

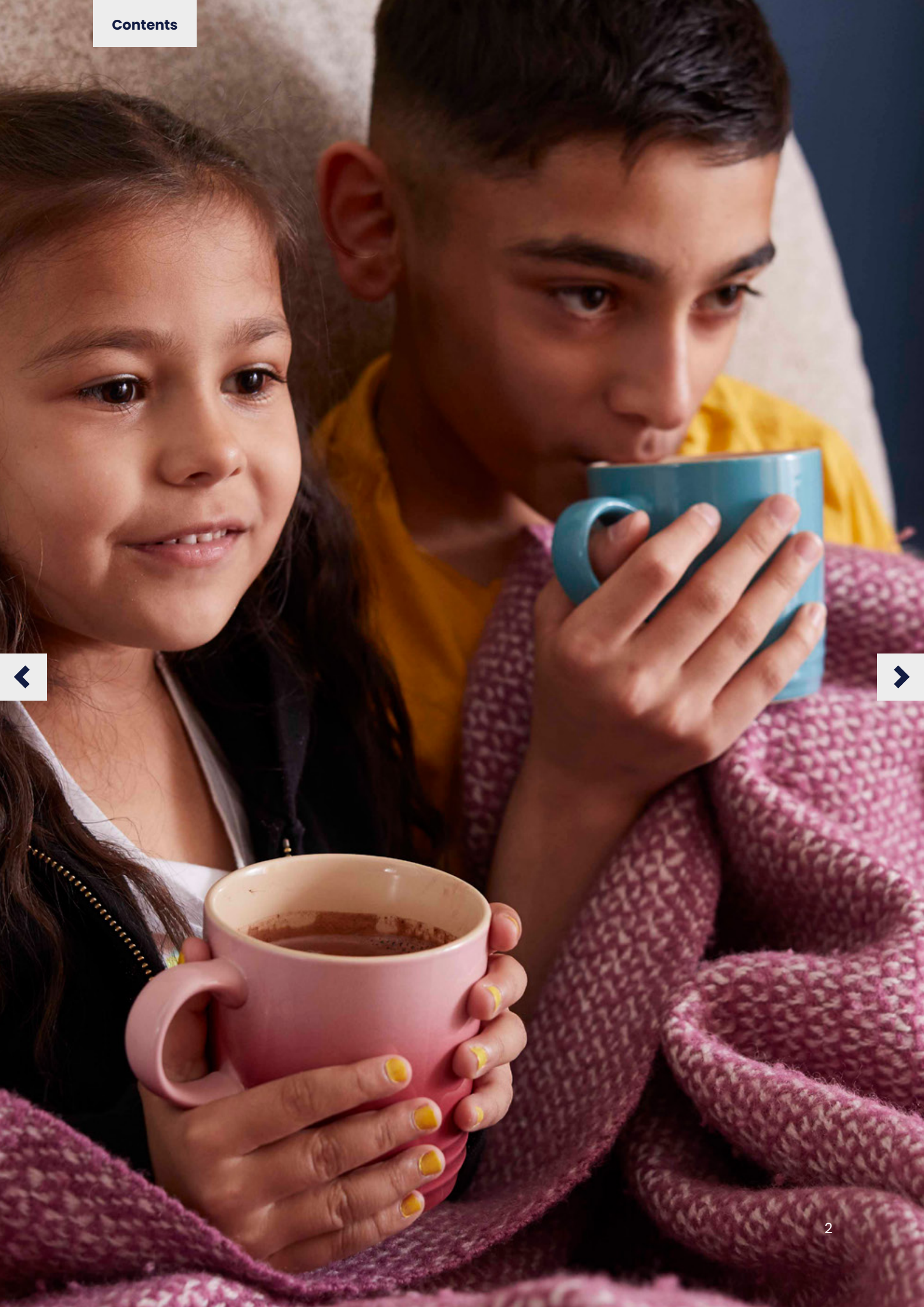
# Annual Report and Financial Statements

For the year ended  
31 March 2024



YorkshireWater

Published July 2024



# 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.

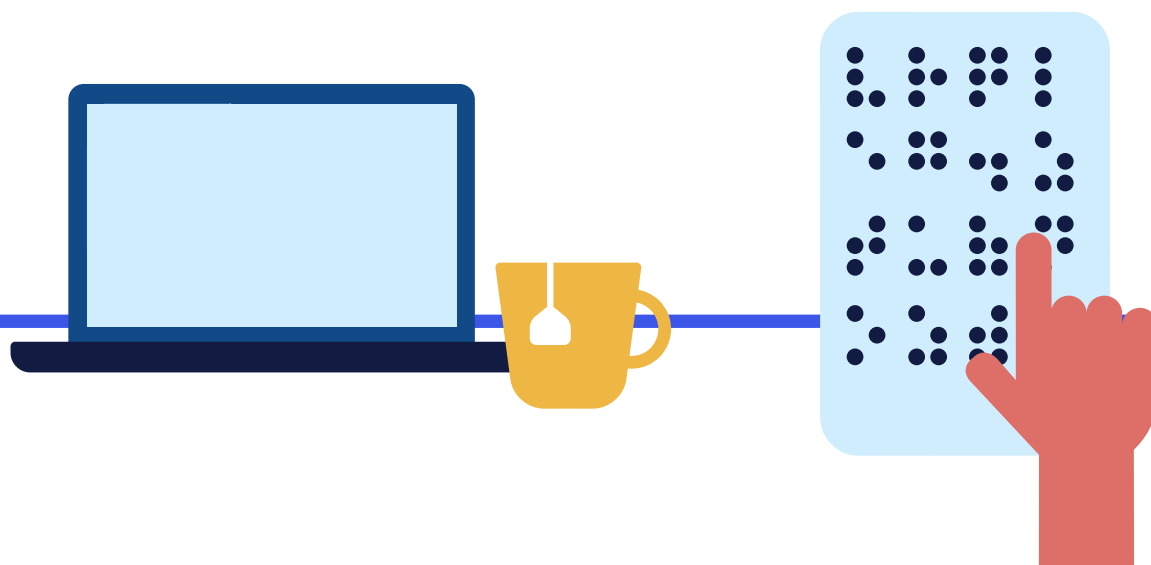
## Accessibility matters.

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

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

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

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



# Contents

Statement of non-financial information	5
Get in touch with us	6
Yorkshire Water at a glance	7
Our annual performance	7
<b>Strategic report</b>	<b>8</b>
Our corporate strategy	9
This is how we work	16
Statement from our Chair	18
Chief Executive's report	20
Yorkshire Water in context	26
Key Performance Indicators (KPIs)	30
Alternative Finance Performance Measures (AFPMs)	36
Clean water	38
Wastewater	44
Serving our customers	50
Keeping our services affordable	56
Our communities	60
Our people	64
The environment	72
Climate-Related Financial Disclosures (CFD)	84
Chief Financial Officer's report	96
Managing risks and uncertainties	106
Going concern and long-term viability	114
Section 172 (1) statement	126
<b>Governance report</b>	<b>134</b>
Corporate governance statement	135
Board of Directors	137
Nomination Committee report	158
Public Value Committee report	162
Safety, Health & Environment Committee report	164
PR24 Committee report	168
Audit and Risk Committee report	170
Directors' remuneration report	176
Directors' report – other disclosures	206
<b>Financial Statements</b>	<b>207</b>
<b>Independent auditor's report</b>	<b>246</b>

# Statement of non-financial information

**Yorkshire Water has complied with the requirements of s414CB of the Companies Act 2006 by including certain non-financial information within the [Strategic report](#).**

Our business model is also shown in our [Strategic report](#).

Information regarding the following matters, including a description of relevant policies, the due diligence process implemented in pursuance of the policies and outcomes of those policies, can be found in the following sections:

- Environmental matters in our [Environment section](#);
- Employees in our [People section](#);
- Social matters in our [Corporate strategy section](#);
- Respect for human rights in our [People section](#); and
- Anti-corruption and anti-bribery matters in our [People section](#).

Where principal risks have been identified in relation to any of the matters listed above, these can be found in the [Managing risks and uncertainties section](#), including a description of the key factors which may cause adverse impacts in those areas of risk, and a description of how the principal risks are managed.

All of our Key Performance Indicators (KPIs), including non-financial indicators, are reported within the [Strategic report](#). Further detail on how these are presented can be found in the [KPIs section](#).

The [Chief Financial Officer's report](#) and [Governance report](#), where appropriate, reference, and include additional explanations of, amounts included in the [Financial Statements](#).

**Throughout this report, unless otherwise stated, we refer to each financial year by the year-end date, so "2024" refers to the financial year ended 31 March 2024. We will make it clear if we are referring to a calendar year.**

# Get in touch with us

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

There are lots of ways to get in touch:



Email us  
[publicaffairs@yorkshirewater.co.uk](mailto:publicaffairs@yorkshirewater.co.uk)



Send comments via our website link  
[yorkshirewater.com/get-in-touch/](http://yorkshirewater.com/get-in-touch/)



Facebook message us  
[@yorkshirewater](https://www.facebook.com/yorkshirewater)



**Or post them to us**  
Western House, Western Way, Bradford, BD6 2SZ

# Yorkshire Water at a glance

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



We supply **1.3 billion litres** of fresh tap water every day, that is around **550 Olympic-sized swimming pools**.



We invest **£2m every day** to maintain and enhance our network of pipes, pumps and treatment works.



We serve **5.5 million customers**, including **2.2 million homes** and **140,000 businesses**.



We manage **28,000 hectares of land** and **countryside**, making us the **second largest landowner in Yorkshire**.



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



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



We collect, treat and return to the environment **2.2 billion litres** of **wastewater** and **rainwater every day**.



We have **605** wastewater treatment works, **50** water treatment works and **2,608** sewage pumping stations.



We manage **2,190 storm overflows**.



We have **115 reservoirs**.



We have **3,773 colleagues** and **support** a further **6,000 jobs** across our suppliers.

Find out more about what we do here: [yorkshirewater.com/about-us/making-yorkshire-brilliant/](https://yorkshirewater.com/about-us/making-yorkshire-brilliant/)

## Our annual performance

**Our best ever annual Lost Time Injury Rate (LTIR) of 0.10 (2023: 0.15)**

See our [People section](#) for more details.

**Ninth position in Ofwat's Customer Measure of Experience (C-MeX) league table out of 17 companies (2023: 11<sup>th</sup> position)**

See our [Serving our customers section](#) for more details.

**Supported nearly 125,000 customers with their bills (2023: just over 95,000)**

See our [Keeping our services affordable section](#) for more details.

**£9,132.2m in total Regulatory Capital Value (RCV) (2023: £8,714.6m)**

See our [Chief Financial Officer's report](#) for more details.

**Return on Regulated Equity (RoRE) of 6.2% (2023: 3.8%)**

See our [Chief Financial Officer's report](#) for more details.

**Two-star Environmental Performance Assessment rating (2023: three-star)**

See our [Wastewater section](#) for more details.

**Reduced leakage by 12.7% since 2020 (2023: 9.5%)**

See our [Clean water section](#) for more details.



# Strategic report

# Our corporate strategy

## Last year we set out our new ten-year strategy, with a vision for a thriving Yorkshire.

As the water and sewerage company for Yorkshire, the services we provide have a significant impact on our county and we want to help ensure Yorkshire thrives, both now and into the future, with services that are right for our customers and right for the environment. Our strategy remains unchanged and has influenced our thinking and decision-making throughout the year.

Within this report, where we discuss our plans for the future, these are subject to approval by Ofwat, with their Draft Determination expected on 11 July 2024 and Final Determination before the end of 2024.

## Our strategy at a glance

### Our vision

The thing we're aiming for – what makes us get out of bed every day.

### Strategic pillars

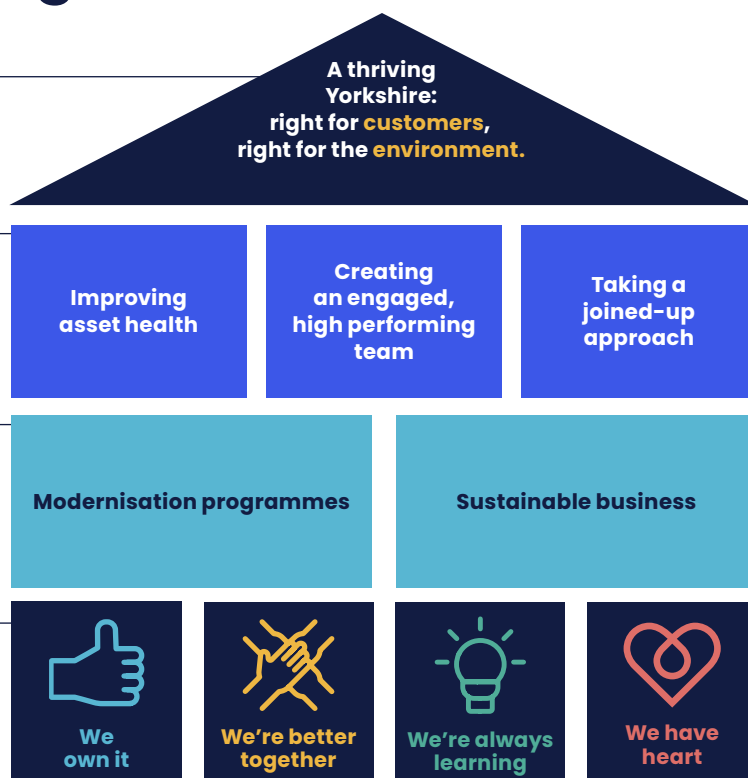
The key activities that will help us bring our vision to life.

### Foundations

The long-term programmes and ways of working that underpin all our strategic activities – the bits we need to have in place to pass the starting line.

### Our behaviours

How we act as we go about our work – the fundamentals of our business and our commitments to each other.





## Our vision

**At Yorkshire Water we are passionate about what we do, and our role, both individually and collectively as a water and sewerage company, has a huge impact on the communities we serve.**

As an anchor institution in the region, we want to invest in infrastructure, create jobs, and support skills development and education, as well as working with other organisations to deliver better outcomes across the region. There are many challenges facing the water industry right now, including the environmental and reputational impact of wastewater discharges, the effects of climate variability, such as hotter, drier summers and the continuing risk of flooding, as well as the recent impact of soaring energy prices and delays in supply chains, which are affecting our business and our customers. Nevertheless, we will keep striving to be a company that delivers great value for Yorkshire, is an inspiring and motivating place to work, and leaves its mark on the environment for the better.

‘Right for our customers’ means that we will provide safe, clean, great tasting water and return wastewater safely to the environment. We will do this in a way that delivers good value for money, with bills that everyone can afford. We have been open in our future plans about bills needing to increase to enable us to invest more in our infrastructure, and we are offering even greater support to customers who struggle to pay their bills.

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

We are listening to our customers and communities so that we can make sure their experience of Yorkshire Water is positive. More information on what we have delivered for our customers in the year can be found in the section on [Serving our customers](#).

‘Right for the environment’ means protecting our precious water resources and minimising the impact of wastewater on the amazing natural environment of Yorkshire. We are extremely focused on reducing pollution and sewer flooding and improving our river and coastal water quality. This requires a long-term approach, we have clear plans in place and are making significant investments to reduce wastewater discharges, including £180m of additional investment up to 31 March 2025, which we announced in August 2022, and a further £1.4bn of investment in storm overflows for the five-year period to 2030, which is proposed in our PR24 Business Plan.

We will also seek to protect our water resources in the face of climate change and a growing population, which means reducing leaks and increasing customer awareness around water usage. We have a big role to play in addressing climate change, and are working towards achieving net-zero carbon emissions in our operations, and reducing the emissions created in building our assets.

More information on what we are doing for the environment can be found in the section on the [Environment](#).

# Achieving our vision

## Strategic pillars

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

### Improving Asset Health

Asset health is critical to delivering the service that our customers expect and to protect the environment. By 'assets' we mean our water and wastewater assets, which include our pipe network, the treatment works where water or wastewater is treated and all the assets that link these together. We need to keep investing in proactive maintenance to reduce asset failure, as well as creating new assets to improve the quality, resilience and capacity of the services we provide. Our aim is to do this while keeping bills as low as we can and protecting the environment through choosing nature-based solutions where possible. More information on how we are improving asset health can be found in the sections on [Clean water](#) and [Wastewater](#).

### Creating an engaged, high-performing team

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

## Taking a joined-up approach

In order to deliver what is right for Yorkshire, we need to work together, both within our organisation and externally with our customers and other stakeholders. By working together, our people, our supply chain and our stakeholders can achieve more than any of us could by working alone. More information on our partnership working can be found in the section on [our Communities](#).

## Our Foundations

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

### Modernisation

Our modernisation programme underpins all three pillars of our strategy and is our primary way of accelerating the change that Yorkshire Water needs to meet our performance ambitions, maximising innovation and security. The programme covers people, technology, processes and data and is designed to help us improve in each of these areas, providing the right support to enable us to achieve our strategy.

### Sustainable Business

Our strategy is built on the foundation of long-term responsible business practices. In other words, we are seeking to do the right things today so we can keep going into the future. This includes looking after the health, safety and wellbeing of our colleagues, partners and everyone else impacted by our activities, and ensuring we have a stable and sustainable business financially, so that we continue to provide good value for our customers and all those who work with us.



## Delivering our strategy

**During the year there has been a lot of work across the business to embed our strategy and to be clear on our specific plans to improve our performance. We have:**

- Invested significantly in improving asset health, including delivering a new sewer in Ilkley, and starting many other capital projects which will complete in 2025;
- Continued the roll-out of our 'Talking Performance' approach to performance management, helping colleagues to feel more engaged and to better understand how they can contribute to our organisation;
- Embedded a Performance Excellence programme across the business, with all areas reporting regularly against key performance metrics in their area which has encouraged team conversations, clarity on objectives and a consistent approach across the business as part of our work towards a more joined-up approach internally;
- Continued to deliver improved flood resilience in the Hull and South Yorkshire regions, through our Living with Water and Connected by Water partnerships, demonstrating our joined-up approach externally. More information on this can be found in the section on [our Communities](#);
- Rolled-out a model office pilot to test new ways of working in both our wastewater and clean water operations, seeking to improve our customer response, focusing on driving a 'right first time' approach through new processes and procedures and greater cross-team collaboration based around a geographical area;
- Reviewed our net-zero policy and changed our approach to focus more on reducing absolute emissions and investing in energy self-generation and efficiency, rather than purchasing a form of offset; and
- Focused on our financial resilience in the year, including recalling an intercompany loan from another group company and receiving over £400m in repayments during the year, and closing our defined benefit pension scheme to future accrual.

# How our strategy has shaped our PR24 Business Plan

**Our strategic objectives are very much reflected in our PR24 Business Plan (our plan for the period from 2025 to 2030), which was submitted to Ofwat in October 2023.**

Our PR24 Business Plan focuses on six key areas which are part of our vision for 'a thriving Yorkshire, right for our customers and right for the environment'.

In drawing up the Plan we engaged with 54,000 customers and stakeholders to obtain their input on the things that matter to them. This has been a major focus for us in the year under review.

To move towards a thriving Yorkshire, the Plan focuses on:

- Getting the basics right;
- Accelerating our performance improvements; and
- Future-proofing our activities.

The Plan includes investing £134m on smart metering, £364m on improving our asset health, £580m on improving coastal and inland bathing waters, and £95m to continue providing high quality drinking water. These are all things that we know are right for our customers, as well as enabling us to meet our legal and regulatory obligations.

The Plan also includes an investment of £959m to reduce our impact on the environment and to meet new environmental obligations. This includes our commitment to reduce carbon emissions as we aim for a net-zero future by 2050. Further information on our PR24 Business Plan and planned investment can be found on our website at [yorkshirewater.com/about-us/our-business-plan/](https://yorkshirewater.com/about-us/our-business-plan/)

As part of our Plan, we have submitted our Long-Term Delivery Strategy which sets out our vision and ambition for the next 25 years, the outcomes we aim to achieve, and the actions and investments we intend to undertake to deliver them. It brings together strategic planning framework requirements, statutory obligations, existing commitments, and the priorities of our customers to outline the investment activities that are required to meet our ambitions. This is all aligned to our corporate strategy.



# Using the Six Capitals approach in our strategic decision-making

**As part of doing what is right for our customers and the environment, it is essential that we understand the impact that we have on our surrounding area, beyond just a financial impact.**

To do this we have used the concept of the 'Six Capitals' for a number of years and this influences key decisions that we make at Yorkshire Water, including the development of our PR24 Business Plan.

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

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

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

We also have a Sustainable Finance Framework which we updated during the year to align with our strategy. The Framework enables us to raise debt to support the financing or refinancing of assets and expenditures of a sustainable nature. This means we can only spend the money raised on assets or expenditures that meet strict sustainable definitions, and we report back to our Framework investors each year on how the money raised has been allocated and the impact that this has had from the perspective of each of the Six Capitals. You can find more details about the Framework at [keldagroup.com/investors/sustainable-finance/sustainable-finance-framework/](https://keldagroup.com/investors/sustainable-finance/sustainable-finance-framework/)

## Six Capitals

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



### Financial capital

Our financial health and efficiency



### Manufactured capital

Our pipes, treatment works, offices and IT



### Natural capital

The materials and services we rely on from the environment



### Human capital

Our workforce's capabilities and wellbeing



### Intellectual capital

Our knowledge and processes



### Social capital

Our relationships and customers' trust in us



# This is how we work

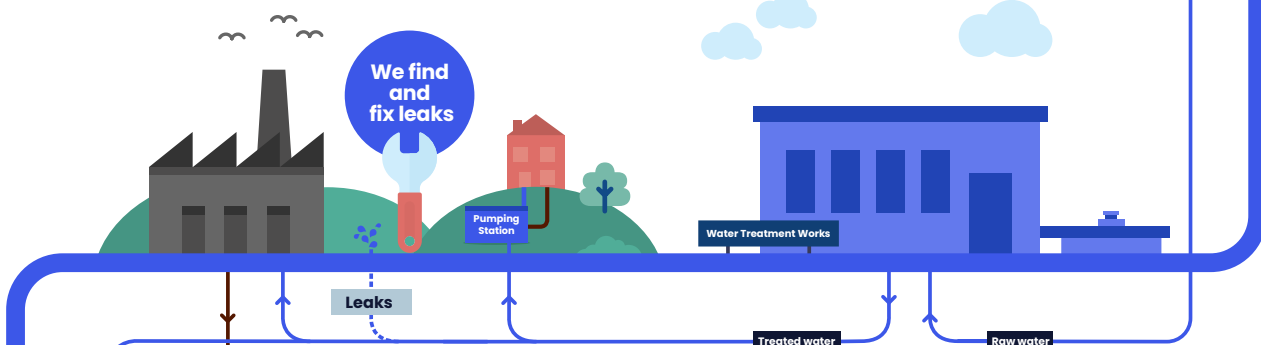
An illustration of our business model is shown below

We're one of Yorkshire's biggest land owners

We collect water from three main sources

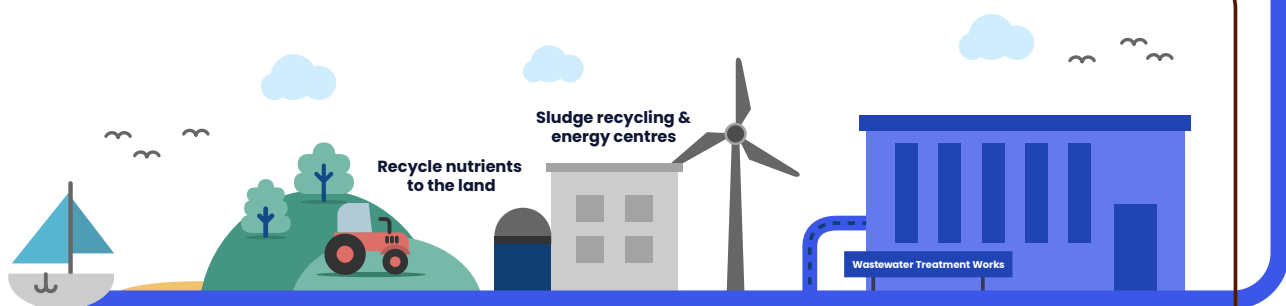
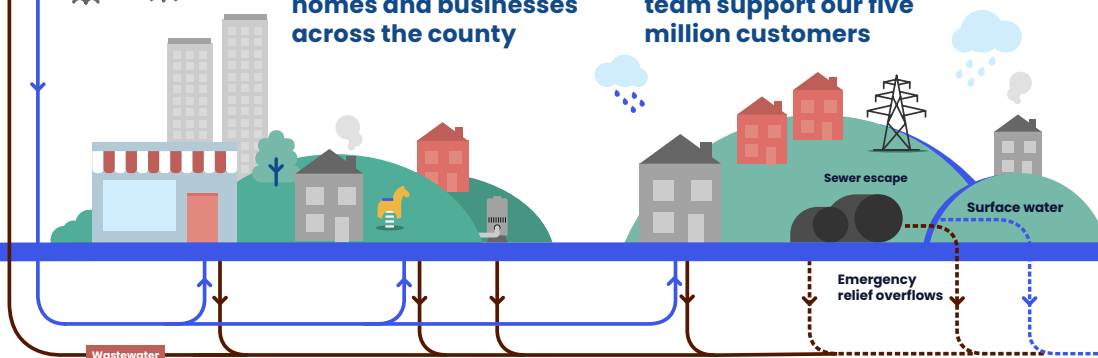


We have 605 wastewater treatment works and 50 water treatment works



We supply water to homes and businesses across the county

Our customer service team support our five million customers



We safely return water back into the environment

We collect and treat 2.2 billion litres of wastewater and rainwater every day





# Statement from our Chair

## The importance of Yorkshire Water's operations to our customers and the environment is clear, and we hear and understand the expectations from our customers, stakeholders and regulators.

We share the desire for improved performance, particularly in relation to the environment, and I am really pleased that the investments and operational changes we are making are starting to show improvements in our performance across many measures over the past year, which in turn are helping to drive better outcomes for our region.

We know there is still more to do, however, before we fulfil our strategic vision of 'a thriving Yorkshire, right for our customers and right for the environment'. This vision forms part of our corporate strategy, launched internally in 2023, which is a guiding document for both our colleagues and the Board. The plans we put in place, and the decisions we take, are focussed on achieving this vision.

## Ongoing performance improvement

We have seen consistent improvement on the majority of our key performance measures across the past financial year, but we are committed to speeding up that improvement to ensure we can meet the high standards expected by our customers, stakeholders and regulators.

In areas where we are not yet meeting our regulatory performance commitments we have ongoing dialogue with our regulators, and the Board is involved in oversight of the improvement plans that we share on our website. These plans show our current performance, as well as our activity to resolve problem areas.

The Board is acutely aware of public anger in relation to pollution and is focused on driving significant improvements in this area. Our performance this year in terms of the number of pollution incidents has been disappointing. Whilst this reflects the significant rainfall that we have experienced throughout most of the year, we know that there is more that we need to do to improve and our investment plans are very much focused in this area.

The specific measures the business has already taken to drive performance, which include modernisation of our processes and significant investment schemes, are covered more extensively within the [Chief Executive's report](#).

## Our PR24 Business Plan

In October 2023 we submitted our Business Plan to our economic regulator, Ofwat, including priority areas for investment between 2025 and 2030. The Board was closely involved in the development of the £7.8bn plan and we believe it provides ambitious, but deliverable, levels of investment across our region.

Our Business Plan is focussed on areas of particular importance to our customers and stakeholders, as well as the investment required to meet our legal and regulatory obligations. If approved by Ofwat, our Business Plan will deliver wider environmental and social benefits for the Yorkshire region with £8 of benefit generated for every £1 we invest.

## Board activity

In November, Scott Auty, one of our investor directors stepped down from the Board after six years of service. He was replaced by Isabelle Caumette, who has been working with Yorkshire Water for many years and therefore brings with her much experience of the sector. I would like to thank Scott for his important contributions to Yorkshire Water during his time on the Board.

During the year, Board members have taken the opportunity to visit some of our key operational and investment sites across the county, including Elvington water treatment works near York, a new fish pass in Sheffield, and a wastewater treatment works in Ewden.

The Board has also had the opportunity to engage with key stakeholders, both external and internal to the business. This has included engagement with the Environment Agency, Ofwat, the Drinking Water Inspectorate and our industry body, Water UK, as well as meeting with members of our Colleague Engagement Forum and representatives from our Trade Unions.

## Looking forward

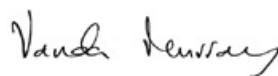
We are now in the final year of the Business Plan for 2020 to 2025, and we will be investing approximately £800m to complete our Asset Management Period 7 investment. This will bring further improvements for our region, and delivery of new schemes is a priority for the Board and our Executive team.

The water sector continues to be a challenging sector to work in. We understand the issues that concern our customers and local communities, and we are committed to doing what is right for our customers and the environment, both now and in the future.

Our colleagues and partners have worked extremely hard throughout the year, including through some very challenging weather events. We operate 24 hours a day, seven days a week to provide essential services to our customers and resolve any issues. At times during the year some of our colleagues and partners have been subjected to verbal or physical abuse while simply doing their jobs, and this is entirely unacceptable.

Our colleagues and partners are passionate about the service they deliver and do their best for our customers day in and day out.

I would like to thank all those who have contributed to our work at Yorkshire Water in the past year, from our colleagues, contractors and partners, to all of our customers and stakeholders who have contributed their views to our PR24 Business Plan, helping us to work towards 'a thriving Yorkshire, right for our customers and right for the environment'.



**Vanda Murray OBE DBA**  
**Chair**

3 July 2024



# Chief Executive's report

**This year, our Yorkshire Water colleagues and key contract partners have worked well together to improve performance under our new strategy of working towards 'A thriving Yorkshire, right for our customers and right for the environment'. We are committed to doing even more to improve outcomes for our region in the future.**

## 2024 performance

We have seen continued success in leakage reduction on our clean water network – staying on track to achieve a 15% reduction between 2020 and 2025. We have made very good progress in delivering our large capital programme for the year, including delivering a new sewer at Ilkley and starting on site at many projects which will complete in 2025.

Our investment across Yorkshire reflects the need to address the impact of climate change and a growing population. The 2023 calendar year was reported as being the sixth wettest year since Met Office records began and between September 2023 and January 2024, we experienced ten named storm events compared to one in the prior year. This led to flooding, high ground water levels and associated pollution incidents as our network was inundated with surface water.

Where flooding has occurred, our teams have worked with partners to respond and find long term solutions. Unfortunately, given the weather across the winter, our environmental performance in the 2023 calendar year (and since then into the 2024 calendar year) is substantially below the levels we want to achieve. To reduce both flooding and pollution incidents, we are investing to improve the resilience of our networks to severe weather events.

The severe weather contributed to an increased number of discharges from our combined sewer overflows, as well as increased pollution incidents. This increase in numbers has contributed to a drop on our Environmental Performance Assessment rating for 2023 calendar year.

This is disappointing, however, we are confident that our previous investment in our network, immediate operational response, and prior partnership working, reduced the overall impact of severe weather for our customers and the environment.

On our clean water network, some residents in Goole and nearby areas experienced issues with their drinking water supply across late October and early November 2023. Unfortunately, the incident took longer than we anticipated to resolve due to a number of complications on our network, and we have subsequently contributed to a review of this incident by Ofwat and the Consumer Council for Water. As well as providing compensation to individuals and goodwill payments to community groups, we have implemented learnings from the incident to lessen the impact on customers of any future network event.

We deeply regret when our customers are affected by issues on our networks, and we know that we need to do more to avoid such circumstances in future.

## Environmental performance

Our record on the environment, and the record of the entire water sector, has been in the spotlight. We have therefore placed the ambition of making decisions that are 'right for the environment' as a central objective in our corporate vision.

We have not always provided the right outcomes, and we need to face into those occasions. In 2016, we discharged into Hookstone Beck due to an operational issue on our network. Yorkshire Water was found to have caused the pollution and in November 2023 we made a £500,000 contribution to local environmental charities having already conducted a clean-up of the affected area and invested £1.85m in capital works increasing storage in the sewer system.

As we increase our investment in environmental outcomes we are seeking the widest possible benefits for our region. In October 2023, we published our Nature First commitment. Nature First prioritises nature-based solutions when we invest over more traditional energy intensive assets. By investing in solutions which reduce carbon output, support biodiversity and increase resilience, we will mitigate the impacts of climate change for our customers and the environment.

In February 2024, we announced plans to build a new integrated wetland at South Elmsall wastewater treatment works. This will include a wetland area the size of five football pitches, filled with 220,000 plants, treating wastewater as it travels through the wetland and lowering the number of discharges from the works.

We want to use innovative nature-based solutions to ensure that we reduce our carbon impact when making investment in core areas, such as reducing sewage discharges. To do this, we will need to work with neighbouring communities, planning authorities and the Environment Agency to find solutions which are appropriate and meet all expectations.

As well as looking at maximising environmental outcomes from our new investment, we have been looking at our sites to determine where we can achieve more. This has included a programme to install solar panels at 28 sites, beginning in January 2024, and purchasing more UK-generated renewable energy.

