other clickable links within this document which we've made easy to spot by underlining and **highlighting** them in blue.

Accessibility matters.

It's really important that everyone can navigate and understand our Sustainable Finance Framework Report, and what it means for them.

To help with this, we've taken steps to make sure this document supports accessibility needs:

- Screen readers will recite content in a logical order, as well as spotting headers and using different text for images.
- Compatible with text-to-speech programmes and Braille displays.
- Easy navigation with contents table and bookmarked links.
- Simple text structure with clear headings, paragraphs and tables.
- Comfortable colour contrasts.



Contents

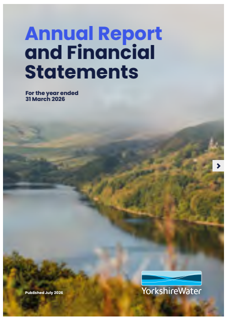
We've created colour-coded sections to help you to navigate this report easily. Just click on the section you are interested in on the contents page, and it will navigate you to that section.

The report is structured as follows:

Our reports and policies

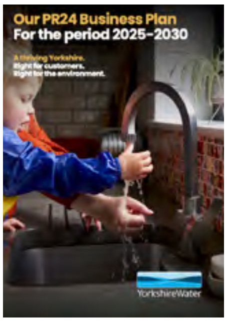
You can find more information about our current policies, performance and future plans in our wider reporting suite available at yorkshirewater.com

Key documents include:

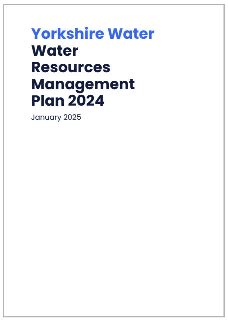


[Annual Report and Financial Statements]

[Long-Term delivery Strategy for 2025-2050]

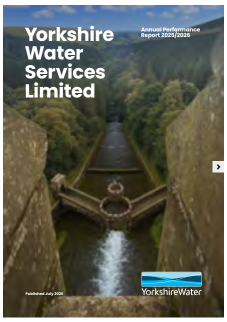


[Business Plan for 2025-2030]

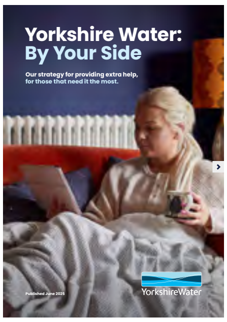


[Water Resources Management Plan]

[Pollution Incident Reduction Plan]



[Annual Performance Report]



[By Your Side customer strategy]

[Climate Adaptation Report]

[Drought Plan]

[Drainage and Wastewater Management Plan]

A note from our CEO, Nicola

I'm pleased to share this updated version of Yorkshire Water's *Sustainable Finance Framework*, which will continue to play a key role in aligning our financing with our strategic priorities and sustainability ambitions.

Since the launch of our Sustainable Finance Framework in 2019, we've raised £3.4bn in financing and refinancing for a range of environmentally and socially sustainable assets and expenditures, demonstrating our commitment to improving our performance and delivering better outcomes for our customers and the natural environment.

We've come a long way in recent years. Our successes since 2020 include driving down leakage by 18% to safeguard water resources, reducing discharges from storm overflows by over 25%, and providing financial support to 246,000 customers who needed help with their bills.

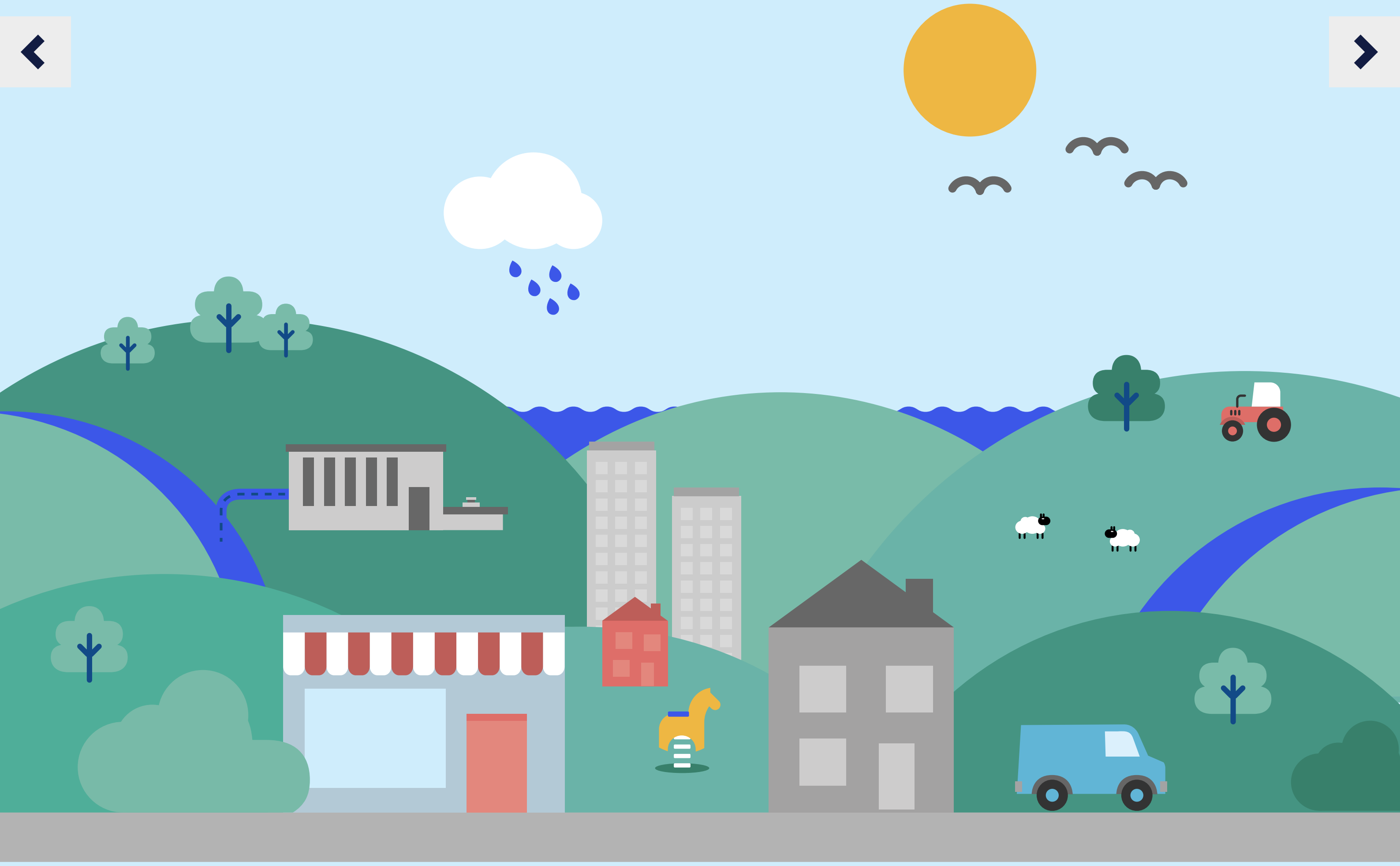
As we look to the future, we know there's more to do. That's why we're stepping up our ambitions through our £8.3bn investment plan for 2025 to 2030. This will deliver significant improvements for Yorkshire by focusing on the issues that matter most – from improving water supply resilience to creating cleaner, healthier rivers – to ensure we get things right for our customers and the environment over the long-term.