## Combined sewer overflows

In 2022, we announced our £180m discharge reduction programme, separate to investment in our approved five-year business plan. The investment will lead to an average reduction of discharges by 20% from our 2021 baseline figure.

As part of this programme, we identified 130 of our most frequently operating overflows where we wanted to invest and improvements have begun, including sites at Whitby and York, with more sites coming online each week.

Due to an agreement with our regulator this investment must be completed by April 2025. For this reason, we are working swiftly to identify which sites are deliverable and we are working closely with our regulators and partners.

Separate to this programme, our PR24 Business Plan includes over £1bn of investment in discharge reduction. This is in line with the Government's Storm Overflow Discharge Reduction Plan, published in 2022, which prioritises investment at bathing water sites and those with environmental importance. Whilst our PR24 Business Plan has yet to be approved, we are bringing forward c.£14m of investment at overflows in Barnsley and Bradford due to the complexity of delivering improvements in these areas.

## Storm overflow maps

In December 2023, we completed the installation of Event Duration Monitors at all of our combined sewer overflows. We prioritised this investment in response to the public interest in discharges from sewers, and since April 2024 our customers have been able to access a live overflow map on our website, which shows whether the overflow has operated in the past 48 hours.

In our move towards greater transparency, we have worked with water and sewerage companies across the UK to share an online National Storm Overflows Plan for England, which has an interactive map showing the proposed timeframe for investment at each overflow across the country.

## Wider investment in river health

All wastewater treatment works have a release point for treated effluent, which has passed through the treatment works. Working with our regulators, during each investment period we invest to improve the final effluent leaving the works.

Between 2020 and 2025, we will have invested £500m in reducing the levels of phosphorus entering Yorkshire's rivers and seas by 56%. This investment is one of the primary reasons we were able to improve 117km of Yorkshire's rivers by the end of March 2024.

The level of investment under this programme is significant, including work at Knostrop (c.£60m), Blackburn Meadows (c.£40m), Killinghall (c.£19m), Dewsbury (c.£18m), Dronfield (c.£10m) and five sites across Barnsley (c.£11m). These schemes don't just allow us to meet our regulatory requirements, they improve the health of waterways across Yorkshire.

## Bathing waters

We are constantly working to improve our impact on our customers and the environment, and our coastal sewer overflows operated for less than one percent of the time in the 2023 bathing season. This contributed to 89% of bathing waters within our region being rated as Good or Excellent for that season.

As we want to reduce our impact even further, we have brought forward investment at sites which may impact bathing waters, and in Scarborough work is underway at the Wheatcroft sewer overflow.

Unfortunately, two of the coastal bathing waters in the region have been ranked as poor – Bridlington South and Scarborough South. Since our operations are only one potential cause of poor bathing water quality, we are working closely with partners to investigate the root cause of poor status and to understand what we can collectively do to resolve the situation.

At Ilkley, the first inland bathing water site in the UK, we have invested in a new 835-metre £15m sewer. This work was completed in early 2024 and is already reducing discharges above the bathing water designation.

At all bathing waters there is the need to work with partner organisations to ensure that the water is fit for bathing. This means the removal of pollution from agriculture, industry, road run-off and other sources, as well as our own impact.

In March 2024, we shared plans to invest a further c.£60m in our networks in Ilkley, including expanding the capacity at the treatment works. Whilst these proposals still require approval from our regulators and local decision-makers, I am pleased that we have been able to share our plan to improve bathing water quality with the local community.

In May 2024, the Government announced 27 new inland bathing water designations, including two in Yorkshire at Knaresborough and Wetherby. We supported these applications at consultation stage and will work closely with our local partners to improve river health.

## Supporting customers

Inflation has unfortunately led to rises in bills and we have continued to support customers in challenging circumstances. This includes:

- Providing five financial support schemes helping customers who are struggling to pay their bill, covering a range of circumstances including income and existing debt;
- Supporting over 120,000 customers who needed extra help paying their bills in the last 12 months; and
- Doubling the number of customers on the Priority Services Register to more than 200,000.

Our bill levels are overseen by our regulator, and we will not turn off the water supply of any household which is unable to pay their bill.

## Secure and safe water supplies

The continued provision of safe drinking water is crucial for our customers. Our Water Resources Management Plan, produced in conjunction with neighbouring water companies, ensures our wider region will have the required resources to meet population growth for decades to come.

This year we have seen investment to improve supplies across Yorkshire, including to Bradford and Skipton, as well as a £30m investment at our Tophill Low water treatment works in East Yorkshire, which provides drinking water to Hull.

We are also making good progress on reducing leakage as noted above. We are using innovative measures to reduce leakage, and have installed over 1,000 'Smart' Pressure Control Valves on our network. By investing in our networks, we are able to reduce the likelihood of bursts and maintain supply to customers.

## Financial performance

Our ability to invest in our networks, either through revenue, reserves or borrowing, is critical in allowing us to maintain our networks and improve outcomes for our customers and the environment. I am therefore pleased that throughout 2024 we have been able to demonstrate fiscal prudence and operational efficiency.

Our revenue increased by £82.3m (7.2%) to £1,227m, and we managed to ensure our costs increased only by a similar amount. Given the inflationary pressures we have seen on our input prices, such as energy and chemical costs, this was a good result.

We also worked hard to improve our productivity and lower energy costs, including through the self-generation of electricity. This helped us to mitigate operational cost pressures, such as those from severe weather conditions.

Our investors also, going further than they had previously committed, repaid £400m of the outstanding intercompany loan in June 2023, improving the regulatory assessment of our financial resilience. Since the end of the financial year our investors have repaid a further £100m, well in advance of the April 2025 commitment. All of this is important to ensure that we remain financially resilient and able to deliver the investment we need to improve outcomes for customers and the environment.

## Our PR24 Business Plan

Alongside the delivery of our approved investment programme for Asset Management Period (AMP) 7, our team have also been busy developing our PR24 Business Plan for 2025 to 2030, which was submitted to Ofwat in October 2023.

Whilst much of our Business Plan was based on statutory requirements and guidance from regulators, our preparation included extensive engagement with customers and stakeholders to understand their priorities for our region. This included over 54,000 individual engagements.

Our submission to Ofwat detailed £7.8bn of investment across the region, including £3.1bn of investment in secure, safe clean water supplies, a £4.3bn investment in improving the natural environment, and a further £446m allocated to deliver first-class customer service.

When creating the Plan, we have been conscious that much of the investment between 2025 and 2030 will ultimately be funded through customer bills. We are therefore keen to support customers who may struggle with higher bills, and the Plan includes £250m worth of targeted bill reductions by 31 March 2030.

Given the expectation of Government and the public for increased investment, we are hopeful that our Plan will be approved. We anticipate that the delivery of the Plan will provide employment for more than 10,000 people across Yorkshire.

We have yet to receive Ofwat's Draft Determination, after which there will be a consultation period prior to receiving the Final Determination before Christmas 2024.

## Our team

Our colleagues and key contract partners respond to issues when they occur and deliver investment on our networks across Yorkshire. I am grateful for the commitment and energy with which our team carry out their roles. Many of our colleagues and partners feel a keen responsibility to our region, and this is reflected in our corporate vision.

Safety and wellbeing is our primary consideration for both customers and colleagues. I am therefore pleased that the Lost Time Injury Rate for colleagues has reduced this year to be the best result we have ever had. This will remain a top priority for me and the leadership team moving forward, and we will also ensure that the wellbeing of colleagues is prioritised, particularly at a time when focus is on the water sector.

## Looking ahead

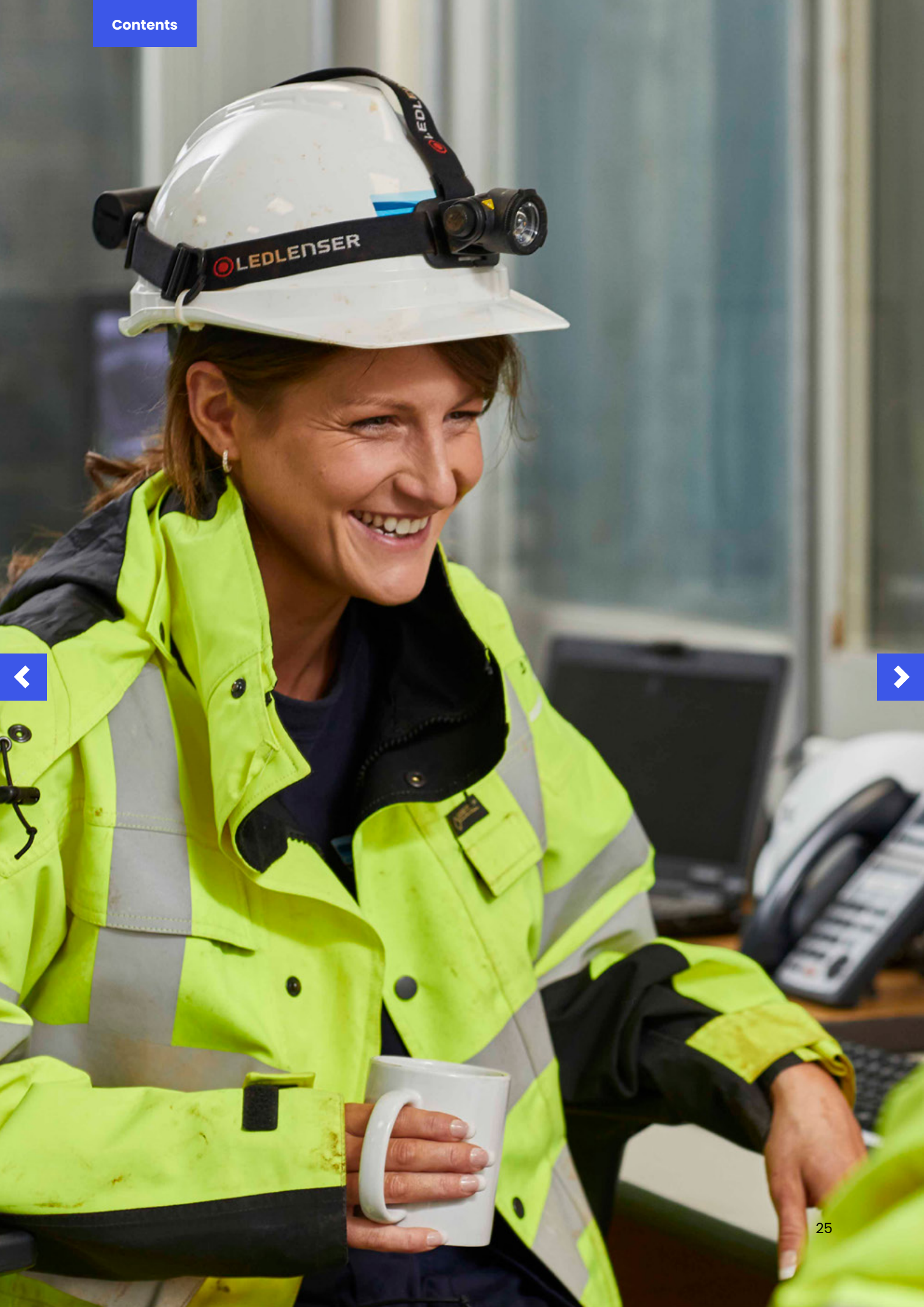
We are now in the final year of the 2020-2025 investment period and we are driving to deliver improvements to our water and wastewater networks by the end of the regulatory period in March 2025. We are also working closely with our colleagues, partners and supply chain to ensure we are prepared for the proposed increased investment across AMP8.

At such a crucial time for the sector, we will continue to strive for increased outcomes for Yorkshire, helping us secure 'a thriving Yorkshire, right for our customers and right for the environment'.

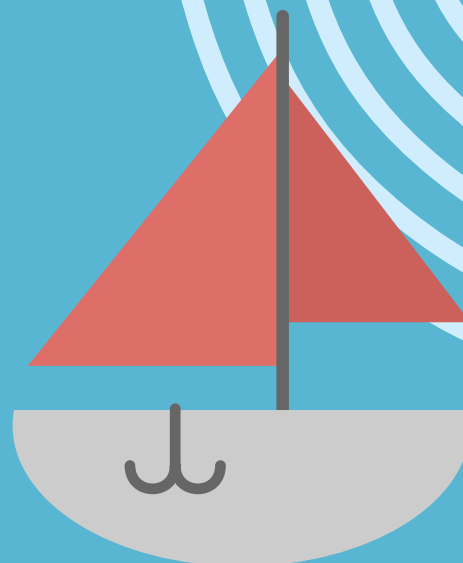
**Nicola Shaw CBE**

**CEO**

3 July 2024



# Yorkshire Water in context



# The water sector

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

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

A regulatory framework is in place to seek to ensure customers receive high standards of service for a fair price. Under this framework there is a five-year Price Review process, where all companies in the sector submit a business plan to Ofwat, having consulted with their customers and stakeholders and taking into account their statutory and other obligations. These business plans set out the services they want to deliver and the investments they need to make over the next five years. These are reviewed by Ofwat and they then decide how much companies can charge customers for the next five years. The current five-year Price Review period runs until 31 March 2025. In October 2023 all companies in the sector submitted their business plans for the period from 1 April 2025 to 31 March 2030. Feedback on these plans is expected on 11 July 2024. The business plans submitted in October 2023 are called the 'PR24' Plans, which stands for 'Price Review 2024'.

## Climate change

Climate change is impacting on everyone across the world, and the water sector is no exception. Severe weather events have significantly impacted the sector in recent years with significant drought conditions for much of England in 2022 and extremely heavy rainfall in many areas through 2023. In the period from September 2023 to January 2024, there were ten named storms compared to just one in the previous year. In the calendar year 2023, we saw a 42% increase in the number of days with heavy rain in Yorkshire and nine of the 12 months in 2023 had rainfall above the average for the month. Such events have a crucial impact on our clean water and wastewater networks and we have set out where this impact has been felt elsewhere in our report.

## Cost of living

The cost-of-living crisis has continued to impact many of our customers and communities during the year, particularly as energy costs and interest rates have risen considerably during the year. We have continued to offer support to those who are struggling to pay their water bills through various schemes that we have in place. We cover these in more detail in our section on [Serving our customers](#).

## Media perceptions of the sector

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

At Yorkshire Water, over the last ten years the company has paid dividends of £846.1m, however only £45.4m of this has been paid to shareholders. The rest was retained within our group and used to repay interest and capital on loans held at a group level. Over the same period, the company has invested £4.5bn in new fixed assets. Before any dividends are approved, our Board considers the current and future financial needs of the business, whether the business is delivering for customers and the environment, and whether risks are being managed appropriately and the business is being run efficiently.



We are grateful to our shareholders for their continuing support of the business, and in particular our significant investment plans. In the last year they have contributed a further £500m into the group, £400m of which was paid to Yorkshire Water as repayment of an existing intercompany loan.

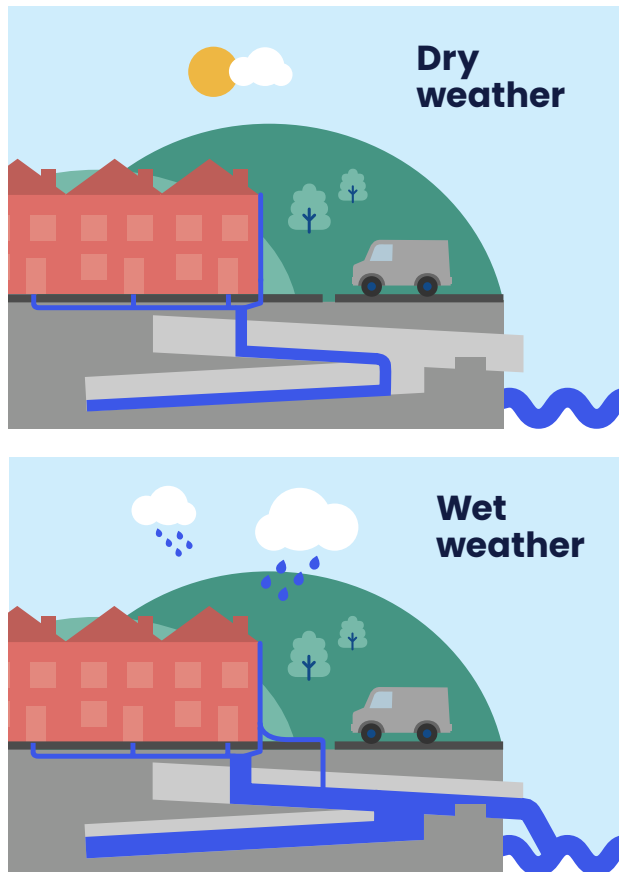
Decisions on executive remuneration are taken by our Remuneration Committee, which is entirely independent from our executive directors, who have no say in what they are paid. The Committee has clear processes in place to ensure that our executives are paid fairly, are not paid for poor performance and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

Wastewater discharges into rivers and coastal waters are a matter of great public focus and we entirely understand why. We agree with the urgent need to eradicate harm from wastewater discharges. This is something that everyone in Yorkshire Water wants to achieve, but it is not something that can happen overnight.

The wastewater network is designed to allow the discharge of very dilute wastewater into watercourses when the network becomes too full, as this prevents wastewater from flooding our homes, gardens and streets.

**We have a plan in place to improve our performance and have shared this with Ofwat.**

The pictures below illustrate how these storm overflows operate in dry and wet weather:



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

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

Drinking water quality has also been in the news over recent weeks. Drinking water quality in this country is verified by extensive sampling at all stages of the treatment and distribution process, including at customer taps. Compliance across the sector is consistently high, with 99.97% compliance across nearly four million tests. The United Kingdom is one of only six nations in the world with the maximum score possible in the

2022 Environmental Performance Index produced by Yale University, showing that our drinking water quality is amongst the best in the world.

## What makes Yorkshire different

Yorkshire is a beautiful county, and our ambition is for a thriving Yorkshire. There is much that is breathtaking about our county, but there are also some factors that influence our performance which are unique to Yorkshire.

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

## Annual performance review

Each year Ofwat publishes an annual review of water company performance. This year seven companies in the sector, including Yorkshire Water, were deemed to be 'lagging', while none of the companies were ranked as 'leading'. We know that to be classified as 'lagging' is not good enough and we are working hard to improve our performance.

We have seen significant improvement in almost all of our measures since 2020, including in leakage reduction, unplanned outages, pollution incidents and in treatment works compliance, where we are one of the top performers in the sector. We know, however, that we are failing to meet our own expectations and those of Ofwat in some other areas including in customer satisfaction, sewer flooding, as noted above, and, until recently, in relation to our Priority Services Register.

We have a plan in place to improve our performance and have shared this with Ofwat and continue to meet with them each quarter to provide them with an update on our progress. We have already made considerable improvements in some areas, for example by 31 March 2024 we had met our performance commitment target for our Priority Services Register. More information on this can be found in our [Serving our customers section](#).

More information on our operational performance in the year can be found later in this report. 29

# Key Performance Indicators (KPIs)

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

## Revenue

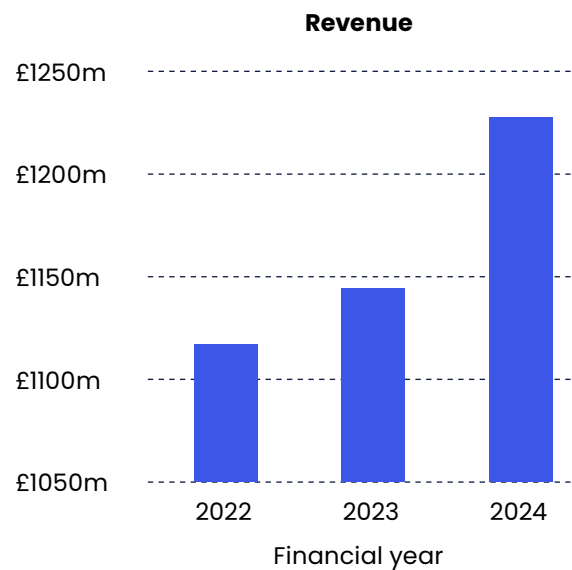
**2024: £1,227.0m**

**2023: £1,144.7m**

**2022: £1,118.5m**

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

In 2024, revenue allowances rose by around 7% due to allowed Consumer Prices Index including owner occupiers' Housing costs (CPIH) inflation of 9.3%, offset by an increase in ODI penalty from 2022. Additionally, there is c£7m income for non-household consumption in prior years that is adjusted through the market settlement process, as customer bills are finalised (previously based on estimates).



## EBITDA

**2024: £611.9m**

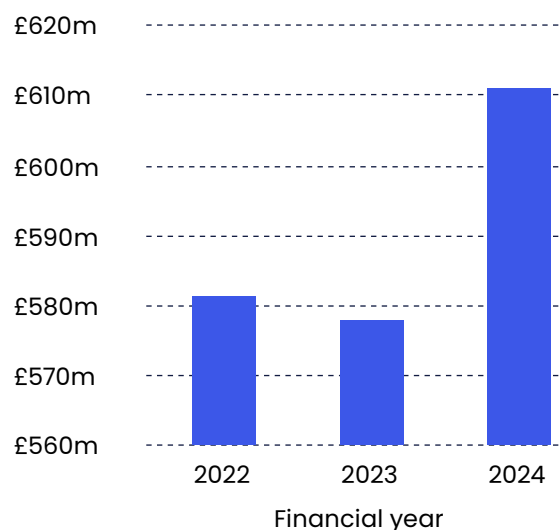
**2023: £577.4m**

**2022: £581.3m**

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

Our EBITDA has increased year on year, reflecting increases in revenue, largely due to allowed inflation, offset by operating costs. Operating costs have increased in the year due to the impact of inflationary cost increases for energy, consumables, contracted activity (including repairs and maintenance) and employee costs. In 2024, we also saw increased regulatory and IT licence fees, additional costs to support our PR24 activity and a reduction in asset sales in the year. We have strengthened our cost controls across the business throughout the year which

**EBITDA**



has mitigated some of the additional operational pressures resulting from severe weather, for example the multiple named storms.

A reconciliation to the statutory measure is included in our [Alternative Finance Performance Measures](#) section.

## Capital Expenditure

**2024: £684.6m**

**2023: £534.1m**

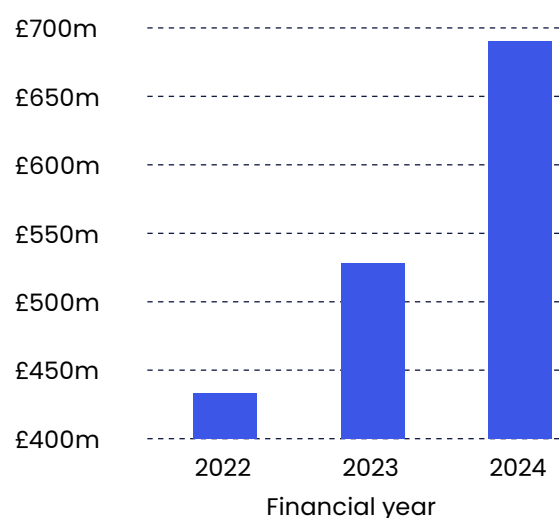
**2022: £434.1m**

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

We continue to see large increases year on year in our capital expenditure. This is due to the phased delivery of the Water Industry National Environment Programme (WINEP) within Asset Management Period (AMP) 7 (the five years from 1 April 2020 to 31 March 2025) and delivery of other capital schemes with regulatory completion dates towards the end of the AMP.

We anticipate that 2025 expenditure will increase further as we continue to deliver our WINEP, and realise the cost of delivery of our £180m storm overflow investment.

**Capital Expenditure**



## Outcome Delivery Incentives (ODIs)

**2024: £38.2m ODI penalty**

**2023: £19.8m ODI penalty**

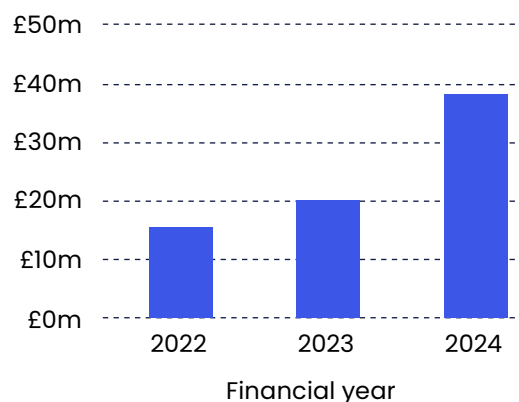
**2022: £15.2m ODI penalty**

Some of our Performance Commitments (PCs) have been identified as being of greater importance to our customers or to Ofwat. To reflect this importance, some of the PCs have ODIs attached to them. These are financial rewards or penalties which are triggered by hitting set PC targets. The targets are designed to challenge us to improve the level of service we provide to our customers and often become more challenging each year.

ODIs and PCs are part of our five-year Business Plan. Overall, we have seen a deterioration in ODI penalty for 2024 which is disappointing, and we have achieved 21 of our 44 PCs, resulting in an overall £38.2m penalty. Learnings are being taken for all PCs, and improvements identified. Further detail on our ODI performance and the underlying PCs is shown in our Annual Performance Report which is available on our website at [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)

Ofwat's performance mechanism for the five-year period from 2020 to 2025 tracks an annual financial ODI position. Our financial penalty was higher for this financial year largely due to operational challenges in wastewater impacting on performance.

**ODI Penalty**



We recognise our performance has not been where we would have wanted it to be so far in this AMP, therefore we have taken additional steps to improve this. We have created a Service Commitment Plan, which details specific actions to drive performance improvements for the final year of this AMP and are working hard to create a good foundation for AMP8 (the five years from 1 April 2025 to 31 March 2030). You can access our Service Commitment Plan on our website at [yorkshirewater.com](https://yorkshirewater.com)

Our progress in relation to ODIs is reported monthly to the Board and the Executive team. ODI performance also forms a substantial part of the performance measures in the short-term and long-term Executive Incentive Plans. Further detail on this can be found in the [Directors' remuneration report](#).

## Regulatory Capital Value (RCV)

**2024: £9,132.2m**

**2023: £8,714.6m**

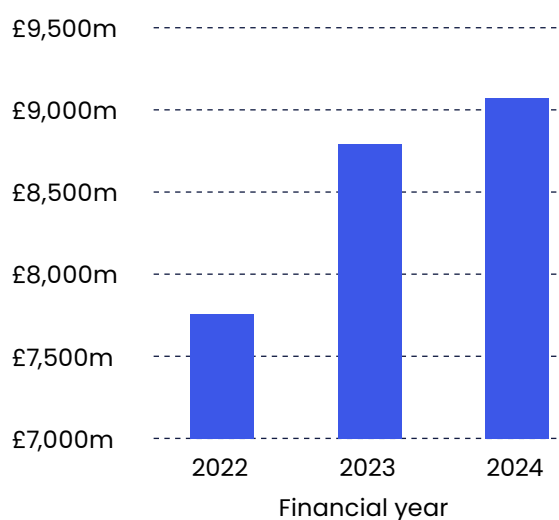
**2022: £7,745.9m**

RCV is a measure of the company's market value plus the value of accumulated capital investment assumed at each Price Review. The RCV has been developed for regulatory purposes and is primarily used in setting price limits. RCV is published by Ofwat annually.

RCV has increased year on year due to the addition of the allowed capital investment, partially offset by an allowed depreciation. The RCV is also inflated at year end using the March CPIH/Retail Price Index.

Further information on RCV can be found in our Annual Performance Report which is available on our website at [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)

**RCV**



## Adjusted net debt

**2024: £6,468.1m**

**2023: £6,303.9m**

**2022: £5,685.7m**

Adjusted net debt comprises cash and cash equivalents along with short and long-term borrowings with adjustments for balances excluded for the purpose of our financial covenant calculations.

Adjusted net debt has increased year on year through funding of our capital expenditure programme and the impact of inflation on the inflation linked element of our debt portfolio. More information on adjusted net debt can be found in our [Alternative Finance Performance Measures section](#) and [Chief Financial Officer's report](#).

**Adjusted net debt**



## Gearing

**2024: 70.8%**

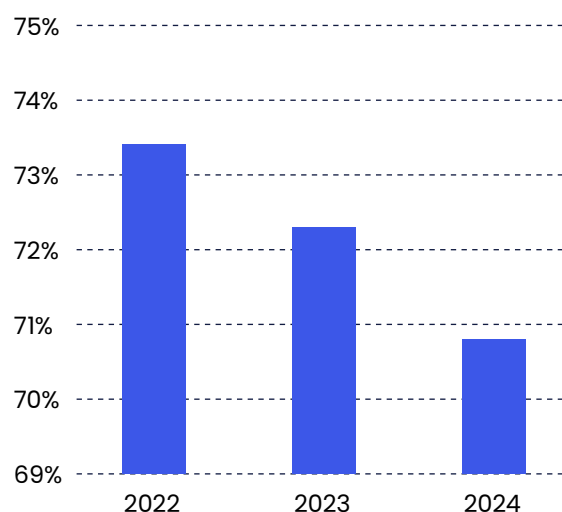
**2023: 72.3%**

**2022: 73.4%**

Senior net indebtedness to RCV (Senior Regulatory Assets Ratio or gearing) is a key covenanted gearing ratio within our financing arrangements, and actual and forecast gearing levels are monitored on a regular basis. On a covenanted basis, the gearing of Yorkshire Water Financing Group (being Yorkshire Water Finance PLC, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) was 70.8% (2023: 72.3%).

The year-on-year reduction in gearing reflects a comparatively lower rate of growth in adjusted net debt compared to RCV. In part due to the receipt of the £400m intercompany loan repayment from Kelda Eurobond Co Limited, reducing the level of required new debt issuance to fund our capital expenditure programme. More information on gearing can be found in our [Alternative Finance Performance Measures section](#) and our [Chief Financial Officer's report](#).

**Gearing**



## Colleague Engagement

**2024: 72%**

**2023: 63%**

**2022: 72%**

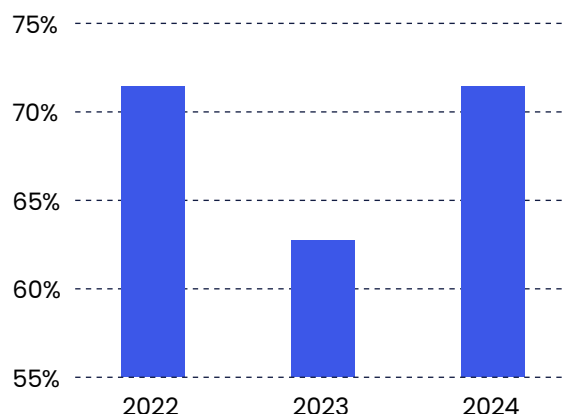
Our colleague engagement score is based on a company-wide engagement survey, known internally as Yorkshire Voice. The survey covers several areas to identify colleague sentiment and perceptions across the business. The survey provides an overall score relating to colleague engagement. In the year under review, we conducted two surveys, in September and March.

We were delighted to see an increase in engagement score this year. We received an average of 67% participation rate, the same average participation year-on-year.

Whilst this score means we are still below the average of 76% at other energy and utilities organisations, it marks a significant increase for us survey-on-survey.

The increase is reflective of a focus on engaging colleagues around our new strategy, which launched in April 2023.

### Colleague Engagement Scores



The results of each survey, including the scores by area and anonymous comments provided by colleagues, are reviewed by the Executive team, presented to the Board, and are accessible to all local managers in the business via a dedicated dashboard. Improvement plans arising from the results are discussed and agreed at a company-wide and local level, with action plans developed, and an option for leaders to reply to all anonymous comments for further discussion and improvement opportunities. The colleague engagement score forms part of the performance measures of the short-term Executive Incentive Plan for our more senior colleagues. Further detail on this can be found in our [Directors' remuneration report](#).