Additionally, our investments will continue to support thousands of jobs and create development opportunities across our business and supply chain, helping to boost skills, drive economic growth, and create a brighter future for Yorkshire.

I'm confident our approach to sustainable financing will continue to support us as we work towards achieving our vision of a thriving Yorkshire, one that's right for our customers and right for the environment.

Nicola Shaw CBE
Chief Executive Officer

Section 1



1.1 Introduction to Yorkshire Water

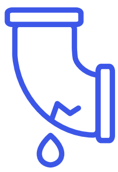
Yorkshire Water provides life's most essential services to the people and businesses of Yorkshire and the Humber, playing a key role in the region's health, wellbeing, and prosperity.

We do this by supplying water and wastewater services to over 5 million people and 140,000 business properties, as well as being custodians of essential infrastructure and the natural environment.

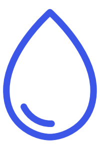
The region we serve spans 15,000km² and contains three of the UK's largest cities (Leeds, Bradford and Sheffield).

We collect, treat and supply **1.3 billion litres** of fresh tap water every day.

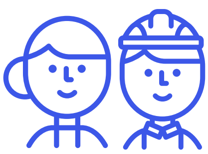
We collect, treat and return to the environment **1.9 billion litres** of wastewater and rainwater every day.



We are investing **£8.3 billion** between 2025 and 2030 to provide a better service to Yorkshire.

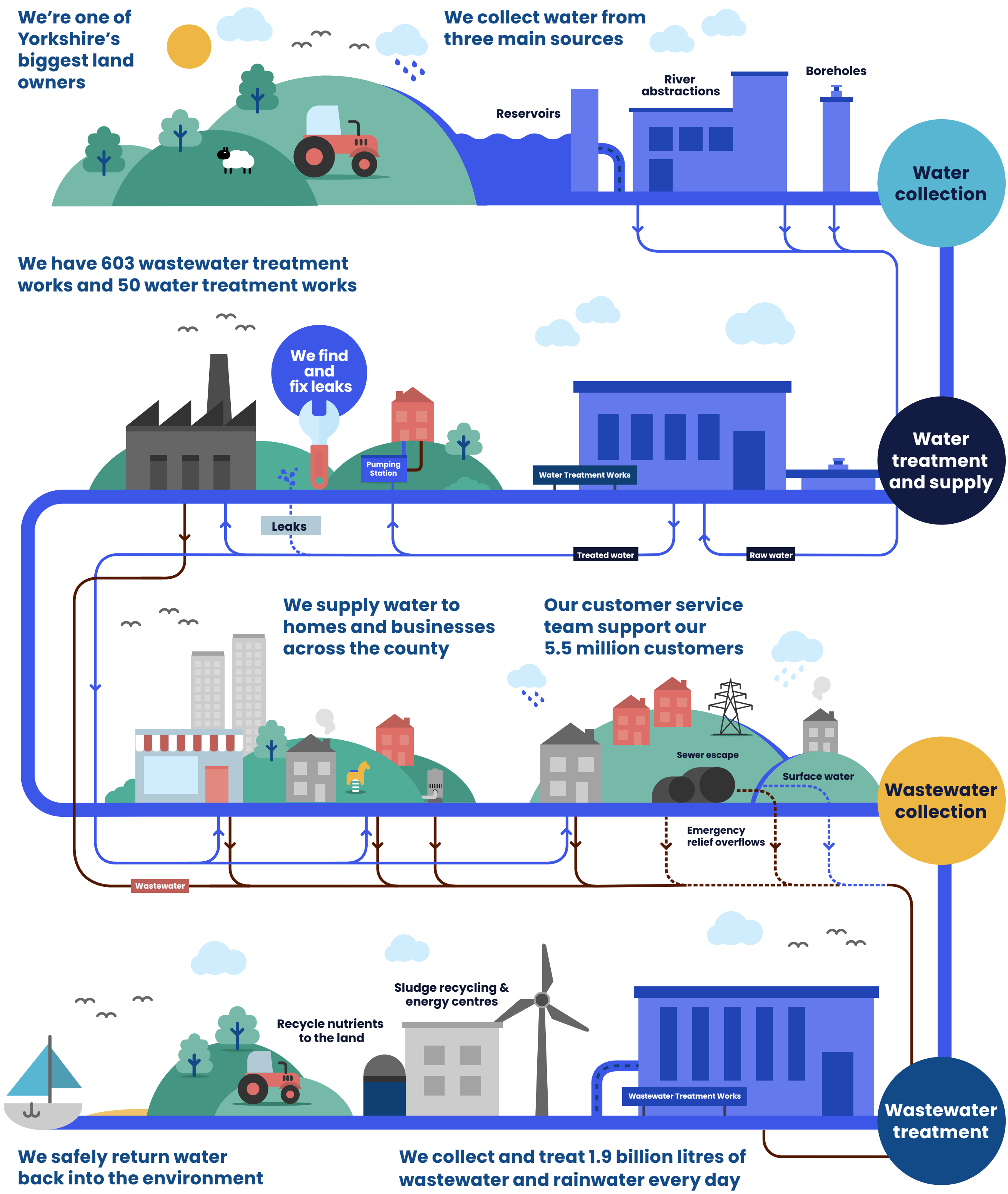


We manage **32,000 km** of clean water pipes and **53,000 km** of sewer network.



We employ over **5,600 colleagues** in Yorkshire and **support** more than **8,000 further jobs across our suppliers**.

We manage **68,000 acres of land** making us the **second largest landowner in Yorkshire**.



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. We operate under a five-year business planning cycle set by our economic regulator, Ofwat. The current regulatory period, known as Asset Management Period 8 (AMP8), runs from 2025 to 2030.

1.2 Our strategy and business plan

Our vision of a thriving Yorkshire sits at the heart of our long-term strategy. We're committed to doing the right things for our customers, for the environment, and for our region, underpinned by long-term responsible business practices to ensure our activities today won't compromise our ability to deliver our services in future.

Our latest £8.3bn business plan covers the period from 2025 to 2030. Our plan forms the first five years of our 25-year Long-term Delivery Strategy. This sets out the outcomes we aim to achieve, including reaching net-zero greenhouse gas emissions, by 2050.

Through our business plan, we'll be investing record amounts in Yorkshire's water infrastructure to transform our services, improve our performance, build resilience and ensure compliance with our regulatory and legislative requirements.

At the same time, we recognise we have an opportunity – and a responsibility – to go further to deliver more for Yorkshire. We want to use our size, scale, and influence to drive positive change and help our region thrive.

That's why our latest business plan also considers how we can bring more value to the environment we operate in and the communities and customers we serve.

Our vision is for
A thriving Yorkshire:
right for customers,
right for the environment

We’re investing £8.3bn in Yorkshire between 2025 and 2030[1]

We’ve developed our plan based on a deep experience and understanding of our region’s unique needs and priorities, gained through ongoing engagement with our customers, communities, local councils, the Environment Agency and a wide range of environmental interest groups and other stakeholders.

As a water and wastewater business, we recognise that environmental and social issues are deeply intertwined, creating opportunities for our work to improve the environment while also generating positive social outcomes.

For example, our investments in nature-based solutions are helping to build climate resilience among local communities while simultaneously enhancing biodiversity. Similarly, as one of the largest landowners in Yorkshire, we work hard to ensure our outdoor spaces are inclusive and accessible, providing millions of people with opportunities to connect with nature and enjoy healthy lifestyles each year.

As we look to the future, we’re committed to increasing our environmental and social impact over time, as we work towards our vision of a thriving Yorkshire.

1. All figures in this document are in 2022/2023 prices.

Historic Case Study

Intertwined environmental and social value

Improving visitor accessibility at Tophill Low

Part of our Tophill Low Nature Reserve can now be observed by wheelchair users for the first time after recycling 25,000 tonnes of soil and other surplus material to create new and improved visitor accessibility.

The material, which would otherwise have ended up in landfill, also created new habitats, and came from a £31m project to improve drinking water quality at the nearby water treatment works.

1.3 A thriving Yorkshire: right for customers, right for the environment

What does a thriving Yorkshire look like?

To us, it's a region famous for its stunning beauty and natural environment, where communities grow and prosper in a flourishing economy that's recognised as a great location to live, work and visit. It's a place where institutions like Yorkshire Water invest in infrastructure, create jobs, and boost skills and education – and where people, communities, and organisations unite behind shared goals, working together to achieve better outcomes for all.

For our customers, our aim is to provide the safe, reliable and affordable water and wastewater services that they rightly expect. Services that are easy to use and provided with care and consideration for their individual needs. We recognise the ongoing cost of living pressures facing households across our region, and remain committed to keeping bills affordable and ensuring that appropriate support is available for customers who may need it.

Yorkshire's environment plays a vital role in how we provide essential water and wastewater services to our customers. We work hard to protect and enhance the environment and strive to minimise the environmental impacts of our operations, particularly the harm caused by wastewater to rivers and coasts. We also have to make the water we have go further as our population grows and the climate changes, as well as reducing our carbon emissions and protecting nature.

In this section, we highlight the expected impact and value we'll create through our latest five-year business plan across the three pillars of our vision. We also include case studies to show how we're aligning our investments with the sustainable finance categories of this Framework described in Section 2.

A thriving Yorkshire

Expected impact of our latest five-year business plan

Powering economic growth and resilience	Supporting jobs, education and skills development	Staying connected to our communities	Regional leadership
• Improving essential infrastructure through our £8.3bn business plan for Yorkshire • Creating new water supplies and building extra capacity to unlock new housing developments and catalyse businesses growth • Incentivising water efficiency for a more resilient and sustainable future	• 13,000 quality jobs supported across our business and supply chain through our latest business plan • Kickstarting water industry careers for young professionals • Fostering regional skills development and removing barriers to work	• Volunteering our time and energy to support local community causes • Promoting responsible water management through our community education programmes • Tailoring our approach to reflect Yorkshire's needs and priorities	• Working with others to build local resilience, support our customers and communities, and boost nature recovery across Yorkshire • Creating new collaborative partnerships to tackle the key challenges facing our region

Case study for 2025-2030

Smart technology for sustainable water management

Sustainable Water and Wastewater Management

Securing sustainable water supplies for our region is really important to us – today, tomorrow, and in the long-term. As summers become hotter and drier, we're using the latest smart metering technology to help us plan and manage water demand to make sure there's enough for everyone.

Our Yorkshire-wide smart metering exchange programme is now underway, building on successful trials that we've run in recent years. Between now and 2030 we'll be installing over a million household smart meters for our customers across the region.

Smart meters will provide customers with real-time visibility of their water usage across the day, giving them greater control and helping them to save money on their bills.

As an added benefit, we're using the data provided by smart meters to identify potential household leaks. This gives customers a chance to fix their leak sooner, saving them money, reducing the amount of water we need to take from the environment, and ensuring we can provide safe, reliable water supplies in future.

Case study for 2025-2030

Transforming Scarborough's coastal infrastructure to improve bathing water quality, tourism and community wellbeing

Pollution Prevention and Control

We're embarking on one of our most ambitious capital investment programmes to date, committing over £120m into Scarborough's wastewater infrastructure to reduce spills from coastal overflows and significantly improve bathing water quality.

Our delivery model has collaboration at its core. We're working closely with North Yorkshire Council, the Environment Agency, and other key stakeholders to make sure every pound invested delivers maximum benefit for the town and surrounding areas.

By aligning our construction schedules with other planned infrastructure projects, we aim to minimise disruption to local residents and ensure Scarborough's regeneration ambitions are fully supported.

In doing so, we want to enhance Scarborough's reputation as a leading coastal destination and support the tourism and hospitality sectors that are vital to the local economy.

Beyond infrastructure, we'll continue our engagement with the community, including educational initiatives in local schools, focusing on topics such as bathing water safety and water resource themes.

Right for customers

Expected impact of our latest five-year business plan

First class customer service

- Tailored services built on a deep understanding of our customers' needs and expectations
- New technology and smart meters to find and fix potential issues swiftly
- Clear communication and regular updates to keep customers up to date

Delivering with care

- Extending our support to over 230,000 customers on our Priority Services Register
- Making our services inclusive, accessible, and easy to use for everyone
- Faster response times for those with the most urgent needs

Adding value every day

- Financial support for 345,000 households across Yorkshire to make their bills more affordable
- Proactively offering help to those customers most at risk of debt
- Improving billing accuracy and providing more flexible payment options

Case study for 2025-2030

Affordable bills for all

Access to Essential Services

Over the next five years, we'll support 345,000 households across Yorkshire to make their bills more affordable. This includes support through our social tariffs, debt schemes, and by providing domestic water meters to reduce charges.

To strengthen how we help our customers, we're improving how we share data with local authorities and social services. By working together, we aim to offer proactive assistance and automatically enrol an additional 10,000 customers on our social tariff schemes each year – making it easier for customers to receive support without having to ask.

We're also investing in new technologies to improve customer engagement and payment flexibility. For example, our rollout of smart water meters will improve bill accuracy and allow for monthly billing, helping customers manage their finances more effectively.

Case study for 2025-2030

Digital wellbeing for customers

Access to Essential Services

Last year we joined forces with TellJo, an organisation that helps businesses understand the reasons why customers have missed payments and uses award-winning technology to signpost additional support that is available to them, helping to build resilience and wellbeing for customers.