## Lost Time Injury Rate (LTIR)

**2024: 0.10**

**2023: 0.15**

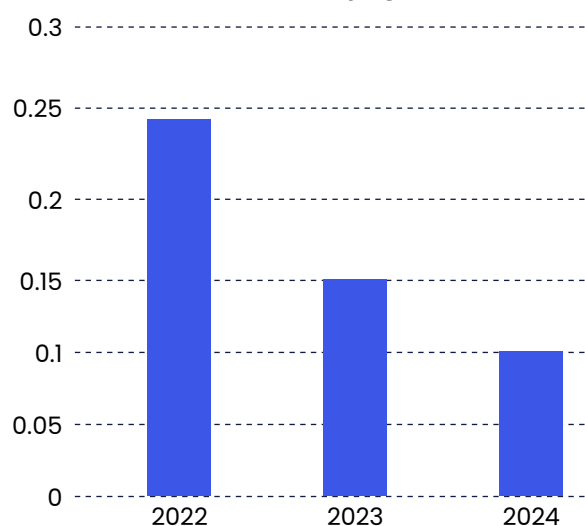
**2022: 0.24**

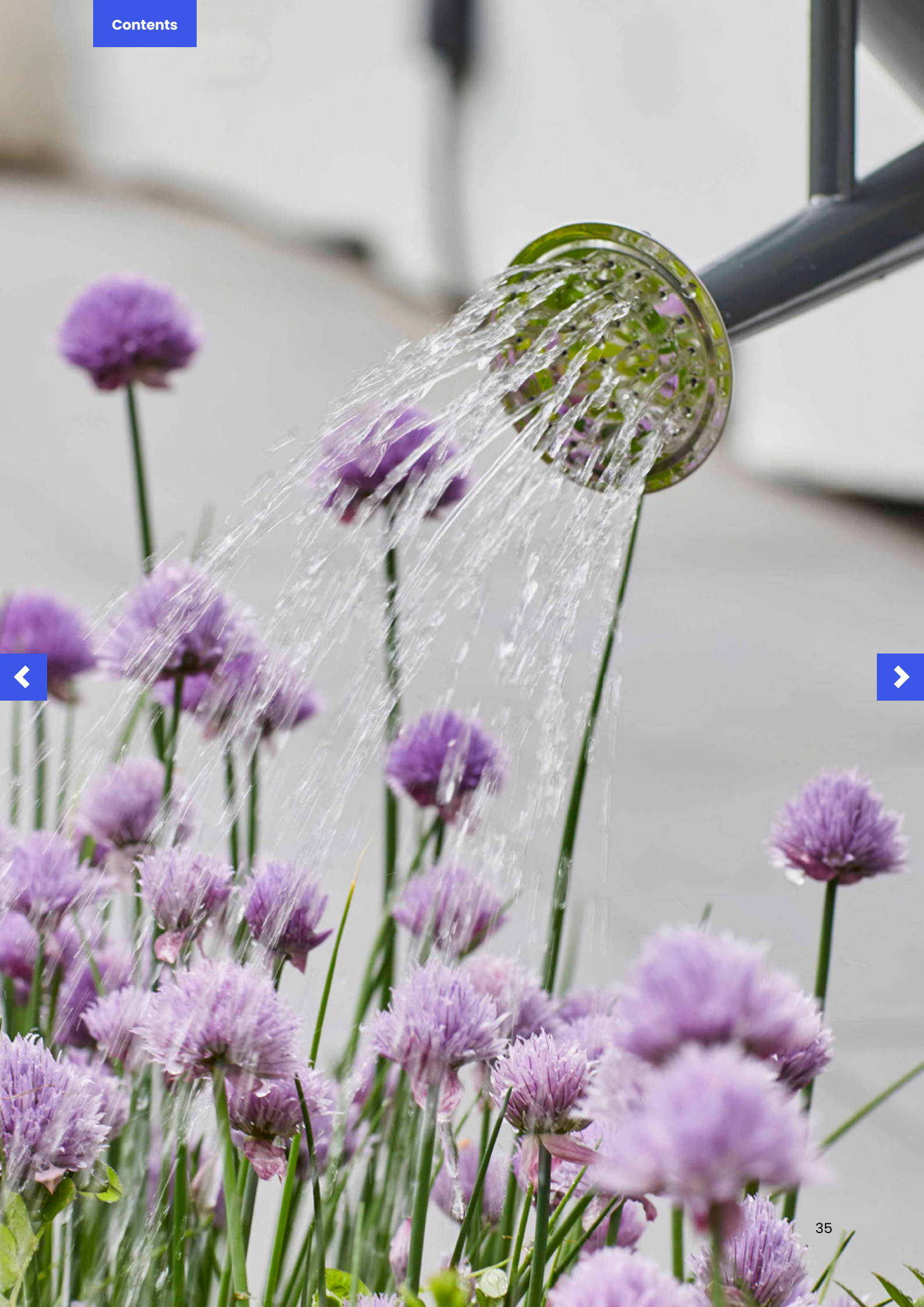
The LTIR is calculated as the number of hours lost as a result of an injury sustained at work, per 100,000 hours worked.

This year, we achieved our lowest ever LTIR with a result of 0.10 which takes us to world class in safety.

Health, safety, and wellbeing is paramount in all that we do, and we monitor the LTIR, along with other health, safety, and wellbeing metrics which are reported monthly to the Board and the Executive team. LTIR is a metric used in the performance measures of the short-term Executive Incentive Plan. Further detail on this can be found in the [Directors' remuneration report](#) and further detail on our health and safety measures can be found in our [People section](#).

### Lost Time Injury Rate





# Alternative Finance Performance Measures (AFPMs)

**Yorkshire Water uses a number of AFPMs to assist in presenting information in this report in an easily analysable and comparable form.**

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

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

## EBITDA

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

### EBITDA is calculated as follows:

	2024 £m	2023 £m
Profit before tax	99.1	723.3
Add back/(deduct) net interest charge/(income) ( <a href="#">notes 6 &amp; 7</a> )	137.5	(486.6)
<b>Operating profit</b>	<b>236.6</b>	236.7
Add back depreciation and impairment of tangible assets ( <a href="#">note 11</a> )	331.9	307.4
Add back amortisation of intangible assets ( <a href="#">note 10</a> )	43.4	33.3
<b>EBITDA</b>	<b>611.9</b>	577.4

## Adjusted profit/(loss):

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

### Adjusted profit/(loss) is calculated as follows:

	2024 £m	2023 £m
Profit before taxation	99.1	723.3
Deduct fair value movement on derivatives ( <a href="#">note 7</a> )	(71.6)	(797.9)
<b>Adjusted (loss)/profit before effects of taxation</b>	<b>27.5</b>	<b>(74.6)</b>
Effects of taxation*	(13.8)	20.4
<b>Adjusted (loss)/profit</b>	<b>13.7</b>	<b>(54.2)</b>

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

## Adjusted net debt and gearing:

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

### Adjusted net debt is calculated as follows:

	2024 £m	2023 £m
Net debt ( <a href="#">note 16</a> )	5,318.8	4,838.6
Net amounts owed from group companies ( <a href="#">note 16</a> )	537.2	937.2
Fair value movements in amounts owed to subsidiary companies ( <a href="#">note 16</a> )	31.6	16.2
Unamortised issue costs ( <a href="#">note 16</a> )	116.2	20.3
Intercompany loans ( <a href="#">note 16</a> )	(8.9)	(10.1)
RPI bullet accrued ( <a href="#">note 17</a> )	473.2	501.7
<b>Adjusted net debt</b>	<b>6,468.1</b>	<b>6,303.9</b>

## Gearing

	2024 £m	2023 £m
Adjusted net debt (above)	6,468.1	6,303.9
RCV	9,132.2	8,714.6
Gearing	70.8%	72.3%

Further information can be found in our [Chief Financial Officer's report](#).

# Clean water

**We collect, treat and  
distribute over a billion litres  
of water every day, to over  
five million customers.**



## All our key measures in this report are measured on a financial year basis, unless otherwise stated.

We collect our water in 115 reservoirs and abstract it from over 20 groundwater and river sources. It is treated to the highest standards at 50 water treatments works, distributed through 35,000 km of pipe work, and stored at optimum conditions to meet demand 365 days a year, whenever our customers want it.

### The key areas of focus for clean water in our business are:

- To protect our water resources now and into the future through reducing leaks and minimising consumption;
- Keeping continuous water supplies to our customers by minimising supply interruptions; and
- Ensuring that our water is of the highest quality.

## Water resources

The flipside of the challenges facing our wastewater network from the significant rainfall events in the year has been that our water stocks have recovered very well from the drought of 2022, and we ended this year with very healthy stocks of over 95%. Water demand has been lower than the previous year and per capita consumption – the amount of water used per consumer – is 127 litres per day, which is 3.5% less than the previous three-year average.

We have a Water Resource Management Plan (WRMP) which has been submitted to Ofwat and is publicly available. This sets out our plan to manage our water resources for the long-term, including a number of supply and demand options that will be implemented over the next ten years. Further details on our WRMP can be found in the section on the [Environment](#).

## Reducing leakage

Reducing leakage is hugely important to our stakeholders and to us and we have committed to reduce leakage by 15% over the five years from 2020. We have a Leakage Reduction Plan (LRP) that focusses on improving leakage performance through a combination of initiatives that include;

- The utilisation of new technology to improve the performance of our assets;
- Increasing our understanding of water use; and
- Improving how quickly and efficiently we find and fix leaks on our water network.

This year we exceeded our 11.7% leakage reduction target from the 2020 baseline position. This has been achieved despite a challenging year in the 2022 calendar year where very dry weather conditions caused our network to fail at an increased rate, resulting in the leakage reduction we achieved in 2023 not being as much as we had hoped. This year, we increased investment in our LRP, enabling the delivery of a significant reduction in reported leakages. This included investing in our technology, working in partnership with a number of other companies, to better understand water use and customer consumption, as well as background and trunk main leakage, to allow us to more accurately identify and report water losses, enabling the easier locating of leaks on our network.

During the year we have replaced 12,000 of the 30,000 acoustic loggers on our water distribution network to improve our data and connectivity and more accurately pinpoint leakage locations.

Key measure:

### Leakage reduction (percentage reduction of leakage from 2020 baseline):

**2023:** 9.5% against a target of >9.4%

**2024:** 12.7% against a target of >11.7%

**2025:** Target set at 15%



**As part of our ongoing mission to reduce leakage, we will be replacing a further 7,000 of the original devices with the new generation loggers over the next year. This will help us to continue to maximise efficiency by allowing us to send our field teams to more precise locations for underground leaks and help to further reduce leakage.**

We also changed our repairs and maintenance arrangement with our service partners, transitioning to a single partner arrangement. This has enabled us to drive greater efficiency in the contract and to reduce the time it takes to fix leaks detected across the Yorkshire region.

### **Smart pressure control valves**

We have continued to improve performance on our water network by deploying over 1,000 'Smart' Pressure Control Valves in the last 12 months to maintain pressure at the right level. These devices reduce the rate of any new leaks and breaks which may occur on our pipes by keeping the pressure the same across the network, day and night. They also reduce the volume of water lost due to leaks and help ensure our customers receive a continuous water supply while supporting us in having a calm and optimised network.

We can view the performance and settings of these valves centrally, control them remotely if intervention is required, and identify when maintenance is required before any impact to service or performance occurs.

**We plan to continue the installation of these new devices into next year and we are working on developing similar approaches that operate at a city and town level in some areas of Yorkshire.**



## Continuous water supplies

We have continued to reduce unplanned outages at our water treatment works, maintaining our ambition to be top quartile in the industry by March 2030. Performance of 2.95% means we had a temporary loss of maximum water production capacity for 2.95% of the year.

Key measure:

**Unplanned outages – the percentage temporary loss of maximum water production capacity in the year:**

**2023:** 3.26% against a target of <3.73%

**2024:** 2.95% against a target of 3.03%

**2025:** Target set at 2.34%

Key measure:

**Mains repairs (per 1,000 km):**

**2023:** 219.3 against a target of <181.0

**2024:** 175.3 against a target of 178.4

**2025:** Target set at 175.8

Interruption events have proved challenging to manage and resolve. In light of these challenges, we have reviewed our performance and made some changes to our incident response capability; increasing focus and support to our incident management teams to help in earlier identification and first response; to ensure we provide adequate support, resources and the equipment required to reduce the impact of interruption events, and then to resolve them as quickly as possible.

The changes to our repairs and maintenance contract and transition to a single partner will also enable us to strengthen incident response, by helping speed up repair, and to improve deployment of tankers to provide alternative water supplies and restore supplies until repairs are completed.

## Water supply interruptions and mains repairs

As well as all the positives, we faced a number of challenges in the year, including water supply interruptions being higher than target at over ten minutes, with a similar level of performance to that seen in the previous two years.

Key measure:

**Water supply interruptions (Mins : secs):**

**2023:** 9:27 against a target of <5:45

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

**2025:** Target set at 5:00

Whilst overall rates of network failure and mains repairs have been lower this year, the number of critical trunk main failures has been higher than we planned, and the failure of these assets has at times resulted in an interruption to supply for some customers.



## Water quality

Our teams carry out large-scale maintenance activity on our water network; flushing our water mains to remove the non-harmful iron and manganese deposits that naturally accumulate over time that can cause water to look discoloured. Through the implementation of an expanded trunk main cleaning programme, and improvements made to our risk based flushing programme on our smaller pipes, we positively reduced the number of customers contacting us about water quality this year to less than nine per 10,000 customers and achieved our target for the year.

Key measure:

### **Drinking water contacts per 10,000 properties:**

**2023:** 10.2 against a target of <9.7

**2024:** 8.9 against a target of ≤8.9

**2025:** Target set at 8.1

During the year we faced some issues with our water quality Compliance Risk Index (CRI) measure. This was mainly due to the risk at one water treatment works where we are currently installing new chemical dosing and refurbishing treatment processes to ensure water of the highest quality continues to be supplied. Excluding this one site risk, our 2024 performance would have been an improvement on the 2023 score at 4.01.

Whilst this has been a performance challenge, there was no risk to customers or consumers and actions are ongoing to upgrade and maintain parts of the process and prevent any future risk. We have installed new instrumentation to give early indication of potential process or treatment issues at this site.

Key measure:

### **CRI score:**

**2023:** 4.61 against a target of 0.00

**2024:** 9.27 against a target 0.00

**2025:** Target set at 0.00

## How we are looking to improve

As noted previously, we submitted our PR24 Business Plan in October 2023 and this focuses on asset health improvements at our water treatment works, a large water mains renewal programme and a smart metering roll-out across Yorkshire by 2030. These are all things that will deliver significant customer improvements over the coming years.

Further information on the specific measures that we track in relation to our operational performance can be found in our Annual Performance Report, which is available on our website at [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)



# Wastewater

**We collected approximately 2.2 billion litres of wastewater every day this year from our customers. This is an increase of 27% from the previous year.**



## This included industrial effluents from business customers across the region, and via our combined sewers we collected huge amounts of surface water from roads, pavements, driveways and roofs.

The large increase this year is attributable to the additional rainfall entering the system in a very wet year. This has had a significant impact on a number of our performance measures compared to last year.

The wastewater collected is pumped and treated through nearly 53,000km of sewer pipes, 2,608 sewage pumping stations and 605 wastewater treatment works, before being returned safely to the environment.

The key measures for our wastewater service focus on pollution incidents, wastewater treatment works, discharge permit compliance and sewer flooding incidents, both internal and external to a customer property. These measures target reducing the potential for environmental and societal harm.

## Pollution performance

We saw a decline in our overall pollution performance in the 2023 calendar year, with 137 incidents compared to 117 in 2022 and five of these incidents classified as 'serious pollution' compared to three incidents classified as 'serious pollution' in 2022. This 17% increase in incidents is reflective of the high levels of rainfall putting additional strain on our assets.

We understand that this is not acceptable and are making significant investments into reducing pollution using new technology, as well as investing to improve the resilience of those assets most at risk of failure. This includes new pumps with technology that allows them to detect and remove a blockage prior to causing a failure, as well as monitors on rising mains to detect changes outside of their normal operating parameters which can then trigger a proactive intervention.

Key measure:

### **Pollution incidents per 10,000 km sewer:**

**2023:** 22.39 against a target of <23.00

**2024:** 26.21 against a target of 22.40

**2025:** Target set at 19.50

## Wastewater treatment discharge permit compliance

We maintained our excellent performance in this area this year, and we are pleased to report that we only had one wastewater treatment works that was classified as 'failing' this year. This equalled our performance in the prior year and means we are a leading performer in the industry in this area.

Key measure:

### **Discharge permit compliance:**

**2023:** 99.7% against a target of 100%

**2024:** 99.7% against a target of 100%

**2025:** Target set at 100%

## Permitted overflow discharges

We have 2,190 permitted overflow locations. The number of permitted discharges increased by 44% in the 2023 calendar year (77,913 discharges) compared to 2022 calendar year (54,206 discharges), driven by a combination of significantly increased rainfall in the second half of the year and an increase in the availability of our overflow monitoring systems. With rainfall and availability factored in, we have reduced permitted discharges by 13% compared to the 2021 baseline.

To complement our £180m investment, a new River Health team of technical specialists has been put in place to focus on further reducing discharges. Further information on this team can be found later in this section.

## Sewer flooding performance

Internal and external sewer flooding performance has been challenging in 2024, with significant weather events and above average rainfall impacting our performance. Yorkshire is particularly susceptible to sewer flooding as a result of the higher proportion of properties with cellars in our region, and the higher proportion of combined sewers in our network, which means they collect surface water as well as wastewater and are therefore impacted more significantly by rainfall.

Our internal sewer flooding performance has fallen short of the stretching regulatory target for 2024 but external sewer flooding has remained ahead of the regulatory target for this year.

Key measure:

### External sewer flooding incidents:

**2023:** 5,375 against a target of <6,431

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

**2025:** Target of <5,674

Key measure:

### Internal sewer flooding incidents per 10,000 km sewer:

**2023:** 2.67 against a target of <1.58

**2024:** 2.78 against a target of <1.44

**2025:** Target set at <1.34

## How we are looking to improve

Improving our performance in relation to wastewater discharges is a key priority for our business and we are investing in multiple ways to seek to make improvements quickly.

As previously announced, we are partway through a £180m investment programme, which will reduce the number of permitted discharges by 20%, from 80,346 in 2021 baseline to 64,277 by the end of March 2025. The scope of this ambitious reduction plan delivers surface water separation, additional storage and treatment capacity, and water butt solutions across 130 of the highest spilling sites in the region.

Our modernisation programme also continues to transform our planning, scheduling and response processes within our sewer network department. With metrics showing improvements to productivity, response and resolution times, this new model office approach, supported by new and improved systems, is being rolled out across the region throughout the 2024 calendar year.

We are also making investments into new technology such as the Vapar system, which uses CCTV pipe inspection software to help prioritise work in the sewer network, and the V-scout system which digitally surveys the condition of manholes to help build a clearer picture of asset health.

Long-term we have a Drainage and Wastewater Management Plan (DWMP) which outlines how we will provide a robust drainage and wastewater network for our customers and the environment from a present-day baseline through to 2050 and beyond. This accounts for future changes in climate, population growth and the need to protect the environment, and sets out how we will mitigate the pressures of these changes on the safe operation of our wastewater network and treatment works.

## Providing real-time data to our communities

We understand the importance of providing near real-time data to the communities we serve, so that people can understand where and when our assets may be discharging to watercourses. Along with the rest of the industry, we introduced a map to our website in April 2024 which shows all of our storm overflows and when they are operating,

using near real-time data. This has been accessed over 18,000 times between its launch and the end of May 2024.

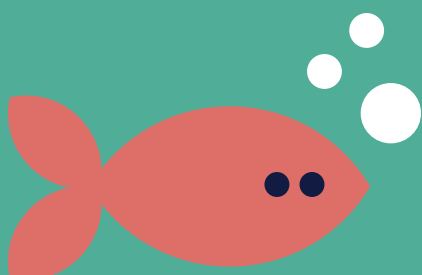
Our real-time data map can be viewed on our website at [yorkshirewater.com/environment/storm-overflows/live-map/](https://yorkshirewater.com/environment/storm-overflows/live-map/)

**We have driven our customer sewer alarm deployment to support our flooding performance, with 40,000 devices installed. These devices are monitored by our central control teams and work is raised for operational interventions before an impact arises.**



# Keeping our rivers healthy

During the year we established a River Health team within our Wastewater function, to help drive our vision for 'a thriving Yorkshire, right for our customers and right for the environment'. The team is responsible for leading our enhancement of water quality across Yorkshire's rivers and the broader water environment.





## Darren is part of this new team.

**“As a team we’re focused on optimising our operational performance, using innovation wherever we can and collaborating with other stakeholders to improve the health of our rivers in Yorkshire as quickly as possible.**

Within our team we have four main areas of focus; driving down pollution incidents, complying with environmental permits, reporting on wastewater discharges, and engaging with external stakeholders on new approaches to improving water quality.

Our team includes a number of engineers who proactively interrogate the network to identify potential issues before they occur and then intervene to prevent the issue.”

## River Aire catchment partnership working

Water quality depends not just on the watercourse itself but on the catchment around the watercourse. The catchment is the area of land through which water drains into a body of water, such as through rain, melting snow or ice. Our River Health team has adopted catchment-thinking in its approach to improving river water quality. We have engaged in a partnership approach within the River Aire catchment, working with the Aire Rivers Trust, Environment Agency, Friends of Bradford Beck and Yorkshire Wildlife Trust. We are currently working through a proposal to co-ordinate two citizen science pilots. These are:

### 1. River Rangers

A co-ordinated effort, supporting passionate members of the public to patrol watercourses within the Aire catchment, with training and new processes being designed to enable quick reporting of concerns, and a feedback loop to provide assurance that any concerns are being addressed.

### 2. Adopting an outfall/ picture posts

Exploring the potential for local ‘adoption’ or ‘sponsorship’ of outfalls. This would mean the installation of ‘picture posts’ where members of the public could take a photo from a designated picture post in a consistent manner. This information would feed back to Yorkshire Water and could then be used to inform when maintenance visits are arranged.





# Serving our customers





## **Imran is our Group Customer Experience Director**

**"As a team we're passionate  
about doing the right thing for our  
customers and the environment.**

In Customer Experience, we have a team of over 1,000 colleagues that carry out a wide range of roles from answering the phones to help customers, to remotely controlling our huge network of pipes, scheduling our jobs to carry out repairs, sending out bills, or meeting customers at events we hold across the region. All very different but all with the same mindset – delivering a great service with **ease**, with **care**, whilst adding **value** and a **positive impact** to the communities we support every day.

Within our team we're focusing on modernising the systems we use to resolve issues quickly for our customers, making sure we have the right support available for customers who need it the most, and working with our communities across the region to improve our services."

**"We want to make sure we're  
creating better connections  
with our communities, helping  
people really understand the  
value of water and the role we  
play in Yorkshire."**

## Customer Experience

Doing what is right for customers and developers helps us deliver on Ofwat's incentive metrics, the Customer Measure of Experience (C-MeX) and Developer Measure of Experience (D-MeX). These compare all water companies on the quality of recent service issues as well as general perceptions of the experience provided.

Our annual C-MeX ranking has improved this year, placing us ninth out of 17 companies, including water only companies, across the sector, compared to 11th in 2023. This means we have overachieved on our target which was originally set to tenth place and reduced our regulatory penalty from around £500,000 in 2023 to zero this year. We want to go further than this and progress into the top half of the table in 2025.

Key measure:

### C-MeX Ranking:

**2023:** 11<sup>th</sup> position against a target of 9<sup>th</sup>

**2024:** 9<sup>th</sup> Position against a target of 10<sup>th</sup>

**2025:** Target set at 8<sup>th</sup>

Our D-MeX quantitative performance, which measures a range of key service metrics, is 99.91% year-to-date. This has moved us up ten places compared to last year, to rank sixth out of 17 for quantitative performance. However, our overall D-MeX rating is 15<sup>th</sup> due to our qualitative scores. The qualitative score is based on a survey which measures the satisfaction of developer services customers who have transacted with us. Whilst our qualitative score for 2024 has improved, we are still lower quartile. This has been linked mainly to our legacy systems which, as part of our improvement plan, will be replaced from 2025 and our target is to get to ninth place in the next financial year.

Key measure:

### D-MeX Ranking:

**2023:** 17<sup>th</sup> position against a target of 14<sup>th</sup>

**2024:** 15<sup>th</sup> Position against a target of 9<sup>th</sup>

**2025:** Target set at 9<sup>th</sup>

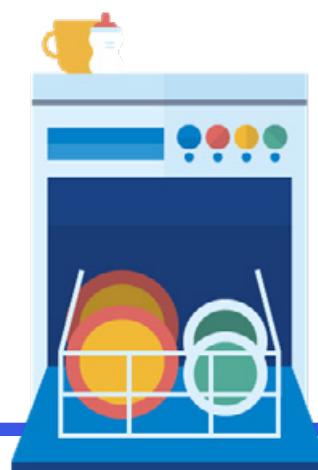
As part of our plans for our developer customers, we have delivered improved service by moving more of our application processes online. Through customer forums and focus groups we have defined and prioritised the areas most important to our customers. Dedicated case management has been well received with updates provided to customers at every stage of the journey. A jeopardy management framework, new dashboards, quality audits, and process re-engineering have all contributed to improved service levels and customer experience.

## Licence and accreditation

We support Ofwat's move to introduce a new customer-focused licence condition, placing binding expectations on water companies to deliver high standards of customer service and support the full diversity of customer needs. We are already doing lots of work that ensures we are meeting the criteria in the new licence condition, and have plans in place to further enhance our customers' experience. This includes introducing a new Customer Incident Management team who provide dedicated support and response during larger issues.

**To provide external validation that our services are meeting the needs of our customers, we have attained ISO 22458 accreditation this year which is an international standard on Inclusive Customer Service.**

The ISO 22458 standard requires us to demonstrate that our systems, processes, and organisational commitment is right for all our customers regardless of their needs.



## Improving our customer experience

Our modernisation programme is a key foundation of our ten-year strategy to create 'a thriving Yorkshire, right for our customers and right for the environment'. There are a number of capabilities that have been delivered through modernisation this year to improve the customer experience which include:

- **Improvements to our customer experience of billing** – a new customer relationship management system has been implemented to increase our digital communication to customers, as well as improving the customer experience by enhancing our data capture and response to customers. Next year will see the continuation of that programme launching to our non-household customer teams and then further to our operational teams to really help improve our visibility and resolution of customer issues.
- **Improvements to our digital offering** – this year we have introduced a range of new digital self-service options. This includes the roll-out of our 'report a problem' online tool for eight of our biggest service issues such as sewer flooding and burst pipes. We have also delivered 'track my job' capabilities so that customers can access real-time updates on the status of their issue, and we have developed two-way messaging to proactively update customers. These tools have made it easier for customers to report a fault and track the progress of the fault resolution. Where these new digital offerings are available, up to 30% of customers are now using them, reducing the volume of inbound calls to our call centre.

- **Improvements to our customer experience of operations** – this year we introduced a model office approach by creating a live test and learn environment focusing on the Bradford region. The purpose of the model office was to drive improvements to the customer response for wastewater issues. Focusing on driving a 'right first time' approach, creating new processes and operating procedures in a live environment, and creating cross team collaboration around a geographical area. Through this approach, we have delivered improved customer experience, with faster response times to issues and fewer follow-on calls chasing for updates. This model office concept also launched into water networks in the Leeds area this year focusing on customer-led issues on the network to drive a similar focus on 'right first time'. Next year will see the learning and processes from this model office rolling out across the wider business to implement the learning and new ways of working.

## Collecting bill payments

The cost-of-living pressure has been hardest felt by customers already struggling to pay their bills. The level of arrears on these accounts continues to increase and the value of our high-risk debt continues to rise. We have not seen any deterioration in new customers falling into arrears.

We have increased collection activity to slow the growing bad debt risk by supporting customers that need our help, but also targeting enforcement activities for those who can afford but choose not to pay their bill. Customers in financial vulnerability have benefited from our growing support schemes which have provided help to nearly 125,000 customers this year with more than £35m worth of bill support. This is funded through both customer cross-subsidy, supported by customers through willingness to pay research, and company funding – including the additional £15m provided by the company this Asset Management Period to help customers in response to the cost-of-living crisis. Bill support provided has reduced debt by increasing social tariff sign ups and water meter installations, resulting in lower bills as well as debt relief. We have worked in partnership to identify these customers through Credit Reference Agency checks, Department of Work & Pensions data shares and increased doorstep visits.

## Priority Services Register (PSR)

Our customers are diverse and have a wide range of needs when accessing our services. As a result, we have a range of additional priority services available to those customers who may need extra help, for example during an incident or when engaging with us. These services include, but are not limited to; translation services; bottled water delivery; bills in alternative formats; and passwords for additional security when our colleagues attend customer homes.

In 2024, we have seen a growth in the number of customers registering with our PSR, with more than 100,000 new additions during the year. This has been a specific business priority to ensure customers are aware of and accessing the support they may need, and we are delighted to have achieved our regulatory target for the first time this year.

Key measure:

**Percentage of customers on our PSR:**

**2023:** 4.8% against a target of 7.5%

**2024:** >9.2% against a target of 9.1%

**2025:** Target set at 10.0%.

Registering a customer on the PSR allows us to protect them in potential times of need. For example, understanding when customers have a medical need for water and registering their circumstances enables us to prioritise an alternative water supply should it be needed if a water outage occurs.

To ensure our customers receive the priority services they need, we have communicated with over 100,000 customers during the year to reassure them of the services they are registered for and inviting them to confirm or update their needs as required.

## Online billing

We have been working hard to improve our digital self-service offering, particularly in relation to household billing.

**This year saw a refresh of the online account which reached the milestone of 500,000 active users during the year.**

All the main reasons for customers contacting us can now be completed within their online account. We have seen over 600,000 payment transactions being made and 125,000 house moves being registered through the online service. This means that over 50% of all our customer interactions are now completed through self-service channels.

The creation of an online account includes a default to paperless billing. This has seen the number of customers with paperless bills grow from 70,000 to over 400,000 during the past 12 months. With each customer receiving two bills per year on average this has reduced our bill production and postage costs by £350,000 at a time when such costs would otherwise be increasing significantly.

## Learnings from incidents

In October 2023, we experienced a significant customer-impacting incident in Goole, involving the sudden burst of a water tower inlet, necessitating the removal of the tower from service. Unfortunately, this triggered further bursts and low water pressure within the region. Our incident management process was triggered immediately to coordinate a response and resolution to the incident.

The effects of the incident were felt by around 12,700 properties, either with low pressure or periods of no water at peak times. We established a clear communication strategy from the outset with regular updates to customers and stakeholders. Despite this, the incident took longer than we anticipated to resolve and there have been learnings from the incident that will be incorporated into our approach should future issues occur. We have now settled all the compensation claims for this incident, and built an action plan based on improvements identified, with several changes already implemented to improve the clarity and speed of our communications, which will ensure the right messages are reaching customers as quickly as possible.

## Learning from our past performance

During the year we took one of our customer complaints and asked an independent reviewer to look into this in more detail, to help us understand where things had gone wrong and what we could do better in the future.

The output from the review was shared with both the Executive team and our Board and all the recommendations made were agreed and have been or are being implemented. The learnings were also shared with all colleagues in the organisation through a Customer Stand Down, where all colleagues paused their usual work to spend time watching a video presentation which set out a high-level overview of what had happened, and the changes required to ensure it could not happen again.

It is disappointing when any of our customers have cause to complain, but we are committed to learning from such complaints and doing what we can to ensure that we improve the service we provide going forward.

## Social media engagement

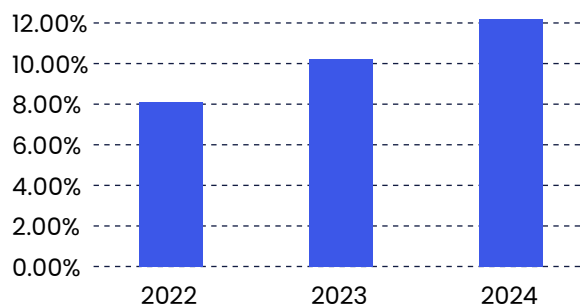
We truly value the role of social media in enhancing our customers' experience. We believe it is more than just providing great customer service; it is about building relationships and fostering meaningful engagement with our customers, who have no choice in selecting their water and sewerage service provider. Our approach to social media is centred around sharing stories that build trust in our brand, boost awareness, and create an engaging community.

Since 2019, we've seen a significant increase in customer engagement across our various social media channels on Facebook, X (formerly Twitter), LinkedIn, Instagram, and TikTok.

**With over 12,000 followers, we are proud to lead the way in digital engagement within the water and sewerage industry in the UK.**

The chart below shows our average social media engagement rate (a metric that tracks how actively involved our audience is with our content) across our five channels over the past three years. We are delighted to see a year on year increase in the percentage of audience actively engaging with our content via our social media channels.

**Social Media Engagement**



In the year under review, there have been over eight million opportunities for our stories to be seen by customers with an average positive sentiment score of 71%.

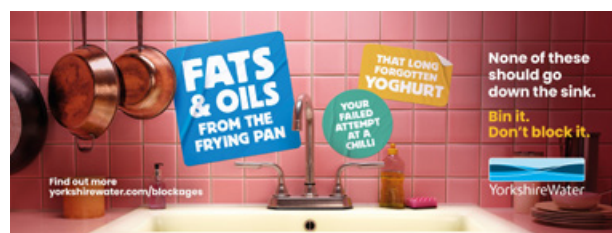
## Blockages campaign

In September 2023, we launched our new 'Bin it. Don't Block it' campaign across Yorkshire to make customers aware of their part in helping Yorkshire's pipes flow freely. Our blockages campaign is designed to be both engaging and educational.

We have focused our communication on 'hotspot' areas where the highest number of repeat blockages are happening.

The launch of our campaign has resulted in over 96.5 million opportunities for customers to see or hear it, using a multi-media communications plan.

To get a full picture of the impact of the campaign, we are conducting research with customers who have been exposed to the campaign to measure how behaviours and attitudes have changed over the duration of the campaign.