Through this partnership, we're using technology to provide tailored suggestions to improve the support available to customers, including offering payment arrangements, the option to sign up to debt or support schemes and to register to be on our Priority Services Register.

In the first year we reached 12,000 customers through this initiative and of those:

- We provided priority services to almost 1,000 customers.
- A further 1,000 customers received water bill reductions via one of our bill reduction schemes.
- 30% of customers referred to self-help.

Building on this initial success, we now plan to roll out this tool to new customer segments who may benefit from this support in future.

Right for the environment

Expected impact of our latest five-year business plan

Clean and healthy rivers and coasts

- Investing £1.5bn to halve our use of storm overflows by 2030
- Upgrading treatment works to reduce the amount of phosphorus entering rivers and seas
- Working in partnership to improve the quality of Yorkshire's inland and coastal bathing waters

Strengthening regional water security

- Rolling out 1.4m smart meters to help customers manage their water use and save money
- Upgrading 1,000km water pipes to reduce leaks from our network
- Creating new water supplies to increase drought resilience and accommodate new growth in our region

Climate action

- Helping vulnerable communities build resilience to flooding and extreme weather events
- Investing in climate resilience measures at our highest priority sites
- Driving down greenhouse gas emissions across our business and supply chain
- Rolling out renewables to supply 40% of our total energy needs by 2030

Nature recovery

- Restoring 460ha priority habitat on our land
- Opening up 500km rivers for fish and other wildlife
- Safeguarding rare species to protect biodiversity
- Collaborating with over 250 regional farmers to promote nature-friendly farming practices
- Using nature-based solutions to deliver our services

Case study for 2025-2030

Reducing storm overflow discharges to create clean and healthy rivers and coasts

Pollution Prevention and Control

We're commencing our largest ever environmental programme to improve river and coastal health. This includes £1.5bn of investment to improve over 450 storm overflows and reduce discharges from an average of 34 to 16 per year by 2030.

Through our new Storm Overflow Alliance, we're working collaboratively with other organisations to reduce storm overflow discharges through innovation and sharing best practice, including:

- building new surface water sewers to separate rainwater and divert it to the nearest watercourse.
- creating underground storage tanks to strengthen network resilience by holding stormwater safely until it can be treated at our works.

- using sustainable drainage systems such as permeable paving, swales and rain gardens to slow the flow of rainwater and reduce pressure on our sewer network.

We're taking a Nature First approach to this programme, seeking to use natural processes (such as sustainable drainage systems and treatment wetlands) rather than traditional engineered solutions wherever possible.

Our Pudsey Hough Side wetland, which is currently under construction, is a nature-based solution designed to treat storm water and improve the quality of water in Pudsey Beck. Once completed, at 4.2-hectares it will be one of the largest wetlands to treat stormwater in Europe.

Case study for 2025-2030

Climate resilient landscapes to safeguard drinking water sources

Terrestrial and Aquatic Biodiversity Conservation

Much of the drinking water we provide to customers is collected from carbon-rich upland peat catchments in the west of our region.

Peatlands are internationally important habitats, yet are vulnerable to climate change due to the increased risk of wildfires and soil erosion, which in turn can reduce the quality of our raw water sources.

To strengthen climate resilience, we're restoring peatlands in partnership with the Yorkshire Peat Partnership and Moors for the Future. This work includes activities such as blocking drainage channels and revegetating bare peat with native plant species.

Through this work, we aim to protect the quality of raw water entering our reservoirs, safeguarding future supplies for our customers in a sustainable and cost-effective way.

Case study for 2025-2030

Solar energy for a zero emissions future

Renewable energy

We switched on five solar farm sites at Filey, Malton, Belle Vue, Monk Bretton and Harrogate South in 2025, representing a significant contribution towards our ambitious target to generate 40% of our own energy by 2030.

Treating clean water, getting it to customers' properties and treating wastewater before returning it safely to the environment uses a lot of energy. This is one of our largest operational costs, so it's important we make use of technology and the space available on our sites to reduce our reliance on purchasing energy.

Not only will these solar panels help keep bills affordable for our customers, they'll also play an important role in our journey towards reaching net-zero emissions by 2050.

1.4 Managing our climate- and nature-related risks

Climate change, nature loss, and our transition to net-zero represent some of the biggest challenges facing our business.

We rely on a healthy natural environment to deliver our services, yet climate change, coupled with other nature drivers like land use change and freshwater consumption, has potential to significantly impact many parts of our business – impacts that ultimately affect our customers and the communities we serve.

We remain committed to proactively managing our climate- and nature-related risks to build long-term business resilience, protect and enhance the environment on which we depend, and help people and nature thrive.

All of our strategic plans are underpinned by quantitative modelling using a range of climate change scenarios in line with national guidance from Defra, Ofwat and the Environment Agency. These plans set out the mitigating actions we'll take to enhance our business resilience to climate change, whilst also taking advantage of the opportunities it presents. These actions include, for example:

- developing new water sources, fixing leaks and helping customers manage their water use to strengthen long-term supply resilience.
- restoring sensitive upland habitats to protect and improve raw water quality at source.
- increasing storage capacity in our wastewater network to reduce the use of storm overflows and the risk of sewer flooding.

Nature-based solutions are increasingly recognised as one of the most important tools to support nature recovery and create resilient and thriving communities. We're committed to using nature-based solutions as a preference over traditional infrastructure wherever possible.

By using natural processes, or mimicking natural processes, to solve a problem or deliver a service, we can reduce the need to build new infrastructure while delivering further benefits such as lower carbon emissions, enhanced biodiversity, and increased resilience to climate change.

Examples of nature-based solutions we've developed to date include:

- Our Living with Water partnership in Hull, which is co-creating a nature-based drainage infrastructure at a city scale. This will not only reduce flood risk but also support urban cooling, regeneration, education, skills, employment, and habitat creation.
- Our Sustainable Landscapes partnership through which we're working to promote more sustainable agricultural practices across Yorkshire. With over 250 farmers involved – and covering 20% of the region's arable land – we aim to improve soil health, protect environmental water quality, and strengthen long-term food security.
- Wetlands for wastewater treatment, from the UK's first Integrated Constructed Wetland that treats all flows at Clifton, to the treatment of storm flows at Hough Side and combined storm/effluent flows at South Elmsall and Clayton West.

We also recognise we have a big role to play in climate change mitigation. That's why we're working hard to drive down carbon emissions in our operations, the products we buy, and across our wider value chain as we aim for a net-zero future by 2050 in line with the goals of the 2015 Paris Agreement.

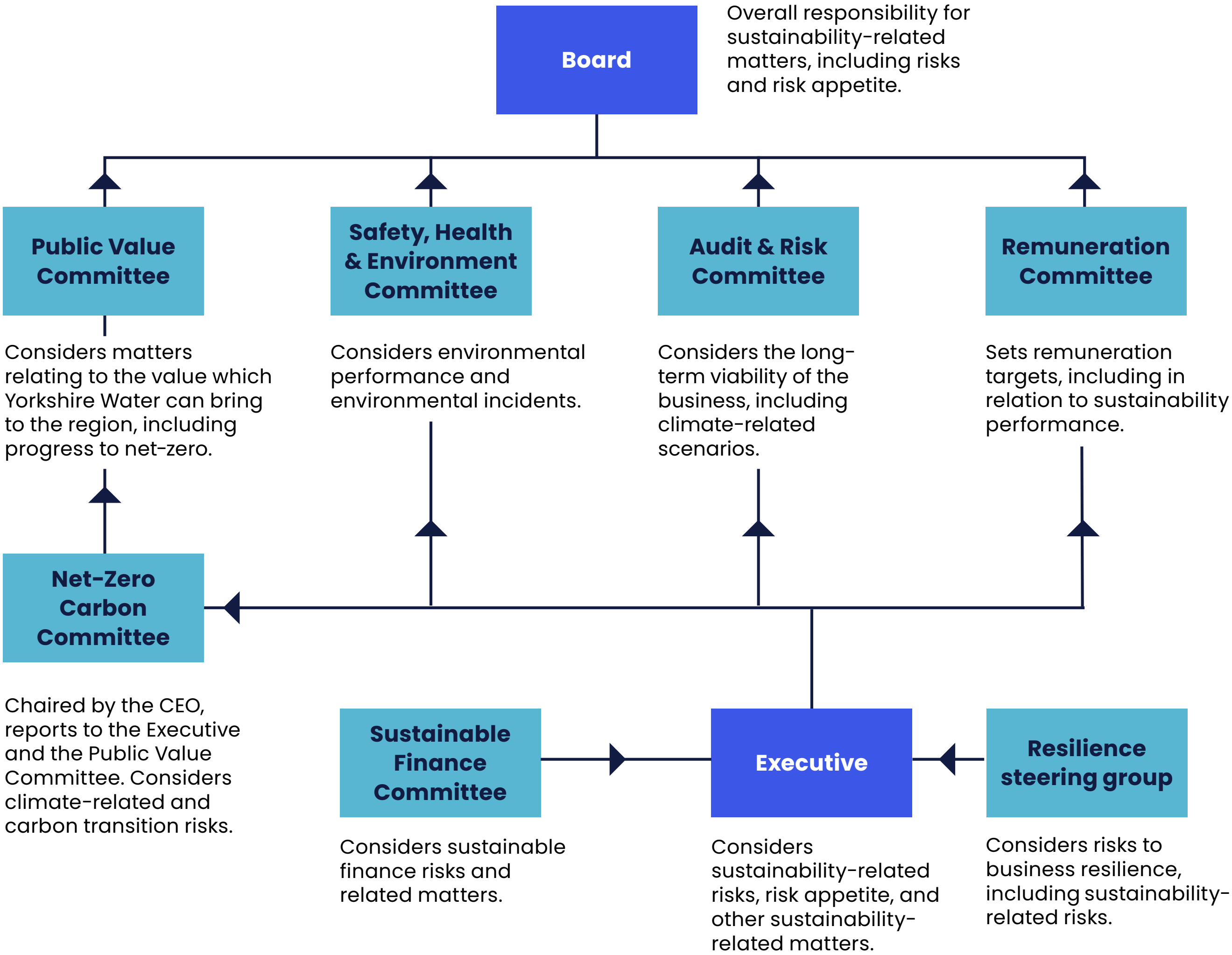
Our Net-Zero Transition Plan sets out the actions we'll take to mitigate our greenhouse gas emissions, including:

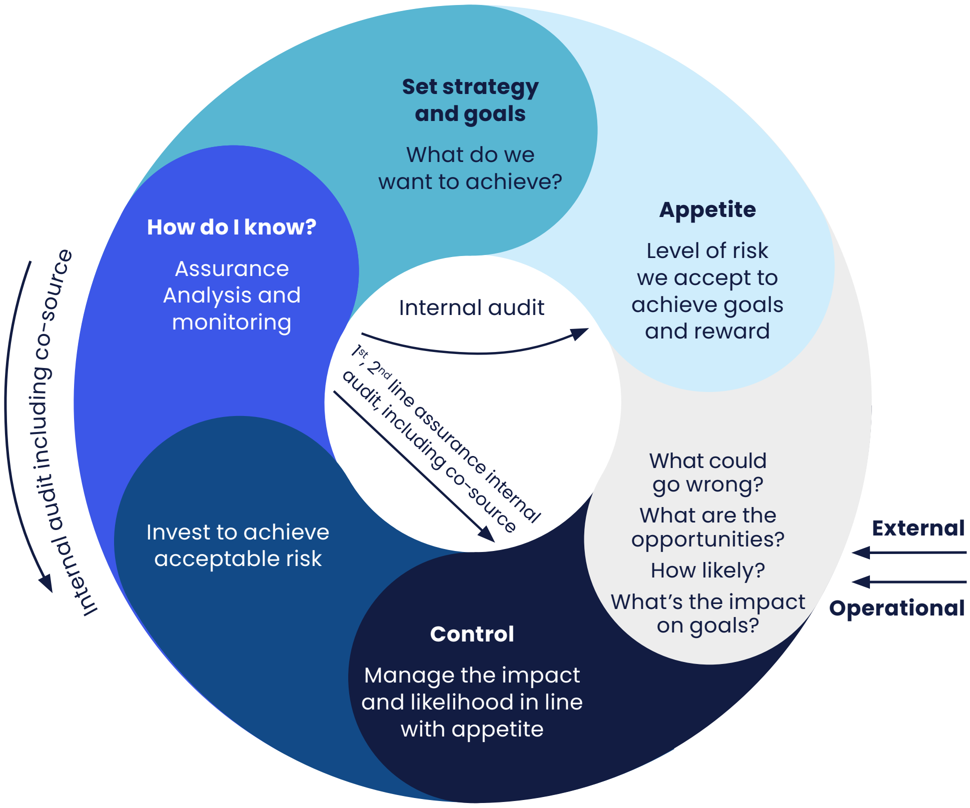
- Energy efficiency to reduce the total amount of electricity we use
- Maximising the potential for self-generation and use of private wire renewables
- Reducing process emissions
- Chemical use optimisation
- Fleet transition to zero or low carbon vehicles

Taken together, our plan will deliver emission reductions at an efficient cost and drive a transition to net-zero that aligns to a science-based reduction target, at a pace that's affordable for customers, and most representative of a just transition.

1.5 Governance and risk management

Our Board has ultimate responsibility for sustainability-related matters and is supported by a number of Committees and our Executive team. The diagram below shows the flow of information on sustainability-related matters between the Board and its Committees. All Committees meet at least four times per year.





The principal risks for our business, including sustainability-related risks, are reviewed by the Executive team and Board every six months. The Executive team and Board also carry out deep dives to discuss and set organisational risk appetite for sustainability-related risks.