# Keeping our services affordable

Households across the country have continued to be impacted by the cost-of-living crisis throughout the year. Our customers have faced growing bill affordability issues as household expenses have risen.



As part of our ten-year strategy for 'a thriving Yorkshire, right for our customers', we aim to make water bills more affordable for everyone. To help with this, we have a range of support available for those customers who may need extra bill support. This includes:

- Tailored payment arrangements;
- Bill reduction schemes;
- Income maximisation referrals for low-income customers across our region;
- Debt support schemes, signposting debt help; and
- A Community Trust hardship fund should customers find themselves falling into arrears.

Throughout the year we have continued to offer meaningful financial support to those customers with the greatest financial vulnerability. Assistance continues to come from our established help schemes which have assisted a significantly greater number of customers this financial year.

We have targeted the support available to those customers who require additional help the most. Utilising robust data sources and partnerships across the region, we have ensured our help has reached those geographical areas and customer segments that are most under-represented.

## Over 20,000 customers this year have accessed bill reductions via one of our partner organisations.

We have two regulatory measures that focus on affordability. The 'Direct Support to Customers' Performance Commitment demonstrates the extent of the bill support we provide for customers with greatest financial vulnerability. We continue to overperform this measure and have provided more than £35m worth of bill reductions this year for customers in the most vulnerable circumstances.

Key measure:

### Number of customers provided with bill support:

**2023:** 95,138 against a target of ≥75,000

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

**2025:** Target set at ≥83,0000

We have seen particularly high engagement with our social tariff WaterSupport during the year, which reduces customer bills to a fixed amount, regardless of consumption, which we have been able to maintain at the same annual value of £350 in 2023 and 2024. This has protected customers with the lowest incomes from bill increases for the last two years.

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

<b>WaterSure</b>	<b>WaterSupport</b>	<b>Yorkshire Water Community Trust</b>	<b>Water Direct</b>	<b>Resolve</b>
This is a bill cap scheme for customers who have a water meter, claim an income-based benefit, claim Universal Credit and need to use extra water because they have a medical condition or three or more children.	This is a bill cap scheme for customers who have a low household income and their annual water bill is more than £364.	This is a debt support scheme, funded by Yorkshire Water, for customers who have arrears with Yorkshire Water between £50 and £2,000 and at least one priority debt.	This is a debt support scheme for customers who receive a deductible income-based benefit.	This is a debt support scheme for customers who are struggling to catch up on previous water bills.



Our second regulatory measure is in relation to 'voids', which is the number of properties in Yorkshire that do not receive a bill. By minimising the number of unbilled properties, we help to keep bills lower for all customers in future years. The weighted average voids performance for the full year has exceeded our target due to the policy changes we made in 2021, which enabled us to identify and charge more customers.

Key measure:

### Percentage of voids:

**2023:** 3.60% against a target of ≤4.15%

**2024:** 3.66% against a target of ≤3.98%

**2025:** Target set at ≤3.70%

Our performance is now at the 2025 Ofwat-targeted levels and ahead of plan on both of our affordability measures.

Our support for customers in vulnerable circumstances has benefited significantly from the additional £15m investment we reported last year, to help customers through bill support up to 2025. This has enabled increased funding into the Yorkshire Water Community Trust, more customers being provided with bill reductions via social tariffs, targeted metering provisions and new initiatives to reach the customers who are struggling the most.

Our ambition in the next five years is for a further step-up in the help we provide for bill affordability. In our PR24 Business Plan, we have committed to providing:

- Financial support for half a million customers over the five-year period;
- Water bill support for 280,000 customers; and
- £250m worth of financial support across our suite of help schemes.

With established understanding of the interconnection between financial and non-financial vulnerability, we have introduced a number of initiatives this year to support customers with a broad spectrum of help. We have established robust signposting practices across our billing function to ensure customers are referred to additional help, beyond water affordability, should they need it. This includes:

- Mental health
- Physical health
- Debt support
- Income maximisation

Despite increased levels of support available and significant growth in this financial year we continue to face challenges reaching all customers who may need help. National data suggests that just under 300,000 customers may be income deprived in Yorkshire and therefore potentially eligible for water bill support. However, despite increased marketing, promotion and community engagement activity we do not yet reach all the customers who may need help. We remain committed to increasing awareness and reaching all customers needing bill support.

## Innovative partnership to support Yorkshire Water customers

In the 2023 calendar year, we embarked on a new partnership to improve the support we offer people who may be struggling financially.

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. We are using the technology to improve the support provided 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 initial TellJo trial in Autumn 2023, around 2,000 customers were asked to complete a short questionnaire to identify any vulnerabilities. When customers complete the questionnaire, TellJo provides them with tailored outcomes and we can also offer payment arrangements, financial help through support schemes or see if they will benefit from our Priority Services Register. In this first phase, more than 1,000 people were signposted to external support to help them get back on top of their finances, as well as other areas where they required additional support. In addition, we were able to provide specific water bill support to more than 150 customers.

The success of the pilot has meant that this has now been expanded to help more customers. By the end of the year under review, we had invited more than 12,000 customers to complete the TellJo questionnaire and to access additional help.



# Our communities

**The vast majority of our colleagues live and work in the communities that we serve. This makes it even more important to us that we do all that we can to support the communities around us in our role as an anchor institution in Yorkshire.**

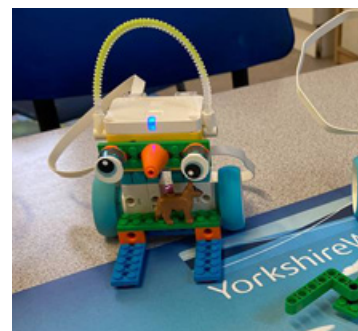


## Supporting communities through education

We have an education programme which helps us to engage with our customers from an early age, helping them to learn about safety around water, how they can help support us in doing the right thing for the environment, as well as introducing them to new opportunities for their own futures. These early interactions help us to emphasise the importance of water efficiency and 'what not to flush' which children then share with their families and beyond. An important element of our work is also teaching water safety, helping to save lives with much needed awareness of how to stay safe near open water.

**During 2024, our Education Performance Commitment delivery has increased by 3.5% compared to the previous year and across all our programmes, we reached nearly 37,000 children and adults and delivered over 36,000 hours of education. Our water safety live sessions have continued to grow in popularity with a 58% increase in hours. We also achieved visitor numbers of nearly 24,000 across our numerous centres.**

Our free education programme can be either face-to-face in schools, at our sites or online and is suitable for both primary and secondary school audiences. We have a number of dedicated education centres at our treatment works and at our nature reserve at Tophill Low, giving students the opportunity to benefit from learning outside the classroom. Our education centres are accredited with the Learning Outside the Classroom Quality Badge.



During the second half of the year, we started work on two pilot projects using innovative ways of engaging young people in learning about key industry messaging. Our primary school Lego programme allows children to learn about sewer blockages, flooding and sustainable drainage systems through the creation of a Lego 'Bot' which they then code to move around a mat whilst learning how they can contribute to making our environment a better place.

Our second pilot programme, in collaboration with Hey Girls, has looked at the need to reduce blockages caused by sanitary products being flushed into the network. Two successful pilots have taken place and it is hoped the programme will roll out during the academic year 2025.



## Sharing information on careers

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

Our work to support careers engagement and the Gatsby Benchmarks for good career guidance has continued during the year with the delivery of focused 'Careers Live' events during National Apprenticeship Week and Careers Week.

Our Industrial Cadets work experience programme in July 2023 focused on the theme of sustainability for 31 students aged 16-18 years of age. The programme will be taking place again in July 2024.

To complement our existing careers offer, we have piloted a partnership approach with Kier Group, developing a joint careers presentation which can be offered to schools in areas where we are delivering capital schemes. We hope to conclude the pilot and offer the opportunity to other contract partners during the 2024 calendar year.

## Volunteering opportunities for colleagues

As part of our vision for a thriving Yorkshire, our 'Give Back, Bring Back' policy allows colleagues up to four working days per annum to get involved in community-based volunteering. Our programmes focus on four main themes which are directly linked to our business: education, environment, customers in vulnerability and employability. This volunteering benefits not only the organisations and people we support, but also our colleagues as they get the chance to use their experience in new situations, develop new skills and learn about the communities we serve across the region.

During the year we were delighted to see a number of our colleagues participating in team volunteering days with our environmental partners, Yorkshire Wildlife Trust, RSPB, The Canal & River Trust and The Aire Rivers Trust, alongside our education & charity work.

### BD25

Our head office has been based in Bradford for 23 years and we were delighted when Bradford was named as the UK City of Culture for 2025. We are proud to be one of the major partners of BD25 and are working closely with the BD25 team to support the events that will take place in the Bradford area throughout 2025. This includes volunteering opportunities for our colleagues throughout the year, which will bring benefit to both the Bradford area and to our colleagues.



## Supporting WaterAid – Our long-standing charity partner

As an organisation, we continue to support WaterAid to help bring clean water, decent toilets, and hygiene to communities in Ethiopia. This involves developing the capacities of four cluster-lead water utilities to provide sustainable water, sanitation, and hygiene services.

During 2024, we have continued to re-introduce our key fundraising events, previously curtailed due to Covid-19, raising an estimated total of over £96,000. This includes funds raised through our WaterAid lottery and the WaterAid Gala Dinner.



**In total, over 2,200 volunteering hours were recorded by 360 colleagues from across the business.**

## Living with Water

Hull and its surrounding areas are amongst the most vulnerable to climate risks in the UK. With a complex drainage network and the geography of the region, the risk of flooding is high.

The Living with Water (LWW) partnership is a collaboration between Yorkshire Water, Hull City Council, East Riding of Yorkshire Council, and the Environment Agency, who each have responsibilities for managing different aspects of flood risk in the area.

The long-term ambition of the LWW partnership is to create a city that thrives with water and delivers sustainable solutions which are co-developed and co-delivered for communities.

Our approach has been to work collectively across multiple disciplines within the partnership to develop the LWW Blue Green Plan.

This is a 25-year strategy to address flood risk in Hull through investment in infrastructure, adaptation, and policy change, underpinned by a cultural alignment across the partners to deliver a shared vision.

Through LWW, we have delivered the installation of permeable paving on Rosmead street, which we reported had begun last year.

Our second scheme in Derringham is ongoing and consists of the creation of three large scale 'aqua greens' which in total will hold circa 1,800 cubic metres of storm water, acting like big ponds. The aqua greens are planted with native wildflowers and reeds which encourage wildlife into the green enhancing Biodiversity Net Gain in each of these locations.





# Our people



## Equality, Diversity and Inclusion (ED&I)

We continue with our commitment to providing a diverse and inclusive working environment where all our people are treated equitably.

We launched an ED&I strategy as part of our ten-year strategy during the year which has three focus areas:

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

Through all our ED&I activities our aim is to create and develop diverse and inclusive teams where our colleagues and partners feel they can be themselves, and which are representative of the communities that we serve across Yorkshire. This is part of our strategic pillar to create an engaged, high-performing team and is fundamental to achieving our vision of a thriving Yorkshire.

### Our activities this year

- We launched an internal website to showcase our networks and ED&I resources, called our AllTogether Different site. This site provides colleagues with a place to learn more and to join our fantastic six networks listed further below.
- Last year we reviewed our diversity data monitoring and broadened our question set for colleagues and this year we are also using this in our recruitment process. This will provide us further information across the full candidate journey and colleague lifecycle, helping us to better understand our demographics as a business, where our priority areas are and monitoring our progress.
- We will shortly be launching our AllTogether Different campaign which includes encouraging more of our colleagues to provide their diversity data in confidence, as well as offering opportunities for colleagues to come together and learn more about ED&I.

- We have also broadened our ED&I training in the year, providing our colleagues with updated training that covers a wider range of topics.

### Our colleague networks and groups

We now have six colleague-led networks, which are each sponsored by a member of our Executive team: Women & Gender, Disability, LGBT+, Armed Forces, Race & Ethnicity and, our newest network, Family. As part of our Women & Gender network we also have two groups: Menopause and Women in Engineering.

Our Family network has been introduced this year to provide support on issues relating to families, parents and caregivers, who all play a central role in child wellbeing and development. The network is for the people who offer love, care, provision and protection to children and young people, as well as economic security and stability. We want to recognise that this is a lifelong sacrifice which should be appreciated and celebrated, and we want to provide support for any of our colleagues in this role.

We have had some excellent colleague-led events and communications this year, led by our networks and groups, to build community across the organisation and to celebrate various awareness days such as Pride, South Asian Heritage Month, International Day of Persons with Disabilities, Menopause Day and many more.

Our Women in Engineering (WiE) Group have held several in-person events this year with people attending from Yorkshire Water and the Partners for Yorkshire Group. This group was shortlisted in the Diversity Initiative of the Year category at the Water Industry Awards. In February 2024, the WiE Group held an awards event to celebrate the progress made and the inspirational women and male allies across the group.



## External relationships

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



## Gender and Ethnicity

As we seek to drive progress on ED&I we want to embrace the diversity we have in the business; and ensure we recruit diversely.

Below we provide diversity statistics for the current and prior year:

Gender	Male		Female	
	2024	2023	2024	2023
Statutory directors	5 (50%)	7 (63.6%)	5 (50%)	4 (36.4%)
Senior managers	29 (72.5%)	26 (68.4%)	11 (27.5%)	12 (31.6%)
Total employees	2,702 (72.6%)	2,662 (73.4%)	1,021 (27.4%)	964 (26.6%)

Ethnicity	White		Black and Minority Ethnic (BAME)		Not disclosed/ Prefer not to say	
	2024	2023	2024	2023	2024	2023
Statutory directors	10 (100%)	11 (100%)	0 (0.0%)	0 (0.0%)	0 (0.0%)	0 (0.0%)
Senior managers	23 (57.5%)	24 (63.1%)	1 (2.5%)	2 (5.2%)	16 (40%)	12 (31.6%)
Total employees	1,946 (52.3%)	2,070 (57.1%)	152 (4.1%)	167 (4.6%)	1,625 (43.7%)	1,389 (38.3%)

In [note 4](#) to the [Financial Statements](#), we disclose figures relating to a total of 3,686 employees based on monthly averages throughout the financial year. The figures stated in the tables above relate to the number of employees as at 31 March 2024. Both approaches are accurate and are provided in the format stated by the relevant regulatory requirements.

## Our culture

During the year we started work on identifying a future-focused culture to align with our ten-year strategy. Through extensive internal and external stakeholder engagement, research, and analysis, we have identified the critical behaviours that we believe will enhance our business performance, and improve our customer and colleague engagement. These have been discussed in detail with both the Executive team and Board and approved as the foundation for our desired culture going forward.

Our engagement process has demonstrated that we have a strong basis upon which to build. In addition to our clear focus on working safely, our people have a deep commitment to delivering excellent service. They are highly knowledgeable, dedicated in their work, and act as a friendly, supportive, and caring team.

Through our analysis work, we have identified several areas where we can seek to develop our culture to help improve our performance. These include creating an environment with more two-way challenge, and a greater balance of empowerment for our people while maintaining our focus on safety and compliance.

We understand that evolving the culture of an organisation takes time and a sustained effort. Our aim is to do this in two main ways; through consistently encouraging the desired behaviours through our ways of working and communications, and by ensuring our leaders and managers act as positive role models, demonstrating our desired behaviours in all that they do.

### **Our Executive team and Board recognise the critical role they play in shaping the future culture and leading by example.**

A series of targeted interventions is equipping them to become deliberate and practiced role models for the desired cultural shift.

We are committed to measuring progress and continuously refining our approach via a comprehensive measurement framework, including colleague feedback on key cultural indicators via our regular colleague engagement survey and through ongoing colleague listening groups.

## Working ethically and respecting human rights

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

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

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

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

### **Attracting great people with the right skills**

We recognise that our people are our most important assets, and it is critical to attract, retain and engage top talent and build resilience in the skills and talent of our people to ensure our success, both now and into the future. We are focusing on plans that will enable our people to enhance their performance and opportunities through a range of initiatives and talent developing programmes.

## During this financial year, we have:

- Supported 21 colleagues in the completion of an accredited assessor programme via a collaborative funding pot, hosted by Calderdale College;
- Seen our graduate cohort of 2021 complete their programmes, with six of our eight graduates remaining within the business in permanent roles;
- Sponsored 155 apprentices on programmes with a further 33 awaiting enrolment or functional skills activity to support a move onto an apprenticeship;
- Offered 29 programmes via 21 providers to our apprentices, including the University of Leeds, Exeter University and Provek; and
- Funded apprenticeships with partners in areas of high levels of 'worklessness', where no-one in a household aged 16 and over is in employment.

We are continuing to invest in social recruitment channels and tools in order to attract a wider and more diverse talent pool. These investments have allowed us to reach candidates more readily and expand our talent pipeline further. We are also continuing to build on talent pools internally by offering more transparent secondment opportunities in-house.

## Health and Safety

Health and safety remains at the heart of our ten-year strategy, as part of our foundation of having a sustainable business. Our health and safety vision is 'everyone, every day, safe and well, and we know it' and this includes a moral imperative of 'zero harm'.

As we continue to drive improvements in our key focus areas, we are aiming to move away from a proactive to a more generative health and safety culture. This means that we want to set ourselves very high standards and then attempt to exceed them, we want to ensure our people are as informed as possible so that we are prepared for the unexpected, we want to use failure to improve rather than to blame, and we want transparency in our organisation so that our leaders know what is really going on.

As part of our ongoing work, we have identified five strategic health and safety objectives that we will achieve within the next ten-year period including several enabling change projects that support this delivery. These are:

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

## Occupational safety

This year we set ourselves a challenging Lost Time Injury Rate (LTIR) target and we are delighted that we have achieved it, once again making significant improvement on the previous year's performance and achieving our best ever LTIR result.

Key measure:

**Lost Time Injury Rate – number of working hours lost per 10,000 hours as a result of injuries sustained at work:**

**2023:** 0.15 against a target of 0.30

**2024:** 0.10 against a target of 0.10

**2025:** Target set at 0.10, including partners working on our behalf.

To maintain our drive to prevent injuries to our colleagues, customers, and partners, we had a planned focus this year on significant near miss incidents that have the potential, in slightly different circumstances, to cause serious injury. We were successful in reducing such incidents by 44% compared to the prior year.

In line with this, we have continued to hold incident review panels and learning review boards to assess the quality of our investigations and capture broader lessons to drive continual improvement.

## Health and wellbeing

In order to support our colleagues, we have continued to train mental health first aiders and provide specialist counselling support services, through our Employee Assistance Programme and online GP services, for those colleagues who have required support.

We are very aware that the cost-of-living crisis has had a significant impact on the communities we serve, including many of our colleagues. During the year the Occupational Health team has established a relationship with the Leeds Inclusive Anchors Network, who support local businesses and communities on financial matters. Through the network we have provided support to colleagues through webinars and events providing advice on financial matters, which have been free for colleagues to attend as they wish.

We have also established a Financial Wellbeing hub where colleagues can confidentially seek further information on all aspects of finance.

During the year we have also introduced a Wellness Day for all colleagues which is in addition to annual holidays. This is to allow all our colleagues a day to focus on their wellbeing and help promote a healthy work-life balance.

Key measure:

### Sickness absence percentage:

**2023:** 2.79% against a target of 3.50%

**2024:** 2.86% against a target of 3.00%

**2025:** Target set at 3.00%

## Increased aggression towards our colleagues

During the year we have sadly seen an increase in the number of cases of aggression towards our colleagues and partners, both from customers and other members of the public. In response to this increasing trend, we have re-enforced our existing controls, increased our number of lone worker devices and we have also signed up to the 'service with respect' campaign which is led by the Institute of Customer Service. This service provides additional safety training to our customer facing colleagues.

## Process safety

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

Key measure:

### Process safety incidents:

**2023:** Zero against a target of <5

**2024:** 1 Tier 3 Process Safety Near Miss incident against a target of <7\*

**2025:** Target set at <5\*

\* The measure includes Tier 3 process safety near miss incidents which were included in the Tier 1 and 2 classifications, hence the increase in target number for 2024 and 2025.

## Safety leadership

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

Key measure:

### Leadership safety site visits:

**2023:** 504 against a target of 435

**2024:** 435 against a target of 435

**2025:** Target set at 435

## Public safety

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

## Contract Partner Safety

We often use contract partners in our day-to-day running of the business, and we value their health and safety as highly as that of our colleagues. We meet regularly with our partners to share health and safety best practice with each other, and we have formed various joint working groups, to focus on things such as our 'Confined Space Charter' and 'People and Mobile Plant Interface' safety campaigns. We have focused in the last year on ensuring our partners understand our expectations and that our Yorkshire Water colleagues understand their commitments to ensuring that our partners operate safely.

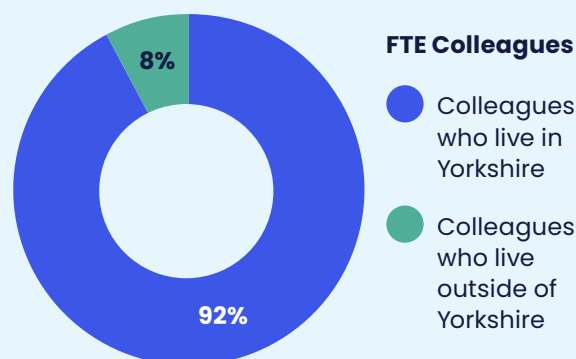
## Our approach to safety

We have a health and safety plan each year which sets out key milestone deliverables for focus areas.

**This year we delivered all the major milestones of the plan, which contributed towards our strong health and safety performance and the maintenance of our ISO 45001 certification.**

## Colleagues that live in Yorkshire

This year, we gathered information to understand our colleagues better and to also understand how we are helping our communities by providing job opportunities to those who are based in Yorkshire. We take pride in knowing that a vast proportion of our colleagues who help make Yorkshire Water a thriving place to work are locally based. The chart below shows that 92% of our colleagues on a full-time equivalent basis live within Yorkshire.



In the coming year we will continue to focus on the reduction of high potential incidents, process safety improvements and contractor safety, whilst placing a greater focus on engaging and collaborating with all colleagues, moving our health and safety culture from proactive to generative.



**Over 1,700 colleagues received a new lone work device this year, when we entered into a partnership with a new provider**

### Meet Daniel, one of our lone workers:

"Even if you never have to use your device, it's a relief to know someone has your back. However, that doesn't mean I haven't used it. I've used my device before when customers have become agitated or aggressive and, although thankfully the situation didn't escalate, knowing that I was safe if it did was a huge relief."

## Gender pay gap

In accordance with The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, we publish our gender pay gap information annually. The most recently published data is for 5 April 2023 and is included for information in the tables below. Data for 5 April 2024 is expected to be published no later than 5 April 2025. You can access our gender pay gap reports on our website at [yorkshirewater.com](https://yorkshirewater.com)

### Gender pay and bonus gap figures

Year	Mean Gender Pay Gap	Median Gender Pay Gap	Mean Bonus Pay Gap	Median Bonus Pay Gap
2023	6.6%	8.4%	-34.6%	0.0%
2022	4.4%	5.1%	-13.0%	0.0%

### % Receiving bonus

Year	Females	Males
2023	95.0%	97.8%
2022	89.7%	93.7%

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

## Pay quartiles

Year	Upper quartile		Upper middle quartile		Lower middle quartile		Lower quartile	
	F	M	F	M	F	M	F	M
2023	23.2%	76.8%	24.7%	75.3%	19.0%	81.0%	39.3%	60.7%
2022	23.7%	76.3%	23.7%	76.3%	18.9%	81.1%	36.3%	63.7%

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

Whilst our gender pay gap figures are low in comparison to the national average, 2023 has seen an increase to both the mean and the median gender pay gap figures by 2.2% and 3.3% respectively. A key factor in this, for the fourth consecutive year, is an increase in female representation in the lower quartile increasing by a further 3% in 2023.

We have also seen a further increase to the mean bonus pay gap figure now at -34.6% in favour of females compared to -13.0% in 2022. The driver for this being the representation of females we see in senior roles and therefore receiving higher bonuses.

Our predominantly male and long serving workforce, constituting 72.6% of our colleagues, reflects a historical imbalance that will require sustained effort over several years to rectify. Despite these challenges, our aim is to be reflective and representative of our communities and customers.

## Ethnicity pay gap

Whilst ethnicity pay gap reporting is not a statutory requirement, we calculate and gather the data alongside our gender pay gap reporting. The most recent ethnicity pay gap data is shown in the table below and is for 2023. Data for 2024 is expected to be published in April 2025.

The ethnicity pay gap shows the difference in the average pay between people from ethnically diverse communities compared to white employees. The reporting of ethnicity is by choice of the individual and we had a voluntary disclosure rate in 2023 of 61.7%, meaning 38.3% of our colleague population is undisclosed. These colleagues are not accounted for in the figures.

In 2023, our mean ethnicity pay gap was 5.7% and our median ethnicity pay gap was 11%. In order for our figures to be truly reflective of our workforce, we continue to improve processes and encourage our people to disclose their ethnic identity.

## Ethnicity pay gap and bonus gap

Year	Mean Ethnicity Pay Gap	Median Ethnicity Pay Gap	Mean Bonus Ethnicity Pay Gap	Median Bonus Ethnicity Pay Gap
2023	5.7%	11.0%	-190.5%	0.0%
2022	4.5%	10.2%	-85.8%	0.0%

# The environment



**Information on our environmental performance in relation to pollution incidents and permitted discharges during the year, can be found in our [Wastewater section](#). This is a key area of focus for us as a business and we know that there is much to do to improve.**

We are focusing significant investment and resources on improving our performance, both now and in our PR24 Business Plan and beyond. We have ambitious targets to reduce the number of pollution incidents and permitted discharges, with investments of £1.4bn to reduce storm overflows and £580m to improve coastal and inland bathing waters in our PR24 Business Plan.

## Our partnerships

Much of our work to do the right thing for the environment is delivered through partnerships. One of the key examples of this is our Living with Water partnership in Hull. More detail on this can be found in the section on [our Communities](#).

## The Water Industry National Environment Programme (WINEP)

The WINEP is the programme of work that water companies are required to do to fulfil their obligations arising from environmental legislation and UK government policy. The WINEP is updated ahead of each Price Review, and covers a five-year period. The current period is running from 2020 to 2025, alongside our Asset Management Period.

The WINEP does not cover all of our obligations relating to the environment, for example we have an obligation to maintain our assets and to consider future water resource demand, which are important matters to protect the environment but are not included as part of the WINEP.

Our current WINEP covers a broad range of requirements across the entire Yorkshire region, for both our clean water and wastewater activities. It includes management and improvement of our land, the sources of our clean water, the environmental impacts of our reservoirs and abstractions, and the impacts of the wastewater we release. The range of solutions vary from conventional engineering approaches, to our largest ever programme of catchment interventions. Collaboration, partnership, and innovation are key themes in our WINEP for this period.

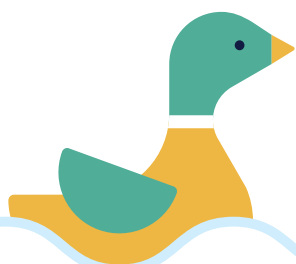
In the year under review, we have invested around £224m through our WINEP on improving the environment in Yorkshire and investigating the impact of our activities.

We have also set out our WINEP plans for environmental improvements for the period from 2025 to 2030 as part of our PR24 Business Plan. We will be embarking on our largest ever environmental improvement plan, which will protect and improve the quality of water in our rivers and at our coasts, leading to cleaner, safer water environments that support recreation and biodiversity across the region.

The most significant area of investment will be in our wastewater treatment works, which will see reductions in nutrients such as phosphorus and nitrogen.

Where appropriate to do so, we will maximise our use of nature-based solutions to support improvements to biodiversity, net-zero, access, amenity and community engagement. We will continue to work collaboratively and in partnership with others delivering the joined-up approach that is one of our strategic pillars.

Alongside delivery of large infrastructure programmes to protect and enhance the environment, we have delivered actions to support biodiversity and species conservation. More information on this can be found later in this section.



## Water resources

We have done much in the year to improve our water resources through reducing leakage, which is covered in more detail in our [Clean water section](#).

In order to contribute to a thriving Yorkshire, we need to be able to provide our customers with a reliable and sustainable supply of high-quality water now and in the future. Over time our ability to meet customer demand for water will be challenged by climate change, population and economic growth and the need to protect the environment. Our Water Resource Management Plan (WRMP) is a key component of our long-term strategic planning framework. It outlines how we will continue to deliver safe, clean drinking water to 2050 and beyond, even in the most severe droughts.

The WRMP considers future water supply availability due to changes in rainfall, and demand due to population growth. It then sets out the actions required to address the risk of a supply-demand deficit in the future. These actions include sourcing new water supplies, increasing storage and treatment capacity, and demand reduction measures such as reducing leakage, and encouraging reductions in business and household consumption.

All companies are required to produce a WRMP every five years to ensure the outcome is based on the latest data and guidance. Our latest plan can be found on our website at [yorkshirewater.com](https://yorkshirewater.com)

### As part of our WRMP24, our goal is to:

- Reduce the volume of leakage by 50% by 2050 compared to 2018 levels;
- Help customers reduce water use to an average of 110 litres per head per day by 2050, which is currently at 127 litres per head per day; and
- Work with retailers and business customers to achieve a 9% reduction in commercial water use by 2038.

The combined benefits of our demand strategy will be a 20% reduction in water production per head of population by 2038.

The WRMP also contains a number of new supply schemes for the next Asset Management Period, which will provide an additional 21 million litres per day in total.

## Nature First

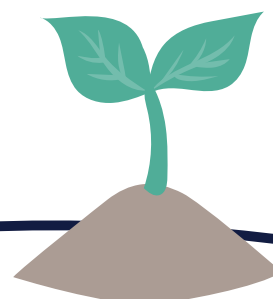
As part of our vision for 'a thriving Yorkshire, right for our customers and right for the environment', we have made a commitment called 'Nature First'.

### **This is a commitment to pursue nature-based solutions as a preference over traditional infrastructure to deliver our services. This commitment forms part of our PR24 Business Plan submission.**

Nature-based solutions are rapidly being recognised as one of the most important tools to create resilient and thriving communities. By using natural processes, or mimicking natural processes, to solve a problem or deliver a service, we can reduce our carbon footprint by allowing nature to provide some of our services for us, which means we are less likely to need new infrastructure.

At Yorkshire Water, we have a lot to be proud of when it comes to leading the way in nature-based solutions and we have led the water sector in making sure environmental and social value considerations are a key part of our decision-making processes. We already have globally significant nature-based solutions including:

- Restoring peat bogs and rivers;
- 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; and
- Our partnership with Future Food Solutions is innovating in sustainable farming practices which protects raw water quality while also delivering the world's first arable soil carbon credits.





## Managing our land

**With approximately 28,000 hectares of land, we are the second largest landowner in Yorkshire. With this ownership, comes great responsibility to the environment and to the communities in Yorkshire that use our land.**

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

- Peatland restoration
- Flood management
- Recreation
- Farming
- Wildlife
- Carbon storage

**Our performance commitment to conserve and enhance 15,239 hectares of land is on track with our programme of work set to deliver this by 2025.**

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

We are continuing to work in partnership with the National Trust, working together on a range of initiatives aligned to both organisations' strategic objectives. The most advanced of these is the ambitious '**Landscapes for Water' Project** which sees us working together for environmental benefit by planting new woodlands, following woodland clough guiding principles.

Most of our non-operational land is tenanted to farmers, and we have continued to manage our farm tenancies with our Beyond Nature® initiative, combining research and practical applications to champion a variety of benefits which can be maximised through careful management of land resources and the natural environment. We now have 30 farms signed up covering 9,914 hectares of land.

As part of our Beyond Nature® initiative, a 'Biohub' has been created, bringing in funding from Levy UK and Ireland and Quorn Professional, transforming an area of fallow pasture into a working demonstrator farm based on circular and regenerative principles. Over time, the Biohub will create a continuous productive landscape to capture carbon, increase biodiversity, and produce food crops that are appropriate in our climate and environment.