As with our other company risks, we manage sustainability-related risks following our enterprise risk management framework. This allows us to identify and assess risks to achieving our strategic objectives and put plans in place to manage these effectively. Many of our risk controls are linked to international standards, such as ISO9001 for quality management and ISO14001 for environmental management.

Our risk management framework is aligned to ISO31000, the international risk management standard, and provides a structured approach to identifying, assessing, and managing risks. In particular, it promotes operational and strategic resilience through early identification of what could go wrong, putting controls in place to mitigate impacts before they happen, and developing effective plans to respond appropriately should risks escalate or materialise.

Our risk management framework applies to all activities, decisions, and processes, and we aim to balance the cost of control with the risk appetite and long-term viability of the business. Strong risk management allows us to provide reliable services to customers whilst protecting the environment and keeping our colleagues safe and well.

Our approach to sustainability-related risk management is supported by policies that apply to all our colleagues, including:

- Code of Ethics*
- Risk Management policy
- Modern Slavery policy
- Environmental policy
- Health and Safety policy
- Human Rights policy
- Organisational Resilience policy
- Supply Chain policy
- Speaking Up (whistleblowing) policy

* also extends to our contract partners

1.6 A sustainable approach to procurement

We're committed to promoting a sustainable supply chain that delivers long-term value and facilitates the provision of resilient services to our customers.

All external supplier expenditure is governed by our procurement and supply chain policies, which ensure procurement decisions are made in an appropriate and compliant manner.

Our ambition is to work in collaboration with our suppliers to responsibly address current and emerging social, economic, and environmental challenges. As such, sustainability considerations now form an increasingly important part of our procurement decision-making. Our **Sustainable Procurement Code** outlines our areas of focus on sustainability-related issues and details the expectations and requirements on our suppliers and contractors when undertaking work on our behalf.

1.7 Rationale for establishing a Sustainable Finance Framework

We established our first Sustainable Finance Framework in 2019 and updated it in 2023. Since its first launch, we've raised £3.4bn in financing and refinancing for a range of environmentally and socially sustainable assets and expenditures.

To reinforce our commitment to aligning our financial strategy with our sustainability ambitions and address the significant increase in funding required until 2030, we've updated our Framework in 2026 by:

- Reflecting latest changes made to the Green and Social Bond Principles and the Green and Social Loan Principles.
- Incorporating recently published guidelines related to Blue and Nature bonds and loans.
- Refreshing the criteria used to assess the eligibility of Framework expenditure.
- Updating the information provided on Yorkshire Water's corporate strategy and latest business plan.

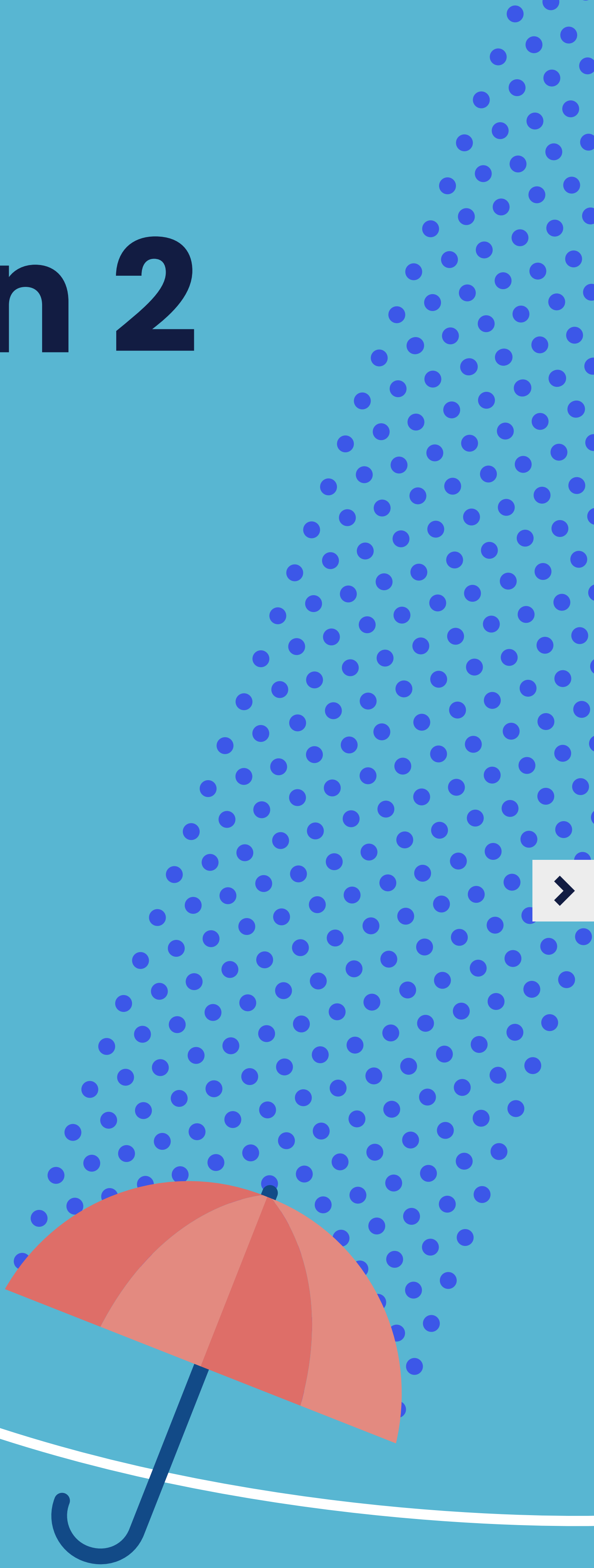
Our latest £8.3bn business plan for the 2025 to 2030 AMP8 period will see record amounts of investment in Yorkshire's water infrastructure to transform our services, improve our performance and build resilience. This includes:

- £1.5bn to reduce storm overflows and create cleaner, healthier rivers and coasts
- £415m to improve the quality of treated wastewater that we return to the environment
- £400m to upgrade more than 1,000km of water mains to reduce leaks from our clean water network
- £330m to roll out more than a million smart water meters for our customers across the region
- £23m to reduce greenhouse gas emissions from our assets and operations

We consider the issuance of Green, Blue, Nature, Social, and Sustainability financing instruments (together, 'Sustainable Financing Instruments') under this Sustainable Finance Framework will play an important role in supporting the delivery of our plans and providing investors with greater transparency over the use of proceeds and the environmental and social impacts of financed projects.

For further information about our environmental and social impact to date, please see yorkshirewater.com/reports

Section 2



2.1 Sustainable Finance Framework overview

Yorkshire Water Services Ltd (the 'Company', 'Yorkshire Water' or 'we'), together with its financing subsidiaries Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc, has developed this Sustainable Financing Framework (the 'Framework') under which we can raise Sustainable Financing Instruments to support the financing and/or refinancing of sustainable assets and expenditures across our activities.

Sustainable Financing Instruments include but are not limited to Committed Bank Facilities, Public Bonds, Private Placements, and Long Funding Finance Leases.

Such instruments will allocate assets and expenditure to one of the following types of use of proceeds label and will align to the relevant Principles and Guidelines listed below:

- **Green:** Assets, capital projects, and selected operational expenditures that contribute to environmental sustainability and the protection of natural resources in alignment with International Capital Market Association's (ICMA) Green Bond Principles (GBP)[1] or Loan Market Association's (LMA) Green Loan Principles (GLP)[2]. These will be grouped into the Eligible Green Portfolio.
  - **Blue:** Projects that support the sustainable use and protection of coastal or marine resources, including conservation, pollution reduction, and climate-resilient coastal infrastructure in alignment with GBP/GLP, ICMA's Bonds to Finance the Sustainable Blue Economy[3], or the IFC's Guidelines for Blue Finance Version 2.0[4]. These will be included within the Eligible Green Portfolio, with specific tracking for Blue proceeds.
  - **Nature:** Initiatives that protect, restore, or enhance biodiversity and natural capital, including nature-based solutions in alignment with GBP/GLP and ICMA's Sustainable Bonds for Nature: A Practitioner's Guide[5]. These will also be included within the Eligible Green Portfolio, with specific tracking for Nature proceeds.
- **Social:** Assets, capital projects, and selected operational expenditures that deliver positive social outcomes for communities and society in alignment with ICMA's Social Bond Principles (SBP)[6] or LMA's Social Loan Principles (SLP)[7]. These will be grouped into the Eligible Social Portfolio.
- **Sustainable:** Assets, capital projects, and selected operational expenditures that contribute to environmental or social objectives in alignment with GBP/GLP and SBP/SLP (as above) or ICMA's Sustainability Bond Guidelines[8]. These will be pooled from the Eligible Green Portfolio and Eligible Social Portfolio, respectively, to form the Eligible Sustainable Portfolio.

In line with best practice, this Sustainable Finance Framework is structured around the following components:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting

1. ICMA Green Bond Principles 2025
2. LMA Green Loan Principles 2025
3. ICMA Bonds to Finance the Sustainable Blue Economy 2023
4. IFC's Guidelines for Blue Finance Version 2.0 2025
5. ICMA Sustainable Bonds for Nature 2025
6. ICMA Social Bond Principles 2025
7. LMA Social Loan Principles 2025
8. ICMA Sustainability Bond Guidelines 2021

2.2 Use of proceeds

We will use this Framework to raise finance in a variety of forms to meet our funding requirements. An amount equivalent to the net proceeds from the finance raised under the Framework will be allocated to finance new and/or refinance existing assets and expenditures meeting the Eligibility Criteria defined below (thereafter defined as 'Eligible Projects').

Where feasible, we have aligned our project categories with EU Taxonomy to demonstrate our commitment to leading market standards and promoting credibility in sustainable finance.

Projects that are financed/refinanced up to two years prior to and two years following the issuance of the Sustainable Financing Instruments and meeting the Eligibility Criteria will be eligible under this Framework.

Eligible Projects will fall within one or several of the Sustainable Eligible Categories. All capital expenditure – whether improving service levels, accommodating growth, or maintaining existing assets and operations – will be eligible under the Framework (save for expenditures in Excluded Budgetary Categories). Capital expenditure will be allocated to Sustainable Water and Wastewater Management if no other category is appropriate. Eligible Projects may also include relevant operational expenditures[2] and physical assets where these meet the Eligibility Criteria. Where allocating against asset value, no lookback period will apply.

Exclusions

Assets and expenditures that will not be included in the Eligible Sustainable Portfolio (each an Excluded Budgetary Category) are:

- Personal expenditures relating to travel, subsistence and hospitality costs
- Financing costs
- Waste to landfill assets and expenditures
- Fossil fuel fleet assets and expenditures
- Legal fees
- Dividend payments
- Potential fines

2. Operating expenditures can include direct non-capitalised costs which relate to research and development, education and training, building renovation measures, short-term lease, maintenance and repair, and any other direct expenditures relating to the day-to-day servicing and resilience of fixed tangible or fixed intangible assets of property, plant and equipment that are necessary to ensure the continued and effective functioning of such assets.

The following tables summarise the Sustainable Eligible Categories and Eligibility Criteria for Eligible Projects, along with examples of the types of projects that fall within each category.

Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
Sustainable Water and Wastewater Management *Some projects within this category may qualify for Nature and Blue financing*	**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.	Capex; Opex; Asset value	Sustainable Use and Protection of Water and Marine Resources	6 – Clean Water and Sanitation 12 – Responsible Production and Consumption 14 – Life Below Water

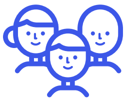
Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
Pollution Prevention and Control *Some projects within this category may qualify for Nature and Blue financing*	**Construction, extension, upgrade, operation 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.	Capex; Opex; Asset value	Sustainable Use and Protection of Water and Marine Resources	6 – Clean Water and Sanitation 14 – Life Below Water

Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
Pollution Prevention and Control *Some projects within this category may qualify for Nature and Blue financing*	**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. 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.	Capex; Opex; Asset value	Sustainable Use and Protection of Water and Marine Resources	6 – Clean Water and Sanitation 14 – Life Below Water

Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
Terrestrial and Aquatic Biodiversity Conservation *Some projects within this category may qualify for Nature and Blue financing*	**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.	Capex; Opex; Asset value	Protection and Restoration of Biodiversity and Ecosystems	14 – Life Below Water 15 – Life on Land

Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
Climate Change Adaptation *Some projects within this category may qualify for Nature and Blue financing*	**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.	Capex; Opex; Asset value	Climate Change Adaptation	6 – Clean Water and Sanitation 11 – Sustainable Cities and Communities 13 – Climate Action

Green eligible category	Eligibility Criteria	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
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.	Capex; Opex; Asset value	Climate Change Mitigation	7 – Affordable and Clean Energy
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	Capex; Opex	Climate Change Mitigation	11 – Sustainable Cities and Communities

Social eligible category	Eligibility Criteria and examples of Eligible Projects	Target population	Financial line item	EU taxonomy objective alignment	Alignment with UN Sustainable Development Goals
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.	Underserved communities not connected to our water or wastewater networks Customers in vulnerable circumstances due to their personal characteristics, overall life situation, or broader market and economic factors.	Capex; Opex	n/a	6 – Clean Water and Sanitation

Do No Significant Harm

We take our environmental and social responsibilities seriously. As per Article 17 of the EU Taxonomy Regulation, we will align our Eligible Projects with the requirements of the Do No Significant Harm criteria on a best-efforts basis.

Minimum safeguards

In line with EU Taxonomy Regulation, we are committed to complying with the Minimum Safeguards listed in Article 18 by ensuring our governance standards respect human rights, uphold fair labour practices, and maintain strong standards around anti-bribery, anti-corruption, and fair taxation and competition. Our due diligence processes cover all these topics and more, reflecting our commitment to do the right things for all our stakeholders including our customers, communities, and the environment.

2.3 Process for project evaluation and selection

All investments in assets and expenditures by Yorkshire Water and our subsidiaries adhere to our robust accounting, risk management, procurement and supply chain policies.