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

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

**These projects fully align with our overall priorities and objectives for owning land as well as meeting societal objectives expressed through stakeholder organisations.**

**We are also continuing to manage our woodland estate of over 1,600 hectares to high standards and have achieved external Forest Stewardship Council accreditation.**

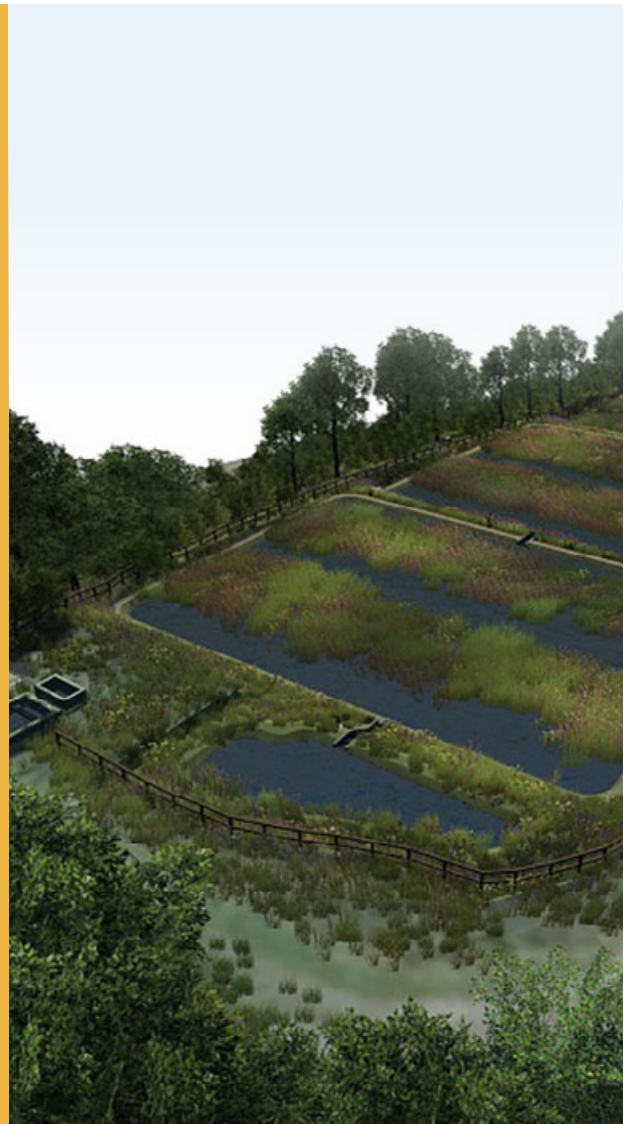
Case study:

## Clifton wastewater treatment works

We have recently delivered a constructed wetland at Clifton wastewater treatment works, which is a nature-based asset to help manage our water in a more sustainable and low-carbon way. This treatment facility is the size of three Olympic swimming pools and was designed to deliver phosphorus removal by planting 24,000 native plants in a new wetland, rather than constructing traditional treatment.

**By doing this, we have created 2.28 Biodiversity Net Gain Units and achieved a 79% operational carbon reduction when compared to a traditional solution.**

Further information on Biodiversity Net Gain can be found later in this section. This scheme has won multiple awards for its innovative and sustainable approach to wastewater treatment including the Utility Week Net-Zero award and a Construction Industry Research and Information Association Innovation award for being the first nature positive wastewater treatment facility.



Case study:

## Tophill Low Bird Hide

At our Tophill Low Nature Reserve, we have installed an 'access for all' bird hide which is elevated upon repurposed spoil, estimated to have saved Yorkshire Water bill payers around £3m in removal and disposal costs and significantly reducing the carbon emissions associated with such a large-scale removal project.

**The project has also incorporated the planting of 3,200 native trees.**

## Great Yorkshire Rivers Partnership

Since 2009, various groups, organisations, and partnerships have successfully provided fish passage at over 100 weirs in Yorkshire. Entire river systems have been 'opened-up', helping secure the future of our fish species, the wildlife reliant on them, and angling. Great Yorkshire Rivers is a regional partnership initiative led by Yorkshire Water, the Rivers Trust and the Environment Agency to advance this further.

Our aim is to address all artificial barriers negatively impacting fish populations in Yorkshire, allowing recovery of our native fish species; helping rivers and their communities to thrive. Currently the partnership is in the process of bringing in around 20 live projects.



## Chalk Stream restoration

We are working closely with partners such as the Yorkshire Wildlife Trust, Environment Agency and Natural England, to support the national Chalk Stream Restoration Strategy through development of a flagship project on the Upper River Hull to advance our wider plans for improvements across the Yorkshire chalk streams in the next Asset Management Period.

## Habitat restoration

Work continues on our Water Works for Wildlife project, for habitat management on Yorkshire Water land focused on local wildlife sites. 14 hectares of floodplain priority habitat near Hull has been brought into the project to enhance biodiversity and protect local groundwater, together with another 14 hectares of local wildlife sites near Thurgoland, now being managed for biodiversity and in particular, numerous endangered bat species. A major project is underway with the Yorkshire Wildlife Trust to enhance the habitat adjacent to the River Dearne at four of our wastewater treatment works. We are also collaborating with partners along the Ouse, to help manage our land for the endangered Tansy beetle.



## Invasive species

We continue to manage invasive non-native species and enhance biosecurity across our catchments, including three of our sites recently being awarded Bronze AQUA Biosecurity awards; Swinsty Reservoir, Fewston Reservoir and Tophill Low Nature Reserve.

## Citizen science surveys

We have been working across Yorkshire, supporting citizen science and naturalist monitoring programmes, to help ensure we recognise our impacts and also, our opportunities to help wildlife thrive. For example, we have been working with the South Yorkshire Bat Group, to understand how endangered species such as bats use our land and reservoirs, to make sure we can play our part in their protection.

## Biodiversity Net Gain (BNG)

BNG is a new approach to housing development which has been mandatory in England since 12 February 2024. Housing developers must now deliver a BNG of ten per cent, which means housing developments will result in a better-quality natural habitat than existed before each development.

We have set up an internal working group, who have set out processes and procedures to integrate BNG into our end-to-end process of working with developers, and training colleagues on the new requirement.

We have also been undertaking the required biodiversity baseline metric assessments for large schemes, drafting biodiversity gain plans, and habitat management plans, as required.

Where there is insufficient space on site to provide BNG within the planning application area, we have a plan to provide our own biodiversity bank that can be used to provide off-site BNG units. There may also be instances where we will seek to deliver units via third parties, which will be a last resort in line with the legislation and guidance.

## Bathing water

**In Yorkshire, there are 18 coastal bathing waters and the first inland bathing water in the UK. Our 2023 performance resulted in seven bathing waters being classified as 'excellent', nine classified as 'good' and three, including the inland bathing water at Ilkley, classified as 'poor'.**

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

We have continued to invest in our partnerships, developing a £1m marine impact modelling tool to support further studies, and co-funding intensive investigations led by the Environment Agency at Bridlington in 2023 and at Scarborough in 2024.

As part of a thriving Yorkshire, we are committed to continuing our partnership and engagement work along the coast into the next Asset Management Period. This includes developing and implementing improvement actions from the outputs of the investigatory work as well as expanding our coastal education offering.

In addition to this, we have committed to reducing permitted discharges into bathing waters to two per season by 2030, five years ahead of the storm overflow reduction plan timescales. This will be delivered through significant capital investment at key locations.

## Improving water quality at the River Wharfe

Since the River Wharfe in Ilkley was granted bathing water status, we have been keen to play our part in improving water quality. We recently completed the construction of a new sewer, which is two metres in diameter, took 16 months to complete, cost £15m to build and can store up to 3.4 million litres of wastewater.

The completion of this project is not the end of our work in Ilkley, later this year we will start further work to reduce discharges into the river and we are currently assessing a range of possible options, using nature-based solutions where possible.

This new sewer and detention tank is expected to reduce the frequency of discharges from the Rivadale storm overflow by 40% and will reduce the volume of wastewater discharged during those events by 50%. This will improve water quality in the River Wharfe.



## Bioresources

During the year we have treated 146,025 tonnes of sludge at our wastewater treatment works and converted this into 78,838 MWhs of electricity.

Our energy generation performance ended the year behind expectations which has led to a new team being created with specific responsibility for the end-to-end sludge treatment process. The Energy Generation team is now focussing on our top five energy producing sites and creating a step change in performance. As we enter the new financial year, the team's priorities are to reshape our planning processes and align maintenance activities with operational events across all sites, embedding a production mentality.

Looking forward to the future, our internal Asset Management team continue to deliver our large capital programme. In particular, delivering over £50m of investment in site improvements required for compliance with the Industrial Emissions Directive, ahead of the compliance date of 31 March 2025. Additional investment will commence to install Ephyra at Knostrop – an innovative anaerobic digestion technology – reforming existing assets to unlock extra treatment capacity required to handle the additional sludges being produced by the phosphorus removal schemes being commissioned over the next year. This will be complimented by delivery of Gas to Grid at both our Knostrop and Blackburn Meadows sites, upgrading renewable biogas for injection into the local gas grid, increasing the value by £2m per annum.

To supplement the treatment capacity required, we are currently completing a procurement exercise to deliver Yorkshire's first long-term sludge trading agreement, building on our innovative use of the market to deliver the lowest cost solutions for our customers.

## Energy and carbon reporting

Sustainable use of energy and reduction of carbon emissions has been a continued focus over the last year, and we have revisited our strategy for both areas to set ourselves on a clear pathway to deliver our goals.

We aim to increase our energy self-generation to 40%, make our operational emissions carbon neutral by 2030 and achieve net-zero emissions across both operational emissions and those in our supply chain by 2050.

Our PR24 Business Plan submission includes the investments required to deliver our goals by providing expansion of our renewable energy self-generation, reduced emissions from our wastewater processes, and optimisation from the whole life carbon arising from our capital programme to ensure we can operate efficiently and with low energy and carbon emissions.

We have taken a key strategic decision this year to re-align our emission reduction actions against absolute (location-based) emissions, and away from the use of market-based energy adjustments. While this means our market-based emissions will increase in the short term, we believe by tackling emissions at source, and increasing our energy self-generation, we will deliver a sustainable reduction in emissions.

We have made good progress to date with our plans to reduce emissions. We are aiming to reduce as far as possible through improving process efficiency, installing low energy and low carbon retrofits, fuel switching, transitioning towards electric and more efficient vehicle fleets, increasing our energy self-generation, and designing and constructing new assets with reduced whole life carbon emissions. However, we do expect to need to use carbon offsets to mitigate a residual level of CO<sub>2</sub>e once all these actions are considered and are aiming to minimise this as much as possible.

Funding for these actions is being assessed by Ofwat as part of our PR24 Business Plan.

We have established two governance groups; a Net-zero Carbon Committee, chaired by our CEO, and an Energy Group, chaired by our Chief Financial Officer. These two groups provide governance and strategic direction for our forward planning and investment, as well as greater impetus and oversight to our initiatives to set specific targets for reduction and allocation of resources to support our implementation programmes.

Energy efficiency has been important to mitigate growth in energy consumption as we have increased the size of our asset base to accommodate growth in the population we serve and meet increasingly stringent environmental compliance requirements. We recently employed Consults to conduct Energy Savings Opportunity Scheme site audits, covering approximately 26% of our energy consumption. The audits found savings associated with a range of different asset types. We plan to review these audit reports and produce an action plan to be implemented in the next Asset Management Period (AMP).

Our Yorkshire Water zero emission fleet increased to 18% in 2024 with the addition of 252 electric light commercial vehicles. The deployment of these vehicles has been supported by investment in home charging installations to both improve charging options and reduce vehicle downtime.

Further fleet replacement funding will be allocated starting in 2026, supporting our strategy to move to a zero emission fleet over the next ten years.

We are seeking more efficient use of gas oil and investments to support fuel switching (gas oil to natural gas). We have also made positive progress to set out our forward investments and partnership plans for renewable energy that will ensure we can meet our ambitious self-generation targets.

We have also initiated pilot schemes to validate the carbon we will sequester through peatland

restoration and woodland planting schemes, which over time will enable us to claim carbon credits (as insets) to reduce our annual emissions.

Process-related emissions have emerged as a key and growing challenge for several reasons. Firstly, these have risen, and are forecast to further increase, as we accommodate growth in wastewater treatment to meet population growth and deliver tighter environmental compliance requirements, and secondly due to emerging improved science around their measurement. We have been collaborating with academic partners and others in the sector to look at the implications of both of these pressures and look at ways to control emissions more tightly. We anticipate significant investment will be required in this area to ensure we can deliver on our net-zero plans.

The below data is reported in line with the UK government's Streamlined Energy and Carbon Reporting requirement for certain organisations to report their energy and Greenhouse Gas (GHG) emissions.

Both data sets have been assured as part of our annual performance reporting process, and the GHG emission data has been independently verified against the ISO 14064-1 standard. For a detailed breakdown of emissions and energy use, please see the Operational Carbon section of the Annual Performance Report which is available on our website at [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)

## Energy performance

Fuel use, GWh		2024	2023
Grid electricity		508	547
Renewable electricity* generated and consumed		162	98
Diesel		65	63
Gas Oil		20	17
Kerosene**		-	-
Natural gas		9	8
Petrol		3	2
Total		<b>767</b>	<b>735</b>
Intensity ratios	kWh per megalitre of water supplied	629	825
	kWh per megalitre of wastewater treated	595	663

\* We are not currently able to report the amount of renewable heat that we consume and generate.

\*\* Only trace amounts of kerosene are used.

<sup>1</sup>Intensity ratio water/wastewater splits are based on best estimates from available information.

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

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

**Scope 1 emissions** are those we directly release to the atmosphere, for example, from burning fossil fuels on our sites, driving fossil fuel powered company vehicles, and releasing gases during treatment processes. This does not currently include emissions from our land.

**Scope 2 emissions** are those indirectly released to the atmosphere associated with our purchased electricity, used primarily to pump and treat water and wastewater.

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

Our Greenhouse Gas emissions for the 2024 financial year are detailed below. The notable change from the prior year is that our market-based emissions have increased significantly as we have decided to realign our net-zero transition to location-based emissions and have taken a decision to no longer purchase certificated green energy to offset our emissions.

## Greenhouse Gas (GHG) emission performance

Measure	Units	2024		2023	
		Market-based	Location-based	Market-based	Location-based
Scope 1	kt CO <sub>2</sub> e	85	85	81	83
Scope 2	kt CO <sub>2</sub> e	178	108	–	106
Scope 3	kt CO <sub>2</sub> e	18	18	9	18
Total GHG emissions	kt CO <sub>2</sub> e	<b>282</b>	<b>211</b>	<b>90</b>	<b>207</b>
Intensity ratios	kg CO <sub>2</sub> e per megalitre of water supplied	222	144	18	182
	kg CO <sub>2</sub> e per megalitre of wastewater treated	224	179	133	218

We use the latest version of the UKWIR Carbon Accounting Workbook, this year, version 18 which uses 2023 emission factors to calculate these emissions, whereas, the environment measure reported in the [Annual report on remuneration section](#) is calculated using version 16 of the Carbon Accounting Workbook to provide a consistent measure for reporting our current AMP performance (using 2019 emission factors consistent with our AMP baseline year).



# Climate-Related Financial Disclosures (CFD)

**As a business, we are reliant on the natural environment around us so it is essential that we assess and manage our risks, opportunities, dependencies and impacts in relation to climate change.**



## **We are already seeing the impact of climate change on our natural environment, which in turn affects our customers, the communities we serve, and the way we operate our business.**

We are committed to playing our part in tackling climate change as well as adapting to the challenges that we are facing now, and are likely to face in the future.

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

### **Governance**

The Board has ultimate responsibility for climate-related matters, including climate-related risks and opportunities, and has considered these throughout the year in various forms.

The principal risks for the business are reviewed by the Executive team and Board every six months, which includes climate-related risks. In addition, during the year under review, the Executive team and Board have undertaken deep dives into the risk appetite for each principal risk, which includes the risk appetite in relation to climate change and carbon transition, for which there was a detailed discussion at the Executive and Board meetings in March 2024.

The risk appetite was reviewed using agreed key risk indicators and a breakdown of the individual risks that make up the over-arching principal risk.

The Board has also spent considerable time during the year overseeing the creation and submission of the Price Review (PR24) Plan for the business, which has included much discussion around climate-related risks and carbon transition in consideration of such things as the Water Resources Management Plan, the Drainage and Wastewater Management Plan, and the Long-Term Delivery Strategy, which all have climate-related considerations front and centre. The Board set-up a PR24 Committee, specifically to consider the plan in more detail and there were 12 meetings of the Committee held throughout the year, during which there were detailed discussions and scrutiny of the climate-related risks, opportunities, assumptions and plans contained in the PR24 Business Plan submission.

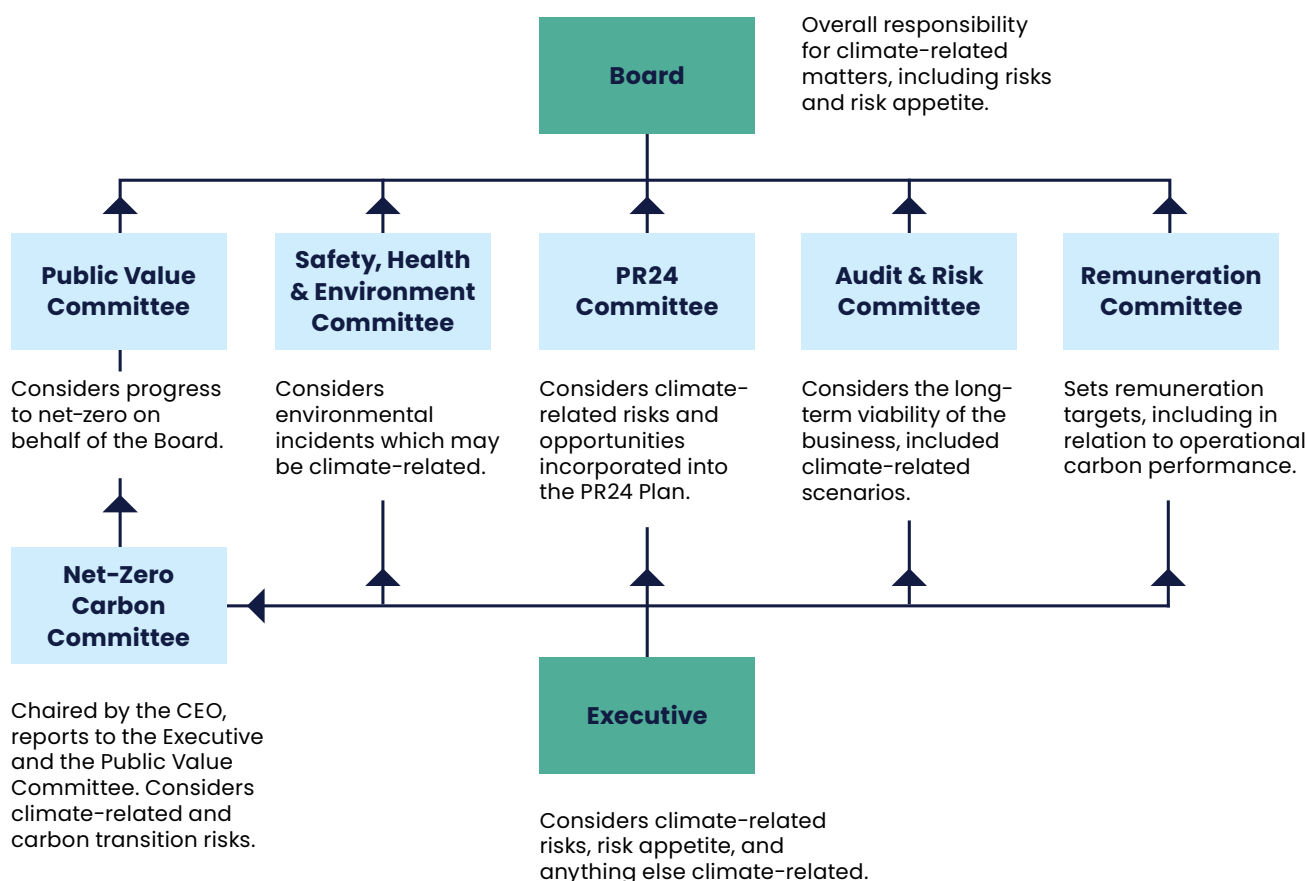
The diagram that follows shows the flow of information on climate-related matters to and from the Board and its Committees.

Climate-related risks are also included in our long-term viability analysis, which is assessed every year by the Audit and Risk Committee and the Board.

A Net-zero Carbon Committee was set up in the prior year and this has continued to meet throughout the year under review. This is chaired by our CEO, Nicola Shaw, and is responsible for overseeing the plan for delivery of net-zero carbon, providing leadership over operational and capital decarbonisation, and overseeing the net-zero strategy.

We also have an Energy Steering Group, chaired by our Chief Financial Officer, Paul Inman, which has responsibility for energy procurement, expansion of renewable energy self-generation, and energy efficiency.





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

In the event of a risk materialising and a climate-related incident taking place, we have a comprehensive incident and crisis management process in operation. Incidents are managed through bronze, silver and gold levels as required. All gold level incidents are led by senior leaders, with meetings chaired by the CEO or another senior executive. Silver and bronze are chaired by senior leaders or appropriate managers respectively. Regular updates on gold incidents are also made to the Board and post-incident lessons learned taken to the Board for information.

## Climate-related risk and opportunity management

The Board maintain oversight of risk management across all principal risks, of which 'climate change and carbon transition' is one. All climate-related risk assessments are embedded and integrated as part of our corporate approach to [Managing risks and uncertainties](#) set out later in this report.

Risk identification is both bottom up and top down. It is embedded in all our operational systems, with subject matter experts conducting horizon scans to identify emerging risks. A standard risk assessment matrix ensures consistent measurement of both impact and likelihood and is common for all risks, including climate-related risk. All current scores are based on likelihood and consequence. This includes an impact assessment of six key aspects: service, value, people, health and safety, environmental protection, compliance, and reputation. Opportunities are also identified by our leadership teams. These are typically focused on avoiding costs rather than generating revenue but are identified and assessed using the same model as described above.

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

We assess and manage climate-related risks as part of the water industry's strategic planning frameworks every five years, in accordance with methodologies developed in collaboration with our regulators and the wider water sector.

Other climate-related risks are assessed and managed as part of our regulatory frameworks, planning policy, or via our own internal processes. For more detail about our risk and assurance activities see our [Managing risks and uncertainties section](#).

Horizon scans feed our approach. At a strategic level this entails research and annual insight into the medium to long term trends. At a tactical level the company Resilience Steering Group review the short-term risk landscape once a quarter. This ensures appropriate preparedness, response or monitoring capabilities are in place should climate risks realise. External climate-risk intelligence

provides macro level horizon scans as a key feed into our risk process, with integrated reports providing clear action plans. Risk analysis focuses on the Yorkshire region, given the location of our operations, but extends to consider national and international geographies on a risk-specific basis.

All climate-related risks are an embedded part of our risk hierarchy. This starts at the principal risk level and beneath this we see the corporate physical, transition, and net-zero carbon risks within our assessment. The risks are then analysed to understand the impact periods that fall into line with our business plans and forecasts, helping us assess appropriate risk treatments, as shown in the table below. Time periods for assessing risks are aligned with our ongoing business activities, covering management plans for up to two years ahead (short-term), our five year regulatory planning cycle (medium-term), and our strategic plans up to 2050 and beyond (long-term).

	Short-term	Medium-term	Long-term
<b>Time period</b>	0-2 years	Up to 2030	Up to 2050 and beyond
<b>Management approach</b>	Implementation of tactical response plans	Investment through regulatory Asset Management Plan cycle	Strategic planning activities
<b>Key plans</b>	<ul style="list-style-type: none"> <li>• Drought plan</li> <li>• Pollution Incident Reduction Plan</li> <li>• Vulnerable asset plans</li> </ul>	<ul style="list-style-type: none"> <li>• Five-year regulatory Business Plan</li> <li>• Capital delivery programmes</li> <li>• Repair and maintenance programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Water Resources Management Plan</li> <li>• Drainage and Wastewater Management Plan</li> <li>• Long-term Delivery Strategy</li> </ul>

A risk appetite position and associated statement has been agreed for each principal risk, including climate and carbon related risk. This is supported by a suite of key risk indicators, which leadership teams monitor to take timely action to treat the risk.

The Executive team and the Board provide oversight of the action plans to address risks that move outside of appetite or tolerance. Second line risk assurance and advice are provided to risk owners working in collaboration with our sustainability subject matter experts. The corporate overview of appetite is used as the initial basis to set materiality and aid prioritisation for decision making.

The risk scores that follow consider existing and planned interventions as risk mitigations and are a product of likelihood and consequence. We recognise that uncertainty increases in future; hence some risk scores may decrease in the medium-term but subsequently increase in the longer-term.

# Climate-related risks and opportunities

## Key



Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
<b>Acute physical risks</b>					
More frequent and / or severe cold snaps.	Burst pipes and increased customer contacts, service disruption and pressure on emergency response. <b>Mitigations:</b> Asset management programme, emergency response plans.				Customer; asset health
More frequent and / or severe heatwaves.	Reservoir misuse by members of the public, creating public health and safety-related incidents. <b>Mitigations:</b> Drought plan, public education, site rangers, 24/7 Service Delivery Centre monitoring and response.				Customer
More frequent and / or severe rainfall events.	Flooding of above ground assets, wastewater network inundation, poor quality biosolids and saturated agricultural soils, resulting in service disruption, asset write-offs, pressure on emergency response, sewer flooding, pollution events, and restrictions on ability to recycle biosolids to land. <b>Mitigations:</b> Flood risk screening for all new capital schemes, physical flood defences, vulnerable asset plans, Drainage and Wastewater Management Plan.				Customer; Environment; Asset health
More frequent and / or severe storm events and coastal storm surge events.	Damage to physical infrastructure and inundation of coastal assets, resulting in service disruption and pressure on emergency response. <b>Mitigations:</b> Physical flood defences, relocation of assets.				Customer; Asset health
<b>Chronic physical risks</b>					
Increased winter rainfall.	Increased agricultural run-off and soil erosion, resulting in raw water quality deterioration. <b>Mitigations:</b> Catchment land management, dynamic source selection.				Environment

## Key



Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
<b>Chronic physical risks</b>					
Hotter, drier summers.	Pressure on water resources, wildfires and potential degradation of raw water catchments, algae growth and cyanobacterial blooms in reservoirs, network blockages, the introduction and spread of invasive non-native species, resulting in temporary use bans, raw water quality deterioration, taste and odour issues, sewer flooding, pollution events, damage to assets and the environment. <b>Mitigations:</b> Water Resources Management Plan, catchment land management, dynamic source selection, biosecurity programmes, infrastructure repair and maintenance programmes.				Environment; Customer; Asset health
Sea level rise.	Coastal erosion, flooding, salinisation of water resources and restricted outfalls, resulting in damage to assets, raw water quality deterioration, service disruption. <b>Mitigations:</b> Physical flood defences, relocation of assets, community resilience programmes.				Environment; Customer; Asset health
<b>Transition risks</b>					
Lack of supply chain capacity or readiness to decarbonise at the pace required.	Continued reliance on a carbon-intensive supply chain, resulting in increased capital and operating costs and a reputational impact. <b>Mitigations:</b> Supplier engagement and incentivisation.				Sustainable business
Introduction of new environmental protection requirements.	Increased carbon and energy footprint associated with new capital works or changes in operating processes, resulting in increased costs and slowing of progress to net-zero. <b>Mitigations:</b> Long-term strategic planning, asset management programmes, engagement with policymakers and regulators.				Environment; Sustainable business

## Key



Risk	Potential impact and existing or planned mitigations	Short-term	Medium-term	Long-term	Impact on strategy
<b>Transition risks</b>					
Increased demand for renewable energy and carbon offsets.	Reduced availability of renewable energy and carbon offsets, resulting in increased operating costs. <b>Mitigations:</b> Roll-out of renewable self-generation at operational sites.				Sustainable business
Increased societal expectations to transition to a low-carbon economy.	Demand for further progress from investors, resulted in an increased cost of capital. <b>Mitigations:</b> Stakeholder engagement activities.				Sustainable business
Pace of regulatory change misaligned to the climate transition timeline.	Insufficient regulatory funding for climate-related activities. <b>Mitigations:</b> Stakeholder engagement activities.				Sustainable business
National emergency water transfer to other regions.	Increased demand for water resources, resulting in supply interruptions and temporary use bans. <b>Mitigations:</b> Cross-industry collaboration on strategic resource options.				Customer
<b>Opportunity</b>	<b>Potential impact</b>	<b>Short-term</b>	<b>Medium-term</b>	<b>Long-term</b>	<b>Impact on strategy</b>
<b>Chronic physical opportunities</b>					
Hotter, drier summers.	Reduced heating demand for wastewater treatment processes, resulting in cost efficiencies.				Sustainable business
<b>Transition opportunities</b>					
Emergence of low-energy or nature-based treatment technologies.	Reduced energy and chemical consumption, resulting in cost efficiencies and reduced emissions.				Environment; Sustainable business
Roll-out of smart household water meters.	More effective water demand management, resulting in reduced pressure on water resources.				Environment
Introduction of water efficiency labelling and increased public awareness of water consumption.	Reduction in per capita consumption, resulting in reduced pressure on water resources.				Environment
Lower costs of renewable energy solutions.	Increased renewables deployment on operational sites, resulting in greater security of energy supply.				Sustainable business
Increased demand for low-carbon materials.	Emergence of resource recovery markets, for example, biosolids, resulting in new revenue streams.				Sustainable business
Increased societal expectations to transition to low-carbon economy.	Greater customer support for climate-related activities, resulting in increased likelihood of regulatory approval for climate-related investment.				Sustainable business

## Strategic resilience

Our strategy is set out at the start of this [Strategic report](#). As part of our strategy, we have three key documents that set out the strategy for our long-term operational plans: our Water Resources Management Plan (WRMP), our Drainage and Wastewater Management Plan (DWMP), and our Long-Term Delivery Strategy (LTDS). Climate-related risks are integrated into each plan. Together, these are used to inform and shape the development of our five-year business planning cycles, to ensure what we deliver in the short term is aligned with our long-term strategic goals.

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

Our customers are at the heart of our planning process and play a large role in helping shape our strategic plans. In recent years we have carried out several customer engagement activities to seek their views on our approach to climate change. Whilst customer support for increased investment to tackle climate-related risks has been impacted by the cost-of-living crisis, our research shows customers take the challenges of climate change seriously and are broadly supportive of investment to address climate-related risks and safeguard service levels in the future. As with all investments, we are mindful of the need to keep bills affordable for our current and future customers.

As such, we will continue to engage with customers on this topic to understand their priorities and concerns, following our adaptive planning approach to avoid unnecessary impacts on customer bills where some investment decisions may not yet need to be taken.

## Approach to scenario testing

Our WRMP and DWMP incorporate climate change in their baseline models using an intermediate level of forecasted future emissions equating to Representative Concentration Pathway (RCP) 6.0. However, we have also stress tested the resilience of our business plans under more extreme, yet plausible, climate-related scenarios, as shown in the table below. Our scenario analysis is based on quantitative modelling following national guidance from the Department for Environment Food and Rural Affairs (DEFRA), Ofwat and the Environment Agency. Under our adaptative planning approach, we have identified alternative investment pathways to mitigate future risks identified by our scenario analysis, which may be triggered in the future.

At this time, we have focused on physical climate scenarios as these are most relevant to the key climate-related risks and opportunities facing our business. However, we intend to expand our analysis to include transition scenarios over the coming year with a view to disclosing our findings in the next Annual Report. We typically renew our physical climate scenario analysis every five years in line with strategic planning framework cycles.

Physical climate scenarios	Description	Rationale	Key assumptions and estimates
<b>Low</b> UKCPI8 probabilistic projections, RCP2.6, 50 <sup>th</sup> percentile probability level.	An approximate 1.6°C warming scenario by the year 2100 – corresponding to an ‘optimistic’ emissions scenario.	<ul style="list-style-type: none"> <li>Scenarios represent a central pathway and plausible extremes of potential physical climate trajectories.</li> </ul>	<ul style="list-style-type: none"> <li>No material changes to Yorkshire Water’s operational service area.</li> <li>Regional population growth and water demand evolve in line with current forecasts.</li> </ul>
<b>Central</b> UKCPI8 probabilistic projections, RCP6.0, 50 <sup>th</sup> percentile probability level.	An approximate 2.8°C warming scenario by the year 2100 – corresponding to an ‘intermediate’ emissions scenario.	<ul style="list-style-type: none"> <li>Aligns with requirements of DEFRA, Ofwat and the Environment Agency.</li> </ul>	<ul style="list-style-type: none"> <li>Water and sanitation services continue to be delivered using existing networks rather than decentralised (off-grid) systems.</li> </ul>
<b>High</b> UKCPI8 probabilistic projections, RCP8.5, 50 <sup>th</sup> percentile probability level.	An approximate 4.3°C warming scenario by the year 2100 – corresponding to a ‘worst case’ emissions scenario.		<ul style="list-style-type: none"> <li>No material changes in future government policy or legislative requirements.</li> <li>Changes in climate occur within the envelope of RCP2.6 and RCP8.5 scenarios.</li> </ul>

# Scenario results and strategic response

## Clean water

Climate change represents one of our largest risks to the availability of deployable water output, together with other challenges including population growth, loss of an import from Severn Trent Water in 2035, and potential reductions in abstraction in 2035 and 2040 to provide greater environmental protection. Our preferred Water Resources Management Plan intervention options include both supply-side improvements and demand-side reductions to address these risks in future as part of our core investment pathway.

Our scenario analysis indicates we would face a supply demand deficit of 359 Ml/d in 2050 under the high climate change scenario (RCP8.5), compared to 321 Ml/d in our preferred plan based on RCP6.0. This means we would need to make further investments to address this deficit, in addition to those already planned, to maintain our resilience to future drought events.

To mitigate this risk, we have developed an alternative adaptive pathway that would deliver additional supply options to offset the deficit resulting from the high climate change scenario. A decision on whether this will be required will be made by 2030 based on the latest climate projections, demand reduction progress, and the outcome of environmental investigations.

## Wastewater

For our wastewater network, the Drainage and Wastewater Management Plan scenario analysis focused on the impact of climate change on rainfall and the resultant impact this has on the performance of our wastewater network with regards to wastewater discharges and flood risk, as this is where we see climate change having the greatest impact on our levels of risk and future investment requirements.

Our core Drainage and Wastewater Management Plan pathway includes investment to manage physical climate risks associated with an intermediate level of forecasted future emissions. However, modelling indicates that increased rainfall conditions under the high climate change (RCP8.5) scenario would pose significant risks to the operation of wastewater discharges and hydraulic sewer flooding that extend beyond those we have planned for in our core pathway. Mitigating these risks would require us to create additional wastewater network storage capacity, separate a greater volume of surface water run-

off at source, and attenuate surface water run-off to slow the speed at which stormwater enters our sewer network.

We have created an alternative investment pathway to represent the additional expenditure that would be required for our wastewater network to mitigate risks associated with a high climate change scenario. We currently forecast this alternative pathway could deviate from our core pathway from 2030 at the earliest. We would decide to move to this pathway based on the most recent climate change projections supplemented by climate adaptation planning guidance which we will assess, monitor, and incorporate into our models as part of our ongoing business processes.

## Other operational areas

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

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

Case study:

## Working in partnership to improve climate resilience in South Yorkshire

Across South Yorkshire there are many properties at risk of flooding from surface water and the public sewer network. During the November 2019 floods, over 800 residential homes and 100 businesses were flooded internally in Doncaster. We are working in partnership with the City of Doncaster Council, North East Lincolnshire Council, and Anglian Water, with funding from the Department for Environment Food and Rural Affairs, on a project which aims to use innovative Sustainable Drainage Systems – known as SuDS – to increase flood resilience and bring communities closer to nature across South Yorkshire.

SuDS offer a more natural alternative to rainwater flowing directly into the sewers, which are sometimes unable to cope with extremely heavy rainfall. Instead, rainwater is transported into green areas to be soaked up by plants and trees or stored in ponds and drained away more slowly to a watercourse or the sewer.

The project will deliver SuDS to local communities to reduce flood risk from surface water and sewers whilst providing attractive green streets.



In addition to building resilience to climate change, the project will also encourage walking and cycling, enhance biodiversity, and improve community health and wellbeing.

Furthermore, the project has unlocked additional research funding for weather stations and flow monitors, which will help us understand the impacts of SuDS on water levels in our sewers during heavy rainfall and inform the design of similar schemes in future.

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

## Metrics and targets

We use metrics and targets to help us assess our progress in managing our climate-related risks and opportunities. These include those for our climate risk related adaptation and our mitigation measures to enable our transition to net-zero carbon emissions.

## Adaptation-related metrics and targets

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

We publish an Adaptation report every few years. Our latest report can be found on our website at [yorkshirewater.com](https://yorkshirewater.com)

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

Risk area	Metric	Unit	2024 Performance	2030 Target	2050 Target
Physical – acute	Unplanned outages	Unplanned outage of peak week production %.	2.95	1.6	1.0
	Total pollution incidents (Category 1-3)	Number of pollution incidents (category 1-3) per 10,000 km of sewer.	26.21	9.13	0
	Internal sewer flooding	No. per 10,000 sewer connections.	2.78	1.76	0
	External sewer flooding	No. per 10,000 sewer connections.	not applicable	18.61	8.61
	Discharges from storm overflows to rivers and coasts	Average number of discharges per storm overflow.	34.98	26.86	9.02
	Storm overflow interventions that encompass blue green solutions	%	–	20%	50%
Physical – chronic	Per capita consumption	% reduction from a 2020 baseline.	1	5.0%	18.5%
	Non-household water consumption	% reduction from a 2020 baseline.	–	5.0%	11.9%
	Leakage	% reduction from a 2020 baseline.	12.7	27.4%	48.8%
	Risk of severe restrictions in a drought <sup>2</sup>	Return period.	–	1 in 200	1 in 500 (by 2040)

<sup>1</sup> These targets have been defined as part of our PR24 Business Plan and will be monitored from 1 April 2025.

<sup>2</sup> Performance data for this year are not available for all metrics but will be reported in future years.

## Metrics and targets for net-zero carbon emissions

We have established a range of targets and metrics to aid the delivery of our decarbonisation plans. Our overarching target is to achieve a transition to net-zero emissions by 2050 in line with the UK Government's glide path. This target is supported by interim targets out to 2030, including to reduce as far as possible our direct emissions and those associated with our purchased electricity and to use offsetting to achieve a carbon neutral position for the residual emissions.

These targets and their supporting sub-targets are detailed in the table that follows along with their associated metrics. Addressing our wider Scope 3 emissions will require us to set a clear set of science-based targets, and this will form a key part of our preparatory work over the coming year.

In the current five-year Asset Management Period (AMP) we have two performance commitments to track reductions in operational and embedded capital carbon. These are tracked annually, and further details on our energy and carbon performance, including the breakdown of energy use and carbon emissions can be found in the [Environment section](#).

New metrics for operational carbon out to 2030 will be agreed with our regulator and documented once the Draft Determination and Final Determination have been concluded.

Target	Metric	How progressed
Baseline (2020) equivalent operational emissions reduced to a carbon neutral position by 2030.	0 tCO <sub>2</sub> e (Net position after all sub-targets delivered).	Independently verified annually against ISO 14064-1 standard that specifies principles and requirements for quantification and reporting of greenhouse gas emissions and removals at the organisational level.
Increase self-generation of green energy to 40%.	% of total energy consumption from self-generation using solar, wind, hydro, biogas in CHP or other green energy sources.	Investment plans each AMP for example, AMP8 investments for net-zero include £67m capex enhancement investment supported by base investment for net-zero, subject to regulatory approval.
Reduce process emissions by 20% by 2030 through AMP8 net-zero enhancement investment.	Percentage reduction from 2020 baseline.	Awaiting Draft Determination and Final Determination to confirm targets.
Reduce Scope 1 fleet emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	These targets are linked to both the net-zero transition risks and those wider transition risks and opportunities.
Reduce business travel (Scope 3) related emissions by 80% by 2030.	Percentage reduction from 2020 baseline.	These targets are linked to both the net-zero transition risks and those wider transition risks and opportunities.
Generate 3500tCO <sub>2</sub> e of annual carbon insets from peatland restoration and woodland projects by 2030.	Validated annual sequestration in tCO <sub>2</sub> e.	These targets are linked to both the net-zero transition risks and those wider transition risks and opportunities.
Purchase carbon offsets equivalent to annual residual emissions for Scope 1 and 2 emissions aligned to our 2020 baseline from 2030 onwards.	Verified carbon offsets of high assurance.	These targets are linked to both the net-zero transition risks and those wider transition risks and opportunities.
Net-zero carbon emissions across all scopes of emissions by 2050.	tCO <sub>2</sub> e	Our Long-Term Delivery Strategy sets out our investment needs as £590m out to 2050. Our ability to decarbonise will be dependent on key factors outside of our control, including the pace of decarbonisation across the country, and regulatory pressures on our sector that drive increased asset expansion or treatment regimes.
Establish science aligned interim targets to support the net-zero transition plan.	Independently verified plan for net-zero transition reduction pathway by the end of March 2025.	Via independent assessment. An independent assessor will be appointed to review our pathway to net-zero.
Reduction of Scope 3 – Capital Goods: 23% reduction against 2020 baseline by 2025.	Percentage reduction against in emissions in tCO <sub>2</sub> e against our modelled baseline for a core capital delivery programme.	On-going collaboration with our capital delivery partners and key internal decision-making. Progress tracked annually.

As noted in the table above, several of the targets defined will be refined based on Ofwat's determination of our PR24 Business Plan. Beyond the metrics and targets for climate adaptation and net-zero, we have yet to set metrics and targets for wider transition risks such as supply chain disruption and regulatory changes. These risks are on a watching brief as part of our risk assessment and horizon scanning, and we aim to manage them proactively to prevent these risks from materialising for example, by becoming exposed to increased carbon taxation.

As this is our first year of CFD reporting, we plan to refine and expand our metrics and targets to address these wider risks and opportunities.

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



# Chief Financial Officer's report



## The financial outturn for the year reflects improving financial resilience through:

- Strong cost control measures implemented across the business to mitigate inflationary operating cost pressures including energy;
- Robust treasury and financing activity to fund our significant capital expenditure programme as we exit the current five year regulatory period (Asset Management Period (AMP) 7) and plan for next AMP (AMP 8); and
- Ultimate shareholder support enabling repayment of intercompany loans which improve the key financial metrics monitored by our stakeholders.

**“Whilst we experienced operational and cost challenges arising from the impact of severe weather, principally heavy periods of rainfall impacting our waste network, the remainder of the year was relatively benign with no repeats of the drought conditions or severe winter temperatures that we’ve experienced in previous years, which resulted in significant consequential costs.”**

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

	2024	2023
<b>Revenue</b>		
Income receivable for services provided	£1,227.0m	£1,144.7m
<b>EBITDA</b>		
Earnings before interest, tax, depreciation, amortisation, and exceptional items – Reconciled to Operating Profit in <a href="#">Key Performance Indicators (KPIs) section</a>	£611.9m	£577.4m
<b>Operating profit</b>		
Revenue less operating expenses and exceptional expenses	£236.6m	£236.7m
<b>Profit for the financial year</b>		
Profit after taxation from our <a href="#">Financial Statements</a>	£67.4m	£544.2m
<b>Capital expenditure</b>		
The amount spent to acquire, maintain, and enhance assets and infrastructure	£684.6m	£534.1m
<b>Regulatory Capital Value</b>		
The regulated valuation of Yorkshire Water	£9,132.2m	£8,714.6m
<b>Adjusted net debt<sup>1</sup></b>		
As defined by our financial covenants	£6,468.1m	£6,303.9m
<b>Gearing<sup>2</sup></b>		
The ratio of covenanted net debt to the published RCV	70.8%	72.3%
<b>Lowest of our class A ratings</b>		
The lowest of our ratings from the major credit reference agencies	Baa2	Baa2
<b>RoRE (Return on Regulated Equity)</b>		
As reported in our Annual Performance Report	6.2%	3.8%

<sup>1</sup> Net debt defined by our covenants takes net debt per [note 16](#) of the [Financial Statements](#) and adjusts for various accounting adjustments. Please see our [KPIs section](#) for the full reconciliation. This is how our regulators assess our performance and hence is the metric most closely monitored by management.

<sup>2</sup> See our [KPIs section](#) for more details on this calculation. This metric is used in line with Ofwat’s KPIs for the water industry, definitions available at [ofwat.gov.uk](https://www.ofwat.gov.uk)

## Our financial performance:

Revenue was higher by £82.3m for the year (7.2% increase). Revenue allowances rose by around 7% due to allowed Consumer Prices Index including owner-occupiers' Housing costs (CPIH) inflation of 9.3%, offset by an increase in Outcome Delivery Incentive (ODI) penalty from 2022. Additionally, there is c£7m income for non-household consumption in prior years that is adjusted through the market settlement process, as customer bills are finalised (previously based on estimates). This has been partially offset by reduced household consumption.

Operating costs have increased from £908.0m to £990.4m in the year (9.1% increase). Excluding depreciation and amortisation of £375.3m (2023: £340.7m – see [note 3](#) of the [Financial Statements](#)), our underlying operating costs have increased from £567.3m in 2023 to £615.1m in 2024 (8.4% increase). This increase includes the impact of cost increases for energy (c£13m), contracted activity (including repairs and maintenance) (c£29m) and employee costs (c£6m after capital recharges). In addition, 2024 saw increased regulatory and IT licence fees, additional costs to support our PR24 Business Plan activity and a reduction in asset sales in the year. We have strengthened our cost control across the business throughout the year which has mitigated some of the additional operational pressures resulting from severe weather, for example the multiple named storms.

Overall, the net impact of the above movements is an increase to EBITDA of £34.5m (6.0% increase) and a stable operating profit year on year. A reconciliation between EBITDA and the statutory measure can be found earlier in the [Alternative Finance Performance Measures section](#).

Net fair value movements on financial instruments and interest receivable have increased from a £486.6m credit to a £137.5m charge. This was predominantly a result of the large favourable fair value movements on financial instruments in 2023 which has reduced from £797.9m to £71.6m in 2024. See our [Managing financial risk and hedging](#) later in this section for more detail.

We are therefore reporting a profit for the financial year of £67.4m, a decrease of 87.6% (2023: £544.2m profit). This corresponds to an adjusted profit of £13.7m (2023: £54.2m loss). A reconciliation between this and the closest statutory profit measure can be found in the [Alternative Finance Performance Measures section](#).

## Return on Regulated Equity (RoRE)

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

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

Reported RoRE for the year was 6.2% on a real notional equity basis as reported in Tables 1F and 4H of our Annual Performance Report. This comprises the base return of 4.4%, cost of debt outperformance of 2.6%, tax outperformance of 1.8%, customer ODI penalty performance of minus 1.4% and cost performance of minus 1.2%.

## Cost performance

The cost impact on RoRE of minus 1.2%, reflects the impact of the additional investment we are making outside the scope of our Final Determination to improve operational and environmental performance, and the impact of higher cost inflation.

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

## Customer Outcome Delivery Incentives (ODIs)

Customer ODI underperformance of minus 1.4% on RoRE reflects a net penalty, including C-MeX and D-MeX, of £41m. This value is at 2018 prices.

While we continue to make progress on most metrics, we have experienced challenges, including the impact and severity of the multiple named storms, which have impacted performance in some areas. Overall, we have met or exceeded 50% of our performance commitments. We acknowledge that our customer ODI performance has been disappointing and we are committed to improving our performance this year.

## Delivering and governing our investment Programme

Our Business Investment Committee governs the delivery of our investment programmes. Capital additions for 2024 were £684.6m (2023: £534.1m) (see [note 11](#) to the [Financial Statements](#)). Our investment programmes enable us to maintain and enhance our operational efficiency and the resilience of our infrastructure. We are increasingly focused on how we ensure the most sustainable investment choices are made with consideration for carbon reduction and nature-based solutions, as part of our Nature First commitment.

Our programme of capital investment supports the delivery of service level performance improvements required to meet stretching targets and regulatory commitments. Our single largest programme this AMP which will deliver our Water Industry National Environment Programme (WINEP) commitments continues in the delivery phase. Other significant investment will be made to meet legal and statutory Drinking Water Inspectorate demands and to reduce the frequency of storm overflows.

We continue to see large increases year on year in our capital expenditure as a result of the phased delivery of the WINEP programme within AMP7.

We anticipate that the 2025 expenditure will increase further as we continue to deliver our WINEP programme, and realise the cost of delivery of our £180m storm overflow undertaking.

## Managing and governing our borrowing requirements

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

Total borrowings, including amounts owed to other group companies, were £5,905.7m as at 31 March 2024 (2023: £6,069.7m) and adjusted net debt was £6,468.1m at 31 March 2024 (2023: £6,303.9m). The maturity profile of our borrowings and further detail on net debt are set out in [note 16](#) of the [Financial Statements](#). At 31 March 2024, Yorkshire Water's Regulatory Capital Value (RCV), which is one of the components for setting customers' bills, was £9,132.2m (2023: £8,714.6m).

Senior net indebtedness to RCV (Senior RAR (Regulatory Assets Ratio) or gearing) is a key covenanted gearing ratio within our financing arrangements, and gearing levels are monitored and forecast on a regular basis. On a covenanted basis, at 31 March 2024, Yorkshire Water Financing Group's (YWFG) (being Yorkshire Water Finance PLC, Yorkshire Water Services Limited and Yorkshire Water Services Finance Limited) Senior RAR was 70.8% (2023: 72.3%). These metrics are fundamental to discussions with investors and is our covenant number, therefore a key performance indicator for the business.

A reconciliation of this percentage to the closest statutory measure can be found in the [Alternative Finance Performance Measures section](#).

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

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

## During the year, we:

- Repaid £149m across US private placement notes, publicly listed notes and finance leases;
- Received £400m from a parent company, Kelda Eurobond Co. Limited, supported by our investors, as partial repayment of an outstanding loan. Since the year-end, we have received a further £100m repayment. A further £437m is due by March 2027 to settle the remaining loan in full;
- Raised combined net proceeds of £202m in July 2023 through tap issuances against two sustainable bonds with 2035 and 2041 maturity dates and coupon rates of 5.5% and 2.75% respectively. The proceeds were used to finance capital expenditure incurred during the year;
- Increased total commitments on the company's Revolving Credit Facility (RCF) from £480m to £630m. There remains the ability to upsize the facility by a further £30m. An option was exercised during November to extend the term of facility by 12 months to November 2028. A further 12 month extension option is available at the second anniversary of execution in November 2024;
- Entered into a new £80m committed credit facility with a three year term and options to extend for a further year at each of the first, second and third anniversaries of execution;
- Renewed a liquidity facility in March 2024 at £120m with five banks, which is required as a standby facility to cover our operating and maintenance cost obligations; and
- Extended the date of issuance on the rolling five year evergreen debt service reserve guarantee issued by Assured Guaranty UK Limited to maintain the five year term. Required to cover Yorkshire Water's debt service obligations, the level of facility was maintained at £182m.

To date, £2,100m of debt financing has been raised in accordance with our Sustainable Finance Framework, which aligns the company's financing with its long-term strategy and values as discussed earlier in this [Strategic report](#). We expect that the majority of Yorkshire Water's debt will continue to be issued in accordance with this framework, with reporting aligned to our Six Capitals approach to give stakeholders an insight into the impacts of the company and its investments.



## Credit ratings

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

Credit rating agency	Class A rating	Class B rating	Outlook	Date of publication (latest available)
<b>Fitch</b>	A-	BBB-	Stable	July 2023
<b>Moody's</b>	Baa2	Ba1	Stable	January 2024
<b>S&amp;P</b>	A-	BBB	Negative	November 2022

On 20 April 2023, S&P affirmed its ratings and maintained its outlook at negative.

On 13 March 2024, Moody's affirmed its ratings with an unchanged stable outlook.

On 19 February 2024 Fitch affirmed its ratings with an unchanged stable outlook.

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

## Managing financial risk and hedging

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

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

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

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

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

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

The maturity dates of the company's portfolio of inflation linked swaps ranges from 2026 to 2063. The swaps held by the company gave rise to a net negative fair value at 31 March 2024 of £1,490.3m (2023: £1,669.4m). See [note 17](#) to the [Financial Statements](#) for more details on the financial derivatives held by the company.

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

As at 31 March 2024, Yorkshire Water had fixed over 97% of its forecast baseload energy requirements for the year to 31 March 2025. Hedges were made through a combination of forward commodity hedges and corporate power purchase agreements.

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

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

## Corporation tax

The accounting tax charge included in these [Financial Statements](#) of £31.7m (2023: charge of £179.1m) is due to:

- A charge of £26.1m (2023: credit £1.8m) regarding payments, both accrued for 2024 and adjustments in respect of prior periods, to other group companies to compensate them for the surrender of tax losses to Yorkshire Water. Yorkshire Water has no tax charge in respect of amounts payable to HMRC as taxable profits are reduced to £nil by capital allowance claims and the offset of group losses as noted earlier. Further details are provided in [note 8](#) to these [Financial Statements](#); and
- A charge of £5.6m in relation to the non-cash movement in our deferred tax provision (2023: £180.9m).

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

The 2024 and 2023 movements in deferred tax are due to:

- Timing differences between when capital assets are depreciated for accounts purposes versus tax depreciation; and
- The effects of changes in the fair value liability of the company's inflation linked swap portfolio. Increases or reductions in the fair value liability of the company's inflation linked swap portfolio represent an increase or reduction in the net interest the financial markets expect will be payable on those inflation linked swaps in future years. Changes to the fair value of the liability are not tax deductible under UK tax regulations as tax deductions are only available as and when the future interest payments are actually paid. The increase in the fair value of the inflation linked swap portfolio will therefore create an accounting cost which is not subject to taxation until the interest is paid and therefore creates a timing difference. The fair value of the inflation linked swap portfolio can fluctuate significantly and there will be a consequential impact on the deferred tax provision.

Our effective tax rate for the year ended 31 March 2024 was 32.0% (2023: 24.8%) calculated by comparing the company's profit before tax of £99.1m (2023: £723.3m) and total (current and deferred) tax charge for the year of £31.7m (2023: £179.1m).

A full reconciliation of the company's tax charge for the year is contained in [note 8](#) to the [Financial Statements](#). No material tax uncertainties have had to be considered in arriving at our tax provision for the year.

## Our total tax contribution

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

	2024 £m	2023 £m
<b>Taxes, duties, and rates included in operating costs and a cost to Yorkshire Water</b>		
Business rates	53.2	58.8
Employer's National Insurance Contributions (NICs)	16.9	16.6
Climate Change Levy*	4.0	4.0
Abstraction licences and direct discharges	17.0	17.0
Fuel duty	1.2	1.2
	<b>92.3</b>	<b>97.6</b>
<b>Taxes, duties, and rates included in operating costs, remitted on behalf of employees</b>		
Employee's Pay As You Earn (PAYE)	26.8	24.8
Employee's NICs	11.1	11.9
	<b>37.9</b>	<b>36.7</b>
<b>Total taxes, duties and rates included in operating costs and a cost to Yorkshire Water</b>	<b>130.2</b>	<b>134.3</b>
<b>Taxes, duties, and rates arising from Yorkshire Water's activities and collected on behalf of HMRC</b>		
Business customer Value Added Tax (VAT)	34.6	30.9
	<b>34.6</b>	<b>30.9</b>
<b>Total tax contribution</b>	<b>164.8</b>	<b>165.2</b>

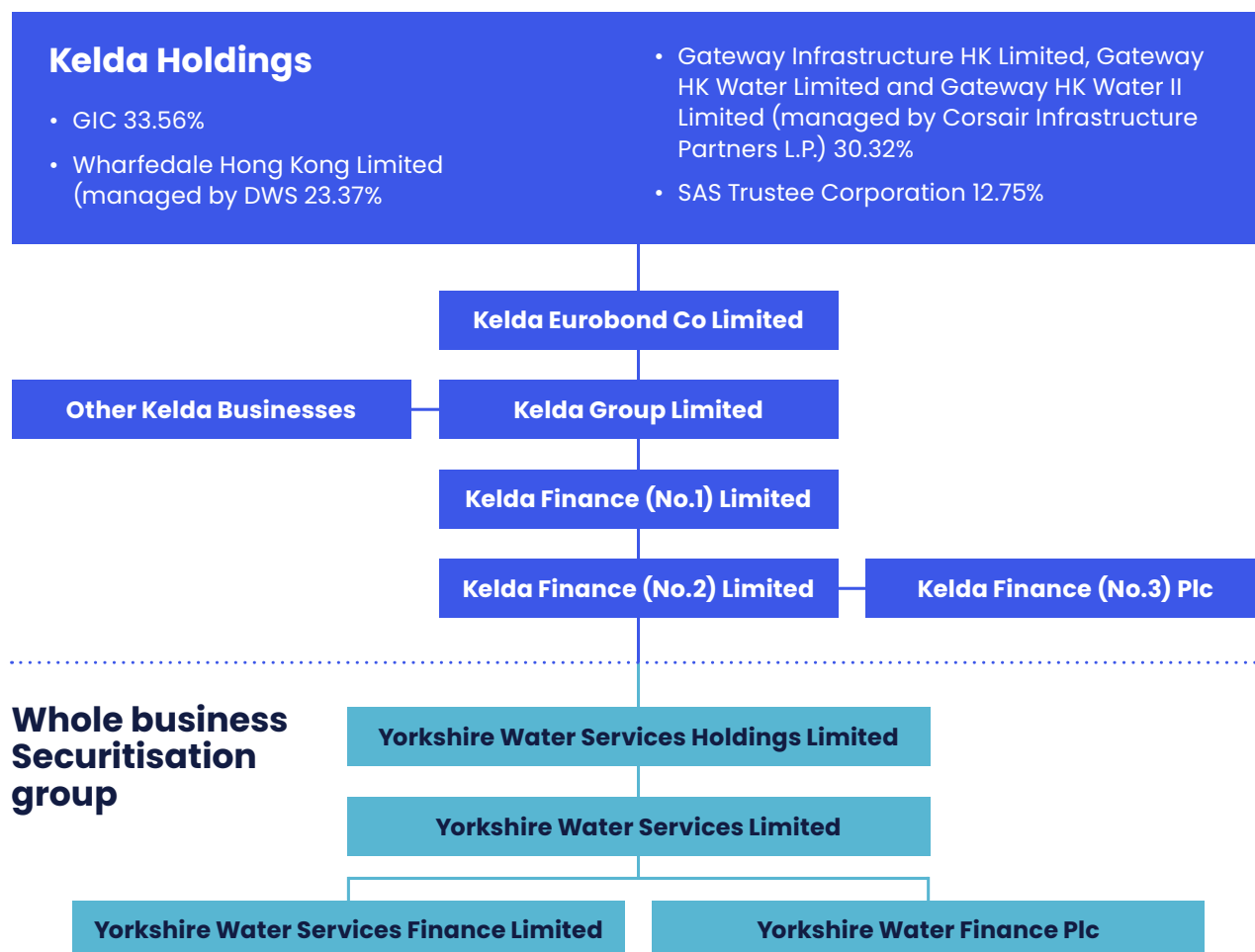
\* Please see the [Environment section](#) for further information on the financial impact of climate change.

Further detail of our corporate taxation and deferred tax accounting are set out in [note 8](#) to the [Financial Statements](#). A summary of our tax strategy and policies can be found on our website at [yorkshirewater.com/about-us/tax](https://yorkshirewater.com/about-us/tax)

## Our corporate structure

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

## Summarised Kelda group structure as at 31 March 2024



## Whole Business Securitisation (WBS)

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

This WBS works by placing a protective ring-fence around Yorkshire Water's business which includes the way it operates, the way it trades with other

group companies outside the WBS and the way it finances itself. The protections include limits on borrowings, dividends, and the ability to lend money to other Kelda companies. The protections also require profits to more than cover the amount of interest that Yorkshire Water pays.

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



# Managing risks and uncertainties

**The Board is committed to strong risk management to allow us to consistently meet our customers needs and protect the environment, whilst keeping our colleagues safe and well.**



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

The Board sets and monitors the amount of risk we are prepared to accept through its risk appetite framework to achieve its ten-year strategy. We have a corporate risk management framework to assess and manage the risks to achieving our objectives, shown in the diagram below.

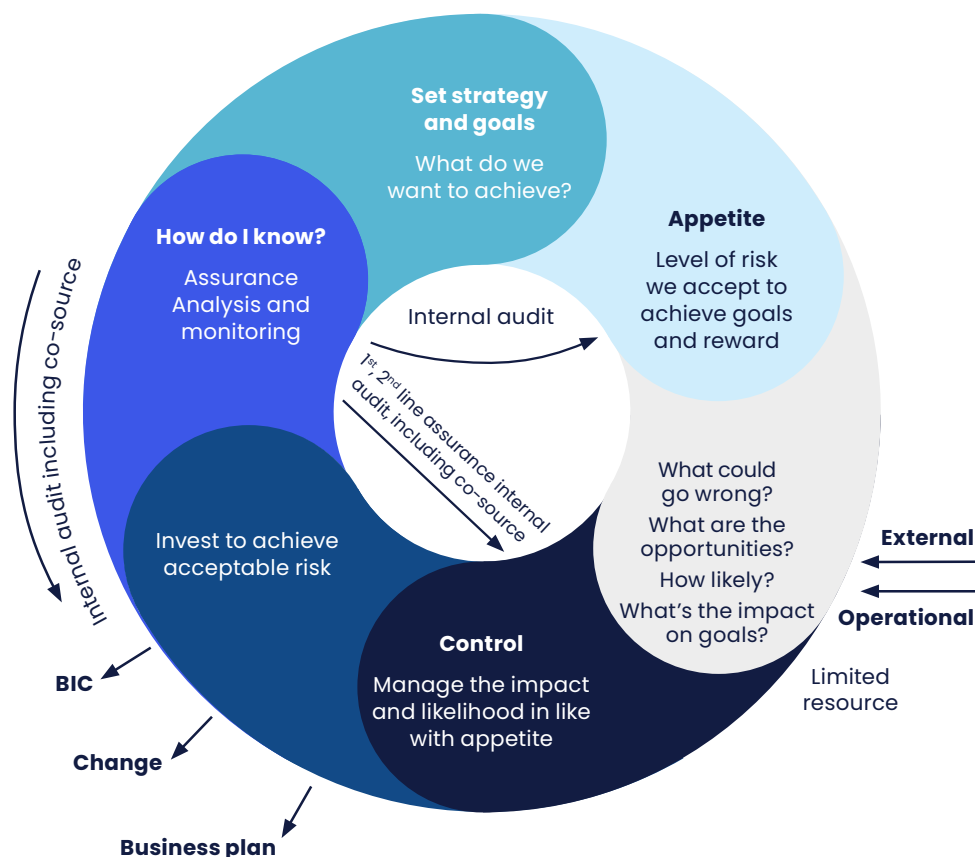
### Our risk management framework

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

The Board maintains oversight of risk management through a programme of deep dives across all its committees. Risk identification is both bottom up and top down. It is embedded in all our operational systems and subject matter experts conduct horizon scans to identify emerging risks. A standard risk assessment matrix ensures a consistent measurement of both impact and likelihood. Strong systems of internal control are in place to mitigate risk to an acceptable level.

A risk appetite statement has been agreed by the Board and Executive for each principal risk. This is supported by a suite of key risk indicators which are monitored by the business. A review of the risk against appetite is undertaken by the Executive and the Audit and Risk Committee every six months.

Our coordinated three lines of assurance tests the design and operation of our control framework and the mitigation plans in place, recommending improvement action where needed. The Executive monitors the achievement of actions monthly and the Audit and Risk Committee has oversight of the quality of the risk and assurance processes.



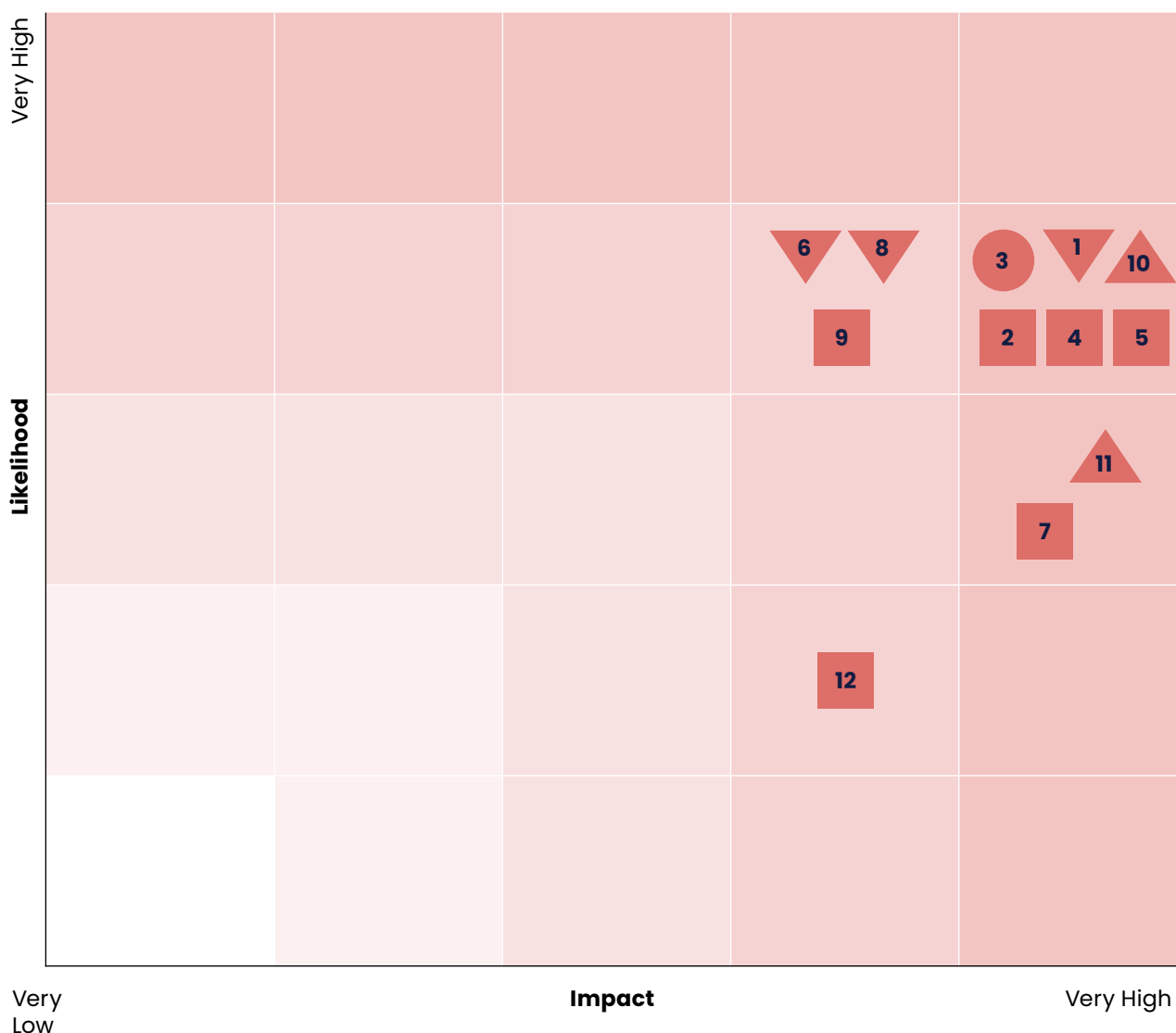
## Our principal risks

Our principal risks are those individual or aggregated risks which have the potential to threaten resilience or take the business significantly beyond our risk appetite. The heat map plots our current risk exposure after controls have been applied.

The context in which we operate remains challenging with increased public scrutiny of the water industry alongside current political uncertainty. Global geo-political tensions lead to cyber security threats and supply-chain uncertainty. Despite this, improvements in our control and resilience frameworks have led to a reduction in three principal risks as detailed below. We introduced a new risk in the year to separate out our focus on compliance with our regulatory and statutory obligations.

### Key

 New risk
  Increased risk since last year
  Static risk
  Decreased risk since last year



## 1. Cyber security

**We may fail to keep our key business systems or data secure due to a malicious attack or failure of cyber security. Sensitive data could be released in breach of the General Data Protection Regulations or Environmental Information Regulations.**



Our Security Steering Group monitors the delivery of our cyber security strategy, risk management framework, regulatory compliance and holistic security governance. It is committed to the continuous improvement of our cyber controls and culture. The Audit and Risk Committee monitors the delivery and impact of this significant programme. Independent assurance is provided on these developments and the subsequent impact they have on our cyber risk landscape and control maturity status. We continue to enhance our training, development, and communications for all colleagues to constantly mature our security culture and compliance. We use established networks to monitor the external threat landscape and take steps to respond. Although the external cyber-risk landscape remains challenging, we are managing the risk better and therefore the net risk has reduced in the year.

## 2. Environmental protection and flooding

**We may harm the water environment through unsafe abstraction or discharge leading to pollution, or failure to adapt to flood inundation of our assets.**



We have outlined our commitment to reducing the number of pollution incidents through our Pollution Incident Reduction Plan. It focuses on improving day-to-day compliance with our ISO 9001 and ISO 14001 assured operational procedures. This is being overseen by a team dedicated to river health and the business-wide pollution hub. We are investing £180m over the remainder of the Asset Management Period to improve the performance of our combined sewer overflows.

Asset health is a strategic pillar of our ten-year strategy. We are ISO 55000 certified, demonstrating that we follow best practice. We operate a risk-based prioritisation process for the maintenance and replacement of our assets and monitor the effectiveness of our asset management through asset health measures. We are modernising our approach to above ground maintenance, prioritising compliance.

We have well established business continuity plans and have improved our work with partners, including Local Resilience Forums and the Environment Agency to ensure effective incident response. We have invested to protect our vulnerable assets from flooding and work actively with our partners through schemes such as Living With Water to reduce the impact of flooding for others where we can.

## 3. Compliance risk

**We may fail to meet our statutory and regulatory obligations.**



This new risk has been separated out this year to reflect our focus on compliance with all our statutory and regulatory obligations. We want to be fully compliant with all our obligations at all times. This risk interconnects with many corporate risks as well as our principal risk on Political, Regulatory and Statutory change. Our standard risk assessment matrix allows us to assess all corporate risks for their potential impact on our compliance.

We have introduced the Yorkshire Water Compliance Framework to ensure a consistent approach to prioritising compliance. We have a corporate compliance database to enable us to monitor and respond to potential non-compliance. We have introduced a central Compliance team, supported by a network of subject matter experts across the business to enable a robust, consistent approach which allows early escalation and management of potential breaches. A suite of cross-business training and development promotes awareness of new or changed obligations.

## 4. Political, regulatory or statutory change

**We may fail to adapt quickly to externally driven political and regulatory change.**

This risk takes account of reports from Ofwat into stakeholder trust and recognises the political focus on the water industry, particularly in campaigning for the General Election. Our Corporate Affairs and Regulation teams lead our engagement with policy makers and the water sector to ensure the needs of our customers are understood. This provides early visibility of regulatory and statutory change allowing a timely response. A clear corporate governance framework allows a structured management of change. We have also enhanced our approach to horizon scanning for early sight of potential change. We are currently assessing the risks presented by changing legislation for micropollutants and Farming Rules of Water.

## 5. Financial sustainability

**We may be unable to access funding at acceptable market rates due to market uncertainty or a downturn in our credit ratings.**

The financial impact of external factors such as supply chain constraints, a challenging skills market and energy costs continue to create pressure on our operating and capital cost delivery and the achievement of our core financial ratios. We have taken strong steps to manage this risk during 2024 with an intercompany loan repayment of £400m received in June 2023, no payment of dividend to the ultimate shareholders, reducing our gearing by one percentage point and maintaining 15 months liquidity.

Risk indicators are monitored monthly by the Finance Governance Group. We maintain clear financial policies and procedures and treasury policies that are approved by the Board, and a dividend policy that aligns with Ofwat guidance and the requirements of our Licence. Our commitment to maintaining our financial resilience underpins our PR24 Business Plan and our Long-Term Delivery Strategy. We are committed to maintaining our credit ratings and we manage our expenditure and funding accordingly. The Business Investment Committee prioritises investment in line with risk and opportunity and the Asset Programme Board has oversight of all capital expenditure.

## 6. Customer experience

**We may not consistently meet the expectations of our customers by failing to deliver on our commitments.**

Consistently delivering a quality of service that is right for our customers is at the heart of our ten-year strategy. Our customer experience strategy was created with customers so that we understand and capture what is important to them. We continue to capture customer views to inform our plans through our Customer Forum, online customer panel consultation and, to support the PR24 Business Plan process, a series of Your Water: Your Say events hosted independently.

Meeting customer expectations remains at the heart of our modernisation programme and our daily performance management and prioritisation processes. Our model office pilot brings cross-business teams together to identify practical improvements that deliver a stepped change in our operational services, focusing on getting it right first time. These are tested over time before being rolled out across our operational teams. Our policies and procedures are ISO certified and align to the achievement of customer service objectives. We continue to improve our support to customers in vulnerable circumstances to reduce water poverty across Yorkshire.

## 7. Organisational change and modernisation

**We may fail to achieve the transformation required to meet our customers' expectations and achieve our objectives.**

We have significantly enhanced our enterprise change capability in recent years. The modernisation programme ensures that our business design meets our customer needs and delivers the expected benefits. The programme has moved into a delivery phase this year with the roll-out of integrated planning, scheduling and logistics and dynamic asset maintenance programmes, as well as a model office pilot which created a live test and learn environment to test new ways of working. This is supported by a technology programme to simplify our ways of working. Agile assurance is provided over the modernisation programme by the Internal Audit team.

## 8. Climate change and carbon transmission

**We may fail to deal with the impacts of climate change, severe weather conditions and population growth on the resilience of our water resources and the integrity of our assets.**

We continue to face severe weather events with increased frequency, as noted earlier in this [Strategic report](#), and are embedding BS65000 (organisational resilience) compliant policies and procedures. The resilience of our service and assets through these events shows the impact of these improved controls. Climate considerations are at the heart of our longer-term investment plans; the Water Resources Management Plan, the Drainage and Wastewater Management Plan and the Long-term Delivery Strategy.

We also continue to improve our renewable energy generation through our bioresources and solar programmes, whilst reducing our energy use through new technology. We are collaborating to develop resilient low asset solutions and ways of working, most notably through the Living With Water partnership in Hull and Connected by Water partnership in Sheffield. We are also working in collaboration with the National Trust on nature-based solutions to adapt to and reduce flood risk. We are using our substantial land bank to lead the way in sustainable land management and are well under way in transferring our fleet away from fossil fuels, with 18% of our fleet now consisting of electric vehicles as at 31 March 2024. Some significant corporate risks have transferred from carbon transition to the new compliance principal risk, resulting in the overall reduction in this net risk during the year.

## 9. Public and colleague safety

**We may fail to protect the safety, health and wellbeing of our colleagues, contract partners and customers leading to harm.**

The safety, health and wellbeing of our colleagues, contractors and customers remains our top priority. We are proud of the continued improvement in our safety performance this year, particularly in process safety and in our best ever Lost Time Injury Rate. However, we are not complacent. We are working hard to improve further, with a focus on process safety and learning lessons. Health and safety matters are prioritised at all meetings of the Executive and the Board. The Safety, Health and Environment Committee drives a focus on continually improving controls.

We remain committed to our life-saving rules and have refined and re-energised these across the business. We have introduced a suite of Safety Action Steering Groups. We have conducted a health and safety culture audit to continue our focus on improving our safety behaviours and continue to invest significantly in colleague wellbeing, including mental health, with sector leading initiatives including access to GPs and physiotherapy, diabetes training and mental health first aider training.

## 10. Enough clean safe drinking water

**A problem with our system could cause a failure to meet the level or quality of water our customers need.**



Our response to the sustained dry weather throughout 2022, followed by an extremely wet 2023 has demonstrated the need for the sector to invest in resilience of our networks against severe weather events. We have demonstrated that our controls are sufficient to meet the current demand for clean safe drinking water, but we continue to undertake detailed water resources planning, with the submission of our Water Resources Management Plan, and carefully monitor demand, raw water quality and asset availability to meet our customers' needs. We use our flexible grid network to move water across Yorkshire to where it is needed. Research and investigations to support targeted flushing of the network and calm networks will improve the risk position by the end of March 2025. Our dedicated clean water experts are delivering a structured action plan into the next Asset Management Period.

We operate a risk-based prioritisation process for the maintenance and replacement of our assets. We monitor the effectiveness of our asset management through asset health measures. We have improved our above ground maintenance programme. We are ISO 55000 (asset management) certified, demonstrating that we follow best practice. We have well established business continuity plans, oversight from our new Resilience Process Assurance Group and use our corporate incident management process to respond and recover.

## 11. People: talent, culture, succession, and retention

**Our plans may fail to ensure we have the talent and culture to achieve our objectives both now and in the future.**



The increase in this risk reflects the impact of ongoing challenges across the skills market set alongside the increased cost of living. This emphasises the importance of our good employee relations. High performing teams is at the heart of our new corporate strategy, supported by the roll out of Performance Excellence and the 'Talking Performance' approach. The Learning and Development team continue to focus on approaches to develop and embed core skills across the organisation. Engagement is monitored every six months in our Yorkshire Voice survey, with local action plans tailored to individual teams. The results of the survey this year showed a stepped improvement, as noted earlier in this [Strategic report](#), but we continue to focus on colleague engagement and wellbeing.

## 12. Governance, conduct and organisational resilience

**We may not achieve the standard of conduct and reporting expected by our stakeholders.**



We are committed to reporting clearly, openly, and accurately to all our stakeholders. Our coordinated internal and external assurance regime provides confidence to our leaders, customers, and regulators that we achieve this. We have established values and expected behaviours to meet customer needs with integrity. We continue to promote our Speaking Up Policy and investigate and learn from all issues raised.

Our Code of Ethics sets out our expectations of all colleagues and contract partners and there is mandatory online training for all colleagues to confirm their understanding of this.



# Going concern and long-term viability



## Going concern

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

## Long-term viability

The Board has assessed the Long-term Viability (LTV) of the company, taking account of the current position, the potential impact of the principal risks facing the business in severe but reasonable scenarios, and the effectiveness of any mitigating actions. Based on this assessment, the Board has a reasonable expectation that the business will be able to continue in operation and meet its liabilities as they fall due over the six year period to March 2030. This takes the company through the current Asset Management Period (AMP) 7 and further to the end of AMP8.

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

## Basis of assessment

The Board's assessment of the company's current financial position is set out in the [Chief Executive's report](#) and the [Chief Financial Officer's report](#).

The following key elements of improved financial resilience during the year are:

- Support from shareholders in providing a £400m repayment of intercompany loans in June 2023, and a further repayment of £100m in May 2024, accelerating the repayment schedule agreed with Ofwat. The balance is due by March 2027;
- The issuance of £300m public bonds in July 2023, together with the £230m extension of the company's revolving credit facilities in the year. Extension and increase of the revolving credit facilities;

- These financings demonstrated both the ability of the company to continue to raise finance and also the continued interest from global investors;
- The company's regulated gearing has reduced to 68.6% at March 2024, down from 70.2% a year earlier, and provides significant headroom to maximum gearing levels included within the company's securitised structure. Our regulated gearing is slightly different from the covenanted gearing shown in our [Key Performance Indicators section](#), as these are calculated on slightly different bases;
- The company's credit ratings with three agencies (Fitch, S&P and Moody's) have all remained stable during the year and all have headroom above the investment grade level; and
- In their latest financial resilience assessment, Ofwat took the company out of its highest priority category, recognising recent improvements in our financial resilience.

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

Our LTV assessment period primarily covers the next of these AMPs, with the base data for the 2025 to 2030 period reflecting our PR24 Business Plan, submitted to Ofwat in October 2023. This plan is subject to approval by Ofwat with their Draft Determination expected on 11 July 2024 and Final Determination in December 2024. Our PR24 Business Plan includes a significant increase in investment in the business to £7.8bn which will require additional financing to support.

Our assessment is based on Ofwat approving our business plan and the Final Determination for AMP8 providing a fair balance between risk and reward for investors, enabling us to raise the financing required. We have taken into account the statutory duty of Ofwat to secure that companies can finance the proper carrying out of their functions.

## Assessment period

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

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

We have an established forecasting process that provides a detailed short-term plan through to

the end of the AMP7 period in 2025. Ofwat's final methodology for the AMP8 period was published in December 2022 and we submitted our detailed Business Plan in October 2023. This helps to provide greater clarity and robustness to our forecasting process through to 2030. Beyond 2030, there is much greater uncertainty as the variability of potential outcomes increases, which reduces the rigour of any forecasting beyond 2030.

Taking the above factors into account, the Board considers that a period of six years through to 2030 provides an appropriate balance between assessing as long a period as possible, whilst also providing an appropriate level of robustness and assurance to the LTV assessment process.

## Our approach to LTV

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



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

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

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

Our risk assessment takes account of past performance in respect of our ability to deliver for customers which informs our expectations of future performance. This assessment reflects risks specific to the company, and includes risks associated with each of the 12 principal risks detailed in our [Managing risks and uncertainties section](#).

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

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

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

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

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

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

## Viability assessment (steps 5 to 9 of the diagram)

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

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

- Our business plan for the current financial year which takes us to the end of AMP7, updated for our latest debt issuance and the most recent economic assumptions for interest rates and inflation; and
- Our PR24 Business Plan, updated to reflect changes to data tables submitted to Ofwat in the period to April 2024.

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

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

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 12 principal risks	<b>Low principal risk scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> <li>Lower risk frequency: impact may occur once over a five to seven year period.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Totex underperformance in all years of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>An increase in totex of c£91m in year one, reducing to c£87m pa in AMP8.</li> <li>Equivalent to c11% totex overspend in year one.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Insurance proceeds.</li> <li>Working capital management.</li> <li>Engagement with rating agencies.</li> </ul>
All 12 principal risks	<b>Medium principal risk scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> <li>Medium risk frequency: Impact may occur once every five years.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Totex underperformance in all years of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>An increase in totex of c£117m in year one, reducing to c£111m pa in AMP8.</li> <li>Equivalent to c14% totex overspend in year one.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Insurance proceeds.</li> <li>Working capital management.</li> <li>Engagement with rating agencies.</li> </ul>
All 12 principal risks	<b>High principal risk scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> <li>High risk frequency: Impact may occur once every two years.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Totex underperformance in all years of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>An increase in totex of c£143m in year one, reducing to c£139m pa in AMP8.</li> <li>Equivalent to c17% totex overspend in year one.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Insurance proceeds.</li> <li>Working capital management.</li> <li>Engagement with rating agencies.</li> <li>Trigger protections.</li> <li>Re-profiling of capital expenditure.</li> </ul>

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 12 principal risks	<b>Extreme principal risk scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> <li>Very high-risk frequency: Impact occurs every year for all seven years.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Totex underperformance in all years of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>An increase in totex of c£188m in year one, reducing to c£174m pa in AMP8.</li> <li>Equivalent to c23% totex overspend in year one.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Insurance proceeds.</li> <li>Working capital management.</li> <li>Engagement with rating agencies.</li> <li>Trigger protections.</li> <li>Re-profiling of capital expenditure.</li> <li>Debt or swap restructuring exercises.</li> </ul>
	<b>Totex overspend scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to increase in cost to ensure base performance levels maintained.</li> <li>Totex underperformance in all years of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>A totex overspend of 10% pa versus FD allowance.</li> <li>Equates to an overspend of c£83m in year one and c£163m pa in AMP8.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Insurance proceeds.</li> <li>Working capital management.</li> <li>Engagement with rating agencies.</li> </ul>

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
All 12 principal risks	<b>Severe ODI scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to service failure resulting in ODI penalties.</li> <li>ODI penalties in each year of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>ODI penalties per annum equivalent to 1% RoRE.</li> <li>Equates to a penalty of c£49m pa in AMP8.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above trigger levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Engagement with rating agencies.</li> </ul>
All 12 principal risks	<b>Extreme ODI scenario</b> <ul style="list-style-type: none"> <li>Multiple risks assumed to occur simultaneously in a combined scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Risks occurring lead to exceptional service failure resulting in extreme ODI penalties.</li> <li>ODI penalties in one year of the forecast.</li> </ul>	<ul style="list-style-type: none"> <li>ODI penalty in single year equivalent to 3% RoRE.</li> <li>Equates to a penalty of £152m.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced but remain above default levels.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade given only one year impact.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Re-profiling of ODI penalty.</li> <li>Engagement with agencies.</li> </ul>
Financial Sustainability	<b>Financial penalty scenario</b> <ul style="list-style-type: none"> <li>Breach of law or regulations results in a significant one-off penalty.</li> </ul>	<ul style="list-style-type: none"> <li>Significant financial penalty in a single year.</li> </ul>	<ul style="list-style-type: none"> <li>Penalty equivalent to 6% of revenue applied to turnover in one year (2025).</li> <li>Equates to a penalty of £77m.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Interest cover below default level in year penalty paid. Covenant levels would remain above default if penalty applied in any other year.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade given only one year impact.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Atypical cost classification.</li> <li>Engagement with agencies.</li> </ul>

Key risks	Scenario	Stress test applied	Amount modelled	Potential impacts without mitigation	Mitigations available
Economic	<b>Inflation spike scenario</b> <ul style="list-style-type: none"> <li>Significant short-term increase in inflation.</li> </ul>	<ul style="list-style-type: none"> <li>Significant spike in inflation in one year, followed by high inflation for further two years.</li> <li>Increase in wedge between RPI and CPIH.</li> </ul>	<ul style="list-style-type: none"> <li>Inflation spike to 10% in year one, followed by two years at 5%.</li> <li>2% increase in RPI wedge.</li> </ul>	<ul style="list-style-type: none"> <li>Increased gearing but remain within covenant limits.</li> <li>Headroom against interest cover covenants reduced in the short-term but remains above default levels. Headroom increased in the longer-term.</li> <li>Deterioration in credit metrics that, without mitigating action, might lead to a downgrade in ratings, but still expected to remain at least investment grade.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Coordinated cost saving initiatives.</li> <li>Working capital management.</li> <li>Engagement with agencies.</li> </ul>
	<b>Interest rate scenario</b> <ul style="list-style-type: none"> <li>Increase in interest rates.</li> </ul>	<ul style="list-style-type: none"> <li>Increase in new debt and refinancing costs.</li> <li>Increase in Sonia rates.</li> </ul>	<ul style="list-style-type: none"> <li>2% increase in interest costs above those assumed within the base forecast for all years.</li> </ul>	<ul style="list-style-type: none"> <li>Yorkshire Water's current hedging position provides significant protection against interest rate risk in the medium term.</li> <li>Headroom against interest cover covenants reduced slightly but remains above trigger levels.</li> <li>No material change to credit metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Focused risk management.</li> <li>Debt or swap restructuring exercises.</li> </ul>

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

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

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

## Securitised financing arrangement

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

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

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

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

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

[Note 18](#) to the [Financial Statements](#) sets out more information on the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit and liquidity risk.

## Liquidity facilities

At 31 March 2024, Yorkshire Water has available committed credit facilities as follows, in addition to cash balances of £49.7m:

- £630m RCF provided by a syndicate of six banks, due to expire in November 2028, of which £80m was drawn;
- £80m bilateral committed credit facility due to expire in 2026 and which was undrawn;
- £182m debt service reserve liquidity guarantee from Assured Guaranty that runs to March 2029. Yorkshire Water can request it is extended annually to maintain the five-year term; and
- £120m 364-day liquidity facility to cover operating and maintenance expenditures, provided by a syndicate of five banks and renewed annually in March.

The two liquidity lines are standby arrangements, are unutilised at 31 March 2024 and would only be used when Yorkshire Water has no other available liquidity. The facility sizes are assessed annually to cover a year's interest costs and 10% of operating maintenance spend in accordance with requirements of the securitised financing arrangements. In addition, we are required to set aside 1/12th of our annual interest bill each month into a debt service account, which can build up before major settlements on debt and swaps.

As noted above, liquidity has improved significantly during the last year. We have extended our liquidity policy to target available cash and committed facilities in excess of 15 months requirements.

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

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

## Stress testing conclusion

The stress testing above indicates that none of the scenarios would result in an impact to the company's expected liquidity, solvency or debt covenants that could not be addressed by mitigating actions and are therefore not considered to be a threat to the company's viability over the six-year period through to 2030.

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

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

- The detailed financial projections developed as part of the planning process, which include the best available information about AMP7 and AMP8;
- The downside sensitivities and stress testing linked to the risk management process described above;
- Yorkshire Water's robust solvency position, including its likely ability to raise new finance in most market conditions;
- The strength of mitigations available and the stability which exists under the regulatory model; and
- Ofwat's statutory obligation to secure that water companies can finance their statutory functions.

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

## Governance and assurance

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

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

# Section 172 (1) statement

**At Yorkshire Water, the vast majority of our people live and work in the communities which we serve, and most of our colleagues are also our customers, as are their neighbours and often their extended families. This creates an even greater responsibility not only to have 'regard' to our key stakeholders, as required by section 172 of the Companies Act 2006, but to always be aware of how our actions impact upon them, both now and in the long-term.**

**The water sector has received a significant amount of negative media over recent months, and now more than ever it is important for the Board to be building trust amongst our stakeholders, through open, honest and constructive relationships so we can understand what matters most to them.**

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

## Stakeholder – customers

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

### How have we engaged?

We have a Customer Insight team at Yorkshire Water who run surveys and focus groups throughout the year to understand the sentiment of our customers and the issues that are important to them. Our Head of Insight has attended the Board twice in the year to provide updates on what customers are telling us.

In addition to this, the Board met at our customer contact centre for their March meeting and spent time during the meeting listening to some customer calls and speaking directly to our colleagues in the contact centre about the messages they hear from customers.

During the year, an independent consultant also undertook a detailed investigation into a customer issue to identify the learnings. The Board spent time reviewing the independent report and hearing about the actions being taken to improve the Yorkshire Water response to customer issues.

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

### What has our engagement told us?

We know that the main priorities of our customers are:

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

## Stakeholder – environment

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

### How have we engaged?

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

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

### What has our engagement told us?

We know that the most important environmental matters relate to:

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

## Stakeholder – colleagues

Our colleagues remain our greatest asset and understanding their thoughts and feelings is key to us improving our business performance.

### How have we engaged?

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

We have also operated a Colleague Engagement Forum during the year which has met three times in the year to discuss matters on the minds of colleagues and to share these directly with Board members attending the meetings.

The Board has also met twice with Trade Union representatives during the year to hear the views of Trade Union members directly from their convenors. The Board also engages with colleagues on each of their site visits and these are done both collectively and individually throughout the year. Collective visits have taken place at both our Ewden wastewater treatment works and our Elvington water treatment works, where Board members have been shown around the site by the colleagues who operate the sites on a day-to-day basis.

### What has our engagement told us?

We know that colleagues are most concerned about:

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

## Stakeholder – communities

Yorkshire Water is an anchor institution within Yorkshire, which means we believe we can play a significant role in helping and supporting the communities that we serve.

### How have we engaged?

As a business we engage with our customers regularly which also gives us insight into the communities that we serve. Particularly in the work that we have undertaken prior to submitting our PR24 Business Plan we have had multiple engagement events where we have asked for feedback from customers and communities on our plans and their main areas of concern.

We also work in communities, raising awareness of the financial support we can provide to customers, as well as engaging with children in schools to teach them both about water use and safety around water.

### What has our engagement told us?

We know that the matters most important to the communities around us are:

- Access to our green spaces;
- Clean drinking water; and
- Keeping sewage in our pipes.

## Stakeholder – investors

At Yorkshire Water we have four investors, who own shares in our ultimate holding company, Kelda Holdings Limited.

### How have we engaged?

Three of our investors have a representative on the Yorkshire Water Board, and the fourth has an observer who attends Yorkshire Water Board meetings. Our investors are therefore directly involved at a Board level, which means we are able to ensure they are all treated fairly and their views are represented in all Board-level decisions.

### What has our engagement told us?

The matters of key concern to our investors are:

- Improving our customer service and operational performance;
- Managing our financial risks; and
- Demonstrating the highest standards of business conduct.



## Stakeholder – suppliers

Our supply chain is an essential part of our business and we are keen to understand the thoughts and priorities of our suppliers, many of whom are local to Yorkshire.

### How have we engaged?

We engage with our suppliers in multiple different ways, depending on the extent of the services provided by the supplier. We classify each supplier as gold, silver or bronze and have identified some as 'strategic suppliers', with different levels of engagement and contract management depending on the classification of the supplier.

The Board receives updates on supplier performance at regular intervals throughout the year and has met with a number of suppliers during the year through the Safety, Health and Environment Committee, where the suppliers are specifically asked to provide feedback on their experience of working with Yorkshire Water.

### What has our engagement told us?

The things that matter most to our suppliers include:

- Trust and transparency;
- The local economy in Yorkshire; and
- Behaving ethically and responsibly.

## Stakeholder – regulators

The water sector is a highly regulated sector and our regulators are therefore amongst our key stakeholders. We seek to build good relationships with each regulator to better understand their expectations and how we can best align to these.

### How have we engaged?

We have multiple interactions with our regulators throughout each year at all different levels of our organisation. The Board has had face-to-face meetings with representatives from Ofwat, the Environment Agency and the Drinking Water Inspectorate during the year and has heard direct feedback from each on their requirements and their experience of dealing with Yorkshire Water.

We also respond to all consultations by our regulators on future regulation to ensure that we are contributing to the debate on how regulation could evolve. All of our responses are shared with the Board to keep them informed.

### What has our engagement told us?

We know that our regulators are most focused on:

- Regulatory compliance which delivers for customers and the environment;
- Financial resilience; and
- Strong, demonstrable governance in relation to the oversight of the Board.

## Stakeholder – politicians

There are 54 Members of Parliament in the area served by Yorkshire Water, and we know that they all want to champion the causes that are important to their constituents.

### How have we engaged?

We engage regularly with local politicians, through both regular email updates to meetings and visits, to help them understand the work that we are doing to improve our services.

We also maintain links to local councils, which is particularly important when severe weather incidents occur and we are then able to work together to mitigate the impact on customers and communities.

### What has our engagement told us?

We know that our local politicians are interested in:

- Reducing storm overflow discharges;
- Executive pay; and
- Dividends.



## The long-term

As well as considering our stakeholders, the Board has to also consider the long-term in its decision-making. Our ambition is for a thriving Yorkshire, and we consider the long-term implications for Yorkshire, for our customers and for the environment, in all our decision making. The Board has a 30-year financial model which is updated for all key decisions to show the long-term financial impact of any decision made. In addition, the Board has considered the long-term regularly throughout the year in its review of the Long-Term Delivery Strategy for the business, the Water Resources Management Plan, the Storm Overflow Discharge Reduction Plan and our Drainage and Wastewater Management Plan, which all cover the next 25 years and beyond.

The Board also considers future risks and opportunities through regular horizon scans, papers and presentations from subject matter experts on future considerations, as well as through the work undertaken by the Audit and Risk Committee on the long-term viability scenarios, which is covered further in our [Going concern and long-term viability section](#).

## A reputation for high standards of business conduct

The Board is very aware that trust in the water sector has decreased over recent years for a variety of reasons. As a company we are trying to address this through greater transparency and clearer explanations of what we do as a business and how we are performing.

We seek to maintain high standards of business conduct in all that we do and we have a Code of Ethics, which we expect all colleagues and partners to follow. This sets out the ethical standard we expect from all those working on behalf of Yorkshire Water.

Our Board receives assurance on the information it receives through various means, including internal audit reports, external assurance reports or from the Board Committees, which have the capacity to scrutinise information more closely before it is discussed by the Board.

## Key decisions

The following are examples of key decisions undertaken by the Board during the year and how our stakeholder engagement, and consideration of the long-term, have influenced those decisions:

The decision	How we engaged with stakeholders	How this links to our strategy	The view of the Board
The approval of our PR24 Business Plan submission to Ofwat in October 2023.	During the PR24 planning process, we talked to 54,000 customers, businesses and stakeholders regarding the Plan. This feedback was shared with the Board and PR24 Committee at regular intervals and fed into many of the decisions made in relation to the prioritisation of investment, the affordability of bills, the impact of the Plan on communities, and the service improvements required. We also engaged with Ofwat at all levels, as the regulator overseeing the Price Review, to ensure we fully understood the requirements for the submission.	Our strategy is reflected throughout our PR24 Business Plan which prioritises customers and the environment, whilst focusing on asset health, in line with our strategy.	The Board signed off the PR24 Business Plan, believing it to be financeable, deliverable, in the interests of current and future customers and the environment, and a Plan which provides resilience in the long-term.
The approval of funding of £42m in the year for our ongoing modernisation programme, to enhance the customer experience of water and wastewater operations, and to improve asset health through a more proactive maintenance environment.	The modernisation programme has arisen from feedback from colleagues and customers which has highlighted the improvements that need to be made in relation to our systems and processes to become a more efficient and effective organisation. The Board has heard regularly throughout the year from colleagues involved in delivering the modernisation programme and has received regular updates on the benefits being delivered.	The modernisation programme is all about improving customer experience, therefore making things right for our customers. It is also part of our asset health focus, which is one of our strategic pillars and is driving a more highly effective, engaged team by bringing colleagues together in a more effective and integrated way, across various functions.	The Board has approved the funding in stages throughout the year on delivery of key milestones and benefits, and after hearing from those involved in the delivery of the programme, at all levels of the organisation.

The decision	How we engaged with stakeholders	How this links to our strategy	The view of the Board
Approval of additional investment of £180m to reduce storm overflows.	The importance of investment in reducing storm overflows has been highlighted by multiple stakeholders, including regulators, customers, communities and politicians. The Board has received updates on performance in this area throughout the year and discussed stakeholder views regularly, resulting in this additional investment being made to enable improvements to be seen more quickly than would otherwise have been possible.	This additional investment is part of improving asset health and delivering what is right for the environment, and is completely aligned to our strategy.	The Board is very clear that it believes discharges, even when permitted, are unacceptable and is keen to reduce these as far as possible, as quickly as possible. This is reflected not just in this additional investment being approved but also in the contents of the PR24 Business Plan which further seeks to make improvements in this area and was approved by the Board during the year.
The decision not to continue to purchase Renewable Energy Guarantees of Origin (REGOs) and instead to focus on reducing the carbon impact of the business.	The Board and Public Value Committee spent considerable time deliberating on the right approach to carbon emissions and took into account feedback from our customers, from our economic regulator, Ofwat, and the best course of action for the environment. Customer research shows that our customers want emissions to be reduced rather than offset, which is also better for the environment and aligned to indications from Ofwat. The Board therefore decided, on the basis of this feedback, that the right decision was to no longer purchase REGOs as a form of carbon offset and instead to support forward investment in energy self-generation and efficiency, to tackle wider emissions.	The decision made was based entirely on what the Board believes is right for customers and right for the environment, therefore aligning entirely with our strategy. This also helps us to build a more sustainable business in the long-term by reducing our carbon emissions, which is one of the foundations of our strategy.	The Board is always focused on 'doing the right thing' and therefore took this decision in order to seek to do the right thing by the environment, whilst also aligning to what our customers want.

# Governance report





# Corporate governance statement

## Corporate governance is the system by which companies are directed and controlled.

Adhering to the highest standards of corporate governance is of utmost importance to the Board of Yorkshire Water, we are very aware of the decreasing trust in the water sector over recent years and want our customers and other stakeholders to know that they can trust us and that we are doing all we can to ensure the business is directed and controlled in the right way, with the aim of achieving 'a thriving Yorkshire, right for our customers and right for the environment'.

## Board composition

The Board of Yorkshire Water is different from some other Boards in that our three largest investors are represented on the Board. This has the advantage of ensuring that our investors are very aware of what is going on in the business and can provide their views when we are making decisions. Our non-executive investor directors bring multiple skills, experience and insight to the Board to increase our collective diversity and knowledge, and to help the Board make better decisions. All of our directors are subject to the same legal and fiduciary duties to ensure that they are promoting the success of the company, regardless of whether they are an executive director, non-executive investor director or an independent non-executive director.

We were delighted during the year to welcome Isabelle Caumette to our Board as a non-executive investor director. Isabelle has been on the Board of our ultimate parent company, Kelda Holdings, since January 2020 and therefore has a lot of previous knowledge of our company. Isabelle was appointed to our Board in place of Scott Auty, who had been a non-executive investor director since September 2017. I would like to thank Scott for all that he contributed to our Board in his time with us.

During the year Ray O'Toole also retired from the Board, having served for nine years, most of which as our Senior Independent Director. I would like to extend thanks to Ray for his enormous contribution in his time with Yorkshire Water.

## Our governance report

This part of our Annual Report sets out who is on our Board, how the Board operates and provides an insight into what the Board has done during the year, the people and organisations it has interacted with and how it is meeting the Ofwat Board Leadership, Transparency and Governance Principles and also the extent to which we comply with the UK Corporate Governance Code.

The Board has continued to consciously seek to engage multiple stakeholders during the year, including our customers, our colleagues, our regulators, our suppliers and has undertaken site visits to see first-hand how the business is making environmental improvements. More detail on this is included in this report.

## Governance review

During the year, our Company Secretary undertook a detailed governance review to ensure that our governance arrangements remained in line with best practice, and to ensure that the forward agenda for the Board was appropriately aligned to the corporate strategy and its strategic pillars. This review resulted in a number of recommendations, including a change to the remit of some of our Board Committees to ensure that the whole Board had greater visibility of some key matters, such as our environmental strategy and matters relating to our colleagues. This has resulted in slightly revised remits for our Remuneration Committee and Public Value Committee. More information on this can be found in the individual Committee reports.

## Key decisions

There have been many key decisions made by the Board during the year, the most significant of which has been the approval of our PR24 Business Plan for submission to Ofwat in October 2023. This is part of the five year cycle under which we submit our five year Business Plan to Ofwat for consideration and approval.


The Board undertook multiple detailed reviews of the submission before it was made and heard from multiple colleagues, advisors and assurers in reaching a conclusion on the Plan.

We are excited by our Plan. We have listened to over 54,000 customers and stakeholders in compiling our plan and we believe it aligns to our strategy and will enable us to deliver improved services for customers and the environment, whilst also future proofing our activities for future generations.

More information on some of the key decisions made by the Board during the year can be found in our [Section 172\(1\) statement](#).

## Our Annual Performance Report

Each year we publish an Annual Performance Report as a separate document from this Annual Report. This contains a statement from the Board on the long-term ambitions and targets for Yorkshire Water and how the company has performed during the year. The report can be found at [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)



**Vanda Murray OBE DBA**  
**Chair**

3 July 2024

# Board of Directors

## Committee Key:

A = Audit and Risk Committee  
 N = Nomination Committee  
 R = Remuneration Committee  
 PV = Public Value Committee

SHE = Safety, Health and Environment Committee  
 PR24 = PR24 Committee  
**Bold** = Chair



**Vanda Murray**  
**OBE DBA,**  
**Independent Non-Executive Chair**

**Appointed:** Vanda joined the Board as Independent Non-Executive Director in July 2021, stepping up to become the Chair of the Board in September 2021.

**Skills and experience:** Vanda is a Fellow of the Chartered Institute of Marketing and has extensive experience of corporate leadership in both executive and non-executive roles. From 2001 to 2004 she was Chief Executive of Blick plc, a FTSE quoted company, where she doubled the value of the business. She was also Managing Director of Ultraframe plc between 2004 and 2006. She was more recently a Non-Executive Director at Manchester Airports Group and the Senior Independent Director at Bunzl plc. Vanda was appointed OBE for Services to Industry and to Export in 2002.

**Other roles:** Vanda is Non-Executive Chair of Yorkshire-based Marshalls plc and a Non-Executive Director of Howden's plc. Vanda is also the Chair of Kelda Holdings Limited.

**Committee Membership:** N R SHE PV PR24



**Wendy Barnes,**  
**Independent Non-Executive Director**

**Appointed:** Wendy joined the Board as an Independent Non-Executive Director in November 2022.

**Skills and experience:** Wendy has a significant breadth of knowledge from the utilities sector as well as in regulation, cyber security, customer service and change management. She is a Non-Executive Director of Scottish Power and has previously held non-executive roles at OCS Group, Ofwat and in several Government departments, including the Met Office. Wendy was formerly the Interim Director General at the Department of Energy and Climate Change, and she has held executive roles within the water sector with United Utilities.

**Other roles:** Wendy is a Non-Executive Director of Scottish Power Limited and undertakes a variety of consultancy roles.

**Committee Membership:** A N R PV **PR24**



**Isabelle Caumette,**  
**Non-Executive**  
**Director**

**Appointed:** Isabelle joined the Board as a Non-Executive Director in November 2023.

**Skills and experience:** Isabelle is a London-based Senior Principal in the European Infrastructure Private Equity division of DWS, and is responsible for leading asset management for a number of funds and leading the transaction team on key infrastructure investment transactions. She is a voting member of the Investment Committee for the four European infrastructure funds managed by DWS. Prior to joining DWS's infrastructure business in 2011, Isabelle worked as a consultant at the Boston Consulting Group.

**Other roles:** Isabelle is also a Non-Executive Director of Kelda Holdings Limited, and a Non-Executive Director of Stroom, a rail cars and tank containers leasing company.

**Committee Membership:** N R SHE



**Andrew Wyllie CBE,**  
**Senior Independent**  
**Director**

**Appointed:** Andrew joined the Board as an Independent Non-Executive Director in September 2017 and became the Senior Independent Director in November 2022.

**Skills and experience:** Andrew was Chief Executive of Costain Group PLC for 14 years up until May 2019. He was also a Non-Executive Director of Scottish Water from April 2009 to April 2017. Andrew has an MBA from the London Business School, he is a Chartered Engineer, a fellow of the Royal Academy of Engineering and was President of the Institution of Civil Engineers in 2019. Prior to joining Costain Group PLC, Andrew worked for Taylor Woodrow where he was the Managing Director of the construction business and a member of the Group Executive Committee. Andrew was awarded a CBE for services to engineering and construction in the 2015 New Year Honours list.

**Other roles:** Andrew is a Non-Executive Director of Persimmon PLC, a Board member of the US-UK Advisory Board of the British American Project and the Chair of the Remuneration Committee of the Institution of Civil Engineers.

**Committee Membership:** A N R SHE



**Russ Houlden,**  
**Non-Executive**  
**Director**

**Appointed:** Russ joined the Board as a Non-Executive Director in January 2022.

**Skills and experience:** Russ is an Operating Partner at Corsair Infrastructure, a business unit of Corsair Capital. Russ brings a wealth of financial expertise and water industry experience to the Board, having been the CFO of United Utilities Group PLC for ten years until July 2020. During his time at United Utilities, he was also Chair of the Financial Reporting Committee of the 100 Group from 2013 to 2020. Prior to his role at United Utilities, he was the CFO of Telecom New Zealand from 2008 to 2010, and Finance Director of Lovells from 2002 to 2008. Until 2002 he held a variety of divisional Finance Director positions in ICI and BT. Until July 2022 Russ was a Non-Executive Director of Babcock International Group plc.

**Other roles:** Russ is a Non-Executive Director of Kelda Holdings Limited. He is also an Independent Non-Executive Director and Chair of the Audit Committee at Orange Polska SA.

**Committees:** R N PV PR24



**Andrew Dench,**  
**Non-Executive**  
**Director**

**Appointed:** Andrew joined the Board as a Non-Executive Director in September 2017.

**Skills and experience:** Andrew is a Senior Vice President in GIC's Infrastructure team, based in London. He is responsible for the ongoing management of GIC's global infrastructure portfolio. Prior to joining GIC, Andrew was Deputy CEO / CFO of Veolia Water, UK, Ireland & Northern Europe, CFO of Electricity Northwest, and Head of Corporate Finance & Change at London Stock Exchange Group. Whilst at Veolia, he was a Non-Executive Director of Affinity Water (formerly Veolia Water). Andrew started his career in the investment banking division of Morgan Stanley where he was focused on project finance, mergers & acquisitions, utilities, and the natural resources sector.

**Other roles:** Andrew is a Non-Executive Director of Kelda Holdings Limited and several other boards, including Heathrow Airport Holdings Limited, Railpool GmbH, Raffles Infra Holdings Limited and AGECE Global Pte. Ltd.

**Committee Membership:** A R N PR24



**Andrew Merrick,**  
**Independent Non-Executive Director**

**Appointed:** Andrew joined the Board as an Independent Non-Executive Director in June 2019.

**Skills and experience:** Andrew brings considerable financial experience and expertise to the Board, as well as strong connections with the Yorkshire region. Prior to joining the Board, Andrew was the CFO of Irwin Mitchell solicitors, having previously worked as Group Finance Director for Dart Group plc and as Director of Finance for Bradford & Bingley plc. Andrew has also been a Board member of 'Incommunities', a Bradford-based social housing provider, where he chaired the Audit Committee.

**Other roles:** Andrew is a Non-Executive Director and Vice Chair of Market Harborough Building Society, a Trustee Director of The Nell Bank Charitable Trust and a Director of Ilkley Lawn Tennis & Squash Club Limited and its subsidiary, ILTSC Events Limited.

**Committee Membership:** A N SHE PV PR24



**Nicola Shaw CBE,**  
**CEO**

**Appointed:** Nicola joined the Board as CEO in May 2022.

**Skills and experience:** Nicola brings with her extensive experience in regulated infrastructure businesses and has an excellent track record in driving efficient delivery whilst also improving customer service and colleague engagement. Most recently Nicola was the UK Executive Director for National Grid and was previously the Chief Executive of High Speed 1 and a Director of First Group. Nicola was the author of the Shaw Report published in 2016 which made several recommendations for the future of British Transport. Nicola received a Commander of the British Empire (CBE) for services to transport in the Queen's New Year Honours in 2016.

**Other roles:** Nicola is the CEO for Kelda Holdings Limited and a Non-Executive Director of International Airlines Group.

**Committee Membership:** SHE PV



**Dame Julia Unwin,**  
**Independent Non-Executive Director**

**Appointed:** Julia joined the Board as an Independent Non-Executive Director in January 2017.

**Skills and experience:** Julia brings to the Board a wealth of experience from the voluntary, commercial, and public sectors as well as from regulatory environments. She was the Chief Executive of the Joseph Rowntree Foundation for a decade until 2016. She also served on the Boards of the Housing Corporation, the Charity Commission and was Deputy Chair of the Food Standards Agency. Julia brings a deep understanding of customers and communities to the Board as well as a specific knowledge of the demographics of the Yorkshire region and of poverty, vulnerability, and disadvantage. She has worked extensively on issues to do with developing social value. In May 2019, Julia received a Lifetime Achievement Award from the Chartered Management Institute and was appointed a Dame in 2020 for her contribution to civil society.

**Other roles:** Julia is a Non-Executive Director of Mears Group Plc and is the Chair of the Board of Governors of York St John University. She is the Inaugural Chair of the Smart Data Foundry, Edinburgh University.

**Committee Membership:** N R SHE PV PR24



**Paul Inman,**  
**CFO**

**Appointed:** Paul joined the Board as the CFO in March 2023.

**Skills and experience:** Paul joined Yorkshire Water from BAE Systems where he was the Finance Director for the air sector, having previously held multiple roles with Rolls-Royce. Paul has extensive financial experience and also brings strong operational experience to the Board, having led a number of transformation programmes and undertaken general management roles in asset health monitoring and maintenance, repair and overhaul. Paul is a Member of the Institute of Chartered Accountants in England and Wales.

**Other roles:** Paul is the CFO for Kelda Holdings Limited.

**Committee Membership:** None

## Other directors during the year

The following directors also served on the Board for the periods shown during the year. More information on their skills and experience can be found in our 2023 Annual Report.

### Scott Auty

Non-Executive Director to November 2023.

### Ray O'Toole

Non-Executive Director to July 2023.

## Board length of service

Director	Appointment	Tenure as at 31 March 2024	
<b>Independent Non-Executive Chair</b>			
<b>Vanda Murray</b>	July 2021	2 years 9 months	
<b>Executive Directors</b>			
<b>Nicola Shaw</b>	May 2022	1 year 11 months	
<b>Paul Inman</b>	March 2023	1 year 1 month	
<b>Independent Non-Executive Directors</b>			
<b>Wendy Barnes</b>	November 2022	1 year 5 months	
<b>Andrew Merrick</b>	June 2019	4 years 9 months	
<b>Julia Unwin</b>	January 2017	7 years 2 months	
<b>Andrew Wyllie</b>	September 2017	6 years 6 months	
<b>Investor Non-Executive Directors</b>			
<b>Isabelle Caumette</b>	November 2023	5 months	
<b>Andrew Dench</b>	September 2017	6 years 6 months	
<b>Russ Houlden</b>	January 2022	2 years 3 months	

## Appointment and replacement of directors

The Articles of Association allow the Board to appoint a new director at any time; however, the appointment is also subject to approval by investors who hold 60.6% of the share capital of the ultimate parent company, Kelda Holdings Limited. This is consistent with the practice of a listed company where the shareholders would approve an appointment at the next Annual General Meeting (AGM).

As a private limited company, we do not hold an AGM and therefore directors are not subject to annual re-election by the shareholders.

The Articles of Association state that the company may remove a director by ordinary resolution with special notice before the expiration of their period of office. There have been no directors removed from office during the year.

## Independence

The Board reviews the independence of the Independent Non-Executive Directors each year; considering their tenure, relationships and circumstances as well as considering the behaviour of each Director at Board meetings and whether they contribute to unbiased and independent debate. All the Independent Non-Executive Directors and the Non-Executive Chair were independent upon appointment and the Board believes that all remained wholly independent in the year under review in relation to the criteria set out in Provision 10 of the UK Corporate Governance Code.

## Commitments of the Non-Executive Chair

Vanda is the Non-Executive Chair of Marshalls plc, and a Non-Executive Director of Howden's plc. Vanda manages her commitments carefully and ensures that she is always available to Yorkshire Water whenever required. The Board is content that Vanda has sufficient time available to offer the focus and dedication to Yorkshire Water that her role requires.



# The Ofwat Board Leadership, Governance and Transparency Principles

**In 2019, Ofwat published their Board Leadership, Governance and Transparency Principles which set the standard for Boards across the water sector.**

We have complied with these Principles since their publication and compliance is now a requirement of our Instrument of Appointment. We have set out how we have complied with each of the four key objectives contained within the Principles during the year and on an ongoing basis.

## Principle 1:

The regulated company Board establishes the company's purpose, strategy, and values, and is satisfied that these and its culture reflect the needs of all those it serves.

### Setting our purpose, strategy and values

Our new strategy was set out in our Annual Report last year and this was launched at the start of the year. The Board contributed significantly to the strategy development process and gave approval to the final version prior to its launch. The strategy aligns directly to the needs of those we serve through the vision of 'a thriving Yorkshire, right for our customers and right for the environment'. The strategy includes four values that we expect of all our colleagues:



**We own it**



**We're better together**



**We're always learning**



**We have heart**

More information on our strategy can be found in our [Strategic report](#).

## Embedding our purpose, strategy and values

We have a Yorkshire Water Code of Ethics, approved by the Board, which provides support to colleagues and partners on embedding the values and ensuring that they are always doing the right thing, including where to go for help and advice if they are faced with an ethical decision as part of their work. There is mandatory online learning for all of our colleagues to ensure that they understand the Code of Ethics and how it applies to them.

We also operate a Speaking Up Policy which encourages colleagues and partners to speak up confidentially if they see behaviour that is outside of our expected values and culture. All speak ups are carefully investigated and are reported back to the Board through the Audit and Risk Committee.

The Board also receives updates on the culture of the business, and the extent to which the purpose, strategy and values are embedded in the business through a variety of ways:

- The Remuneration Committee has received updates during the year specifically on culture and the Board has been involved in defining and agreeing the target culture of the organisation.
- The Internal Audit team consider culture in all of their audits and report back on any findings or observations in this area to the Audit and Risk Committee.
- A colleague engagement survey, Yorkshire Voice, is sent out twice a year and the results from this are fed back to the Board, including examples of the comments and themes arising from the survey. During the year, on average 67% colleagues responded to the survey and there were over 46,000 comments received. This gives the Board a very clear picture of the extent to which the purpose, strategy and values of the business have been embedded and of the culture of the organisation.
- The Board engages with colleagues regularly throughout each year, through different means. The Colleague Engagement Forum met three times during the year and Board members are invited to attend the meetings, in addition the minutes are always circulated to the Board and are considered as part of a standing agenda item at each meeting. The Board also met twice with Trade Union representatives during the year, and engaged with other colleagues at both operational site visits and office visits, both collectively as a whole Board and in smaller groups. This interaction enables the Board to keep well informed of the culture in the business and the extent to which the purpose, strategy and values are embedded in the business.
- The Board also engages with regulators, third party assurers and suppliers through various Committee meetings throughout the year and always encourages any feedback on the culture of Yorkshire Water to be shared openly.

More information on Board engagement is later in this section and in our [Section 172\(1\) statement](#).

## Principle 2:

The regulated company has an effective Board with full responsibility for all aspects of the regulated company's business for the long-term.

### The interaction of the Yorkshire Water Board with the Kelda Holdings Board

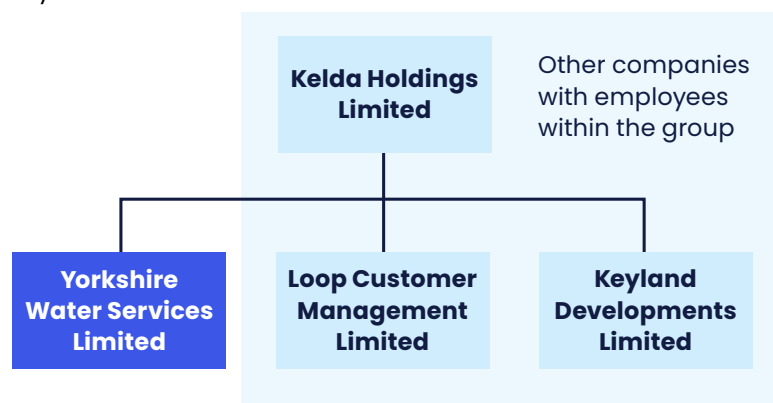
Yorkshire Water is part of a group of a companies and has an ultimate parent company, Kelda Holdings Limited which is owned by our shareholders. Whilst it is part of a larger group, Yorkshire Water is by far the largest entity within the group and operates very much independently of the rest of the group.

The Yorkshire Water Board members are very aware of their duties to Yorkshire Water and all discussions in Yorkshire Water Board meetings focus on Yorkshire Water and what is for the good of Yorkshire Water alone. The focus on Yorkshire Water is achieved in a number of ways:

- Three of our four shareholders are represented on the Yorkshire Water Board, which vastly reduces the need for decisions to be referred to the ultimate parent company. All of the Yorkshire Water directors have legal and fiduciary duties to promote the success of the company for both current and future members, which is something our non-executive investor directors are acutely aware of so decisions are always made from the perspective of Yorkshire Water rather than the wider group. In addition, we have five independent non-executive directors on the Yorkshire Water Board who have no connection with the ultimate parent company and therefore can ensure that decisions are made solely in the best interests of Yorkshire Water.

- From a practical perspective, the Yorkshire Water Board has full responsibility for all aspects of the business. The matters reserved for the Board of Kelda Holdings Limited only require limited decisions to be referred to Kelda Holdings and in practice this is simply done for verification. Kelda Holdings Limited has never over-turned a decision made by the Yorkshire Water Board and it is highly unlikely that this would ever happen given the presence of the non-executive investor directors on the Yorkshire Water Board.
- The Kelda Holdings Board met only briefly on five occasions during the year. The meetings are typically only very short and rarely focus on Yorkshire Water-related matters as these have already been discussed at the Yorkshire Water Board.

Most of the decisions made by the Kelda Holdings Board relate to matters specific to Kelda Holdings Limited itself or other companies within the group, outside of Yorkshire Water. These are particularly those with employees, as shown in the simplified group structure below:



During the year, there were ten decisions made by the Kelda Holdings Board, only three of which were directly related to Yorkshire Water. These are highlighted in **bold** below:

- Approval of the tax strategy for the group companies outside of Yorkshire Water;
- Approval of the Proceeds of Crime assessment undertaken for Kelda Holdings Limited in accordance with Jersey law;
- **The reappointments of Andrew Merrick and Andrew Wyllie as non-executive directors of Yorkshire Water;**
- Approval of the Annual Report and Financial Statements for Kelda Holdings Limited;
- The reappointment of Deloitte as the external auditor for the group companies outside of Yorkshire Water;
- Approval of the 2025 budget for the group companies outside of Yorkshire Water;
- **Approval of the new variable pay scheme for Yorkshire Water;**
- Approval of additional remuneration to be paid to Nicola Shaw and Paul Inman for their work as Chief Executive and Chief Financial Officer of Kelda Holdings; and
- Approval for the interest due on the Convertible Loan Notes issued by Kelda Holdings Limited to be paid in additional notes.

## Why does the Board of Kelda Holdings verify some decisions that impact on Yorkshire Water?

We refer some matters to the Board of Kelda Holdings for verification as we believe this reflects best practice in relation to certain decisions. These are things such as the appointment of independent non-executive directors, changes to executive remuneration and the appointment of our external auditor. These decisions are always recommended by the Board of Yorkshire Water first, so nothing is referred to Kelda Holdings Limited that is not already approved by Yorkshire Water; this helps to ensure that referral to Kelda Holdings Limited does not give our shareholders undue influence. The verification by Kelda Holdings Limited provides a further layer of scrutiny from the five directors who are on the Kelda Holdings Board but not on the Board of Yorkshire Water, which helps to ensure that Yorkshire Water is not able to appoint unsuitable directors or an auditor which is not sufficiently independent from the business, for example. In a listed company this control comes from such decisions having to be put to shareholders in an Annual General Meeting.

## Decisions in relation to dividends

As a privately owned company providing a public service, it is essential that we have clear and transparent controls in place in relation to any dividends that we pay. All dividends paid by Yorkshire Water are solely decided by the Board of Yorkshire Water. The Board of Kelda Holdings Limited is only able to approve dividends being paid by Kelda Holdings Limited and makes no decisions in relation to dividends being paid by Yorkshire Water. The dividend policy for Yorkshire Water is set every five years as part of our Price Review and approved by Ofwat. Further information on our dividends for 2024 has been included under **Principle 3** and in our **Other disclosures section**.

## Our Board Committees

We have a number of Board Committees, each of which has provided its own report on the role of the Committee and how it has operated during the year. Each Committee Chair reports back to the Board after each meeting to ensure that the whole Board is aware of the matters considered by the Committees and, where appropriate, Committee papers and minutes are made available to all Board members for information.

We have gone beyond the governance requirements of having an Audit, Remuneration and Nomination Committee to also have Public Value, PR24, and Safety, Health and Environment Committees to enable Board members to spend additional time in these areas, focusing on specific matters in detail and providing assurance in these areas to the Board.

The Committees do not make decisions, other than in relation to executive remuneration where it would not be appropriate for the executive directors to be involved in the decision, but instead the Committees make recommendations to the Board for decision.

We continue to keep the Terms of Reference of each Committee under review to seek to optimise its effectiveness.

## Handling conflicts of interest

Each of our directors is subject to the obligations in relation to conflicts of interest that are set out in company law. Our Board members are all experienced directors and receive regular reminders of their statutory obligations. Our Board has non-executive investor directors, as well as executive and independent non-executive directors, and we place great importance on ensuring we maintain the right balance in the boardroom, so that the effectiveness of the Board is not undermined by conflicted interests. We have a standing agenda item at each meeting for conflicts of interest. If any of our directors believe that they are conflicted in any way, then this is declared and appropriate action taken, such as excluding them from decisions where they may be conflicted. No conflict situations have arisen during the year under review.

## Ensuring long-term focus

Our long-term strategy looks 25 years ahead and takes into consideration the long-term forecasts for Yorkshire in many areas such as population growth, water consumption and climate change. The Board has also spent much time considering the longer-term this year through the consideration of our PR24 Business Plan, which has considered water resources over the longer-term, our Long-Term Delivery Strategy and our Drainage and Wastewater Management Plan for the future. The Board also continues to monitor financial resilience over the longer-term through a 30-year business model for the group as a whole.

Each year the Board also receives horizon scans which set out external matters to be aware of over the longer-term. The Board also considers the long-term viability of the business each year and makes a statement on this, considering various scenarios across the current and next Asset Management Period. There has also been much work during the year on the long-term risks arising from climate change. Further information on long-term viability and the risks arising from climate change can be found in our [Strategic report](#).



## Principle 3:

The Board's leadership and approach to transparency and governance engenders trust in the regulated company and ensures accountability for their actions.

### Our approach to transparency and governance

We recognise our position as a regional monopoly and we know that this makes it essential that our customers can trust us, as our household customers do not have the option to move to another supplier if we do not meet their expectations. We seek to be transparent and ethical in all that we do and have a Code of Ethics, which sets out the ethical standards we expect from all those that work with us. The Code provides a framework to help when someone faces a difficult ethical decision, and was developed with the help of our Board prior to launch in 2021. We have seen examples of the effectiveness of this Code during the year through our 'speaking up' process where colleagues have come forward to raise concerns as a result of reading the Code of Ethics.

We take governance very seriously and seek to demonstrate best practice wherever possible. During the year, our Company Secretary has undertaken a detailed governance review to specifically look at how we might better align to best practice. The result of this was a number of recommendations around our external disclosures, the remit of our Board Committees, some changes to Board reporting and a broader programme of Board engagement with colleagues, all of which have now been implemented.

### Our dividend policy

We have a dividend policy, in compliance with Condition P30 of the Yorkshire Water Instrument of Appointment, that requires that distributions will only be made after an appropriate financial resilience analysis has been undertaken, that dividends will be adjusted to reflect and recognise company performance and benefit sharing from service and efficiency performance. The policy ensures that delivery for customers and the environment is not just considered but factored into any amounts that are to be paid as dividends. Whenever a dividend is considered by the Board, a paper is prepared for the Board's consideration, which sets out the purpose of the dividend and how it complies with the dividend policy and Condition P30 accordingly.

When approving dividends to be paid in a financial year, the Board assesses both company performance to date, the financial year in question and that which is expected for the whole of the Asset Management Period (AMP). As such, dividend payments are considered within the longer-term context of the business and not just on the basis of the previous 12 months. There is explicit consideration of the ability of the business to be able to deliver into the future.

During the financial year, Yorkshire Water paid dividends totalling £84.1m (2023 £62.3m). All dividends paid during the year were compliant with the current Board approved dividend policy and Condition P30, which was modified in May 2023.

#### **The company's approach to recommending the dividend included the following steps:**

- Determining an appropriate base dividend level reflecting the company's actual capital structure;
- Applying an 'in-the-round' adjustment to reflect the wider considerations required by our dividend policy and Condition P30; and
- Ensuring that the company remains financially resilient and that there are sufficient profits available for distribution in the foreseeable future.

A base dividend yield of 4.0% was considered appropriate for the year to March 2024, being consistent with the base yield recommended by Ofwat at PR19. This would imply a base dividend for the year of £115m.

#### **In determining an appropriate 'in the round' adjustment, the wider considerations of the Board included, but were not limited to:**

- The ability of Yorkshire Water to finance its current and future activities;
- The financial resilience of Yorkshire Water;
- Yorkshire Water's performance against the PR19 Final Determination, including in relation to specific performance commitments;
- Customer service delivery;
- The wider environmental performance of Yorkshire Water; and
- The risk of regulatory fines and penalties.

On balance, the Board determined that a yield reduction of 1.1% was appropriate (a dividend reduction of £31m), resulting in an overall dividend yield for the year of 2.9% (2023: 2.4%). This compares to a Return on Regulated Equity of 6.2% for the year (6.6% excluding additional storm overflow investment) and cumulatively over the AMP to date of 3.1% (3.2% excluding additional storm overflow investment).

#### **The key determining factors behind the reduction in dividend were:**

- Environmental performance. Significant steps have been taken in the year, including the ongoing investment of £180m in improving storm overflows. However, the Board recognises that the business did not achieve the level of performance required, including the move to a two-star Environmental Performance Assessment rating and a number of serious pollution events. The Board recognises that wider environmental performance is not yet at the levels required and a reduction in dividend payment was appropriate to support the company's planned improvements. Along with all other water and wastewater companies, Yorkshire Water is currently being investigated by Ofwat and the Environment Agency in relation to sewage treatment works. The outcome of this investigation is not yet known.
- Yorkshire Water delivered a strong level of return for the year, representing 6.2% on regulated equity. This return was partly supported by the high levels of inflation experienced in the period. Consistent with Ofwat guidance, the Board considered that it was appropriate not to fully reflect that inflation benefit in the dividend paid and to retain some of this year's return in the company to support its planned improvements and activities.
- The financial resilience position of Yorkshire Water improved over the course of the year, supported by the £400m intercompany loan repayment from Kelda Eurobond Limited. This was recognised by Ofwat in its latest 'Monitoring Financial Resilience' report in which Yorkshire Water was moved out of the 'Action Required' category. While positive, the company is targeting further improvement and the retention of part of this year's return to support this was considered appropriate.
- Customer service delivery. Yorkshire Water has delivered improvements in many areas of customer service over the year, including

expansion of the Priority Service Register, enhanced leakage performance and progress in C-MeX and D-MeX. Other areas were below the target, particularly wastewater internal / external sewer flooding events, albeit performance in these areas was impacted by unusually high rainfall in the year.

The dividends paid in year bring the cumulative dividend yield for the current AMP to 2.7%, remaining below the cumulative return of 3.1%.

None of the dividends in the current year were paid to the shareholders of Kelda Holdings Limited (2023: £nil), Yorkshire Water's ultimate parent company, as they continue to support the company's financial resilience and improvement plan.

The dividends for the year included distributions of £27.9m (2023: £22.0m) that did not impact the company's liquidity position or its distributable reserves as they were returned to the company in the form of interest receipts on intercompany loans.

### **Variable pay**

The measures used in calculating variable pay for executive and senior colleagues are set out in the [Directors' remuneration report](#). The measures are split into four key areas:

- Protecting our environment;
- Delivering for customers through service;
- Delivery for customers through financial efficiency; and
- Keeping our people engaged and safe.

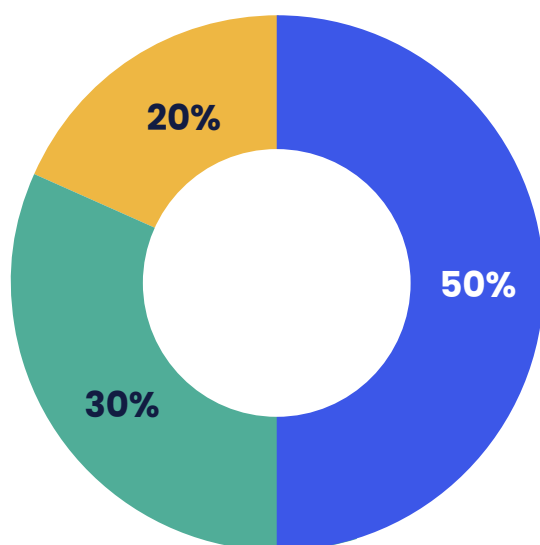
These measures have been chosen to ensure that the objectives of our senior team align to those of our key stakeholders. We have set this out in more detail in our [Directors' remuneration report](#) and try to do so in as clear and transparent a way as possible to help stakeholders understand our calculations of variable pay.

### **Assurance of information**

We seek to assure information through independent means wherever we can, and we detail in this report where information has been independently verified and the three-line assurance process that we have in place to ensure the information we provide is trustworthy.

## Principle 4:

Boards and their committees are competent, well run, and have sufficient independent membership, ensuring they can make high quality decisions that address diverse customer and stakeholder needs.



## Our Board composition

As at 31 March 2024, the Board composition was as follows:

- Independent Non-Executive Directors
- Non-Executive Investor Directors
- Executive Directors

## How the Board operates