Investments in assets by Yorkshire Water are proposed through business cases that outline the nature, costs and benefits of each investment. Business cases are reviewed against multiple criteria – including financial, social and environmental considerations – and approved by one or more internal boards throughout project lifecycles depending on the risk and value of the investment.

Assurance over asset investment activities is provided by project teams at the first level, the Programme Management Office at the second level, and internal and external audit functions at the third level.

Expenditures will be assessed for their eligibility and inclusion into the Eligible Sustainable Portfolio through a formal documented process governed by the Sustainable Finance Committee, which include representatives from Yorkshire Water's Treasury, Finance and Sustainability functions and reports to the Chief Financial Officer and onwards to Yorkshire Water's Audit and Risk Board Committee. A summary of this process is provided each year in the Allocation Report.

The Sustainable Finance Committee is mandated and governed by its own terms of reference and meets at least semi-annually but more frequently as required. Further responsibilities of the Sustainable Finance Committee include (but are not limited to):

- maintaining a register of Eligible Projects and documenting the allocation of proceeds.
- ensuring the exclusion of projects that no longer meet the Eligibility Criteria or have been disposed of, and for replacing them on a best-efforts basis as soon as practicable.
- reviewing and updating the Framework as appropriate to reflect changes in corporate strategy, market conditions, generally accepted market practices or regulatory developments.
- overseeing reporting of information in Allocation and Impact Reports.
- monitoring of internal processes of tracking sustainable finance proceeds.
- maintaining oversight of environmental and social risks in association with the Eligible Projects.

2.4 Management of proceeds

The net proceeds of any finance raised under this Framework will initially be paid into a general operating account and be managed by the Treasury team in accordance with our internal treasury policy. We aim to allocate net proceeds against expenditure within the Eligible Sustainable Portfolio within a period of 24 months following issuance, subject to sufficient availability of Eligible Projects.

For most capital projects, we will align projects with Sustainable Eligible Categories on a one-to-one basis. However, we recognise that this may not be possible for all projects, and in these situations we will review allocations on a case-by-case basis, making use, for example, of proportional allocations where necessary.

We will maintain a register of Eligible Projects, ensuring that each expenditure item is accurately tracked and allocated and that no double counting occurs.

If any project becomes ineligible, we commit to replacing it with a suitable alternative on a best-efforts basis and as soon as practicable.

We will hold or invest, at our discretion, any unallocated net proceeds as per our internal treasury policy. This may include deposits with money market funds, holding in cash, cash equivalents or other permitted instruments. Sufficient liquidity will be maintained to support Eligible Project requirements. Where economically practicable and terms allow, unallocated net proceeds may be invested in green or social deposit products.

Yorkshire Water's Treasury team will ensure the amounts represented by the Eligible Sustainable Portfolio exceed, or will at least be equal to, the amount of finance raised under the Framework within the pre-agreed financing period.

2.5 Reporting

We will provide investors with information regarding the assets and expenditures financed and/or refinanced under the Framework, the amounts of proceeds allocated, and the estimated impact of these investments in a combined report or a series of reports.

We will report on the impacts of our Eligible Sustainable Portfolio each year within our Allocation Report to provide investors with a consolidated view of both allocations and their associated sustainability outcomes.

All reports will be available on our **website**.

Allocation reporting

An Allocation Report will be made available annually until full allocation (and as necessary following any material developments), that will detail:

- The total amount outstanding in Sustainable Finance Instruments;
- How much of the financing raised has been allocated and to which sub-portfolio (Green, Blue, Nature, Social, or Sustainable) and category;
- A brief description of assets and expenses (re) financed with the proceeds and selected case studies if applicable;
- The balance of the unallocated proceeds and type of temporary investments (if any);
- The division of the allocation between new financing and refinancing.

Impact reporting

We will report on a range of key performance indicators, outcome-based metrics and selected case studies that align with Eligible Projects and reflect the environmental and social benefits delivered by our Eligible Sustainable Portfolio. We commit to report on at least one quantitative impact metric per project category, and where not feasible, we will provide a qualitative case study instead.

We intend to align our reporting with the principles and recommendations outlined in the **ICMA Harmonized Framework for Impact Reporting Handbook**.

Where appropriate, we will include details on financial line items and the underlying methodologies, data sources and assumptions used to assess project outcomes, or signpost to where these can be found.

The table below provides examples of potential impact measures for each category.
Many of these measures are independently assured through our regulatory reporting processes.

Green categories	Example impact measures
Sustainable Water and Wastewater management	• 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 CO_2e per megalitre of water supplied)
Pollution Prevention and Control	• 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 CO_2e per megalitre of wastewater treated)
Terrestrial and Aquatic Biodiversity Conservation	• Length of river restored (km) • Land conserved and enhanced (ha) • Net change in biodiversity (Biodiversity units)
Climate Change Adaptation	• Customers at risk of severe restrictions in a drought (%) • Customer properties at risk of sewer flooding in a storm (%)
Renewable Energy	• Renewable energy generation (MWh) • Renewable energy self-generation (%)
Clean Transportation	• Zero or ultra-low emission vehicles deployed in fleet (Number)
Social categories	
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)

2.6 External review

Pre-issuance external review

Yorkshire has obtained an external Second Party Opinion from Moody's on the Sustainable Finance Framework and its alignment with the ICMA GBPs/SBPs and LMA GLPs/SLPs. The Second Party Opinion will be made available to all relevant lenders and investors through accessible communication channels and on Yorkshire's website, in line with applicable exchange regulations and disclosure requirements, for publicly issued labelled bonds.

We will review the Framework on a periodic basis to ensure continued alignment to relevant ICMA and LMA principles as and when they are updated. Any material updates will be subject to an updated Second Party Opinion to confirm continued alignment with these principles.

Moody's Second Party Opinion for this Framework is available **keldagroup.com/investors/sustainable-finance/external-reviews-and-second-party-opinions**

Post-issuance external verification

As required, we will engage a third-party verification firm or auditor to provide a limited assurance report on our annual allocation and impact reporting and its conformity with this Framework, confirming proceeds from any finance raised under the Framework have been allocated to Eligible Sustainable Investments and reported on correctly in accordance with the terms of this Framework.

Disclaimer

Although this Framework already covers a broad range of eligible assets and expenses, Yorkshire Water reserves the right to consider additional assets and expenditures within its businesses as eligible in the future if we believe they would result in positive social or environmental outcomes. Any such assets and expenditures will be included only after obtaining approval from a Second Party Opinion provider and will be detailed in the subsequent annual Allocation Report for the year in which they were added.

As the sustainable finance market continues to evolve, this Framework may be revised or updated to reflect changes to the Principles or to align with emerging market standards and best practices, such as the EU Taxonomy or other relevant standards and guidelines. Relevant updates will be subject to the prior approval of a qualified provider of second party opinions.

For more information visit **yorkshirewater.com** or contact **debtIR@keldagroup.com**

Thank you for reading

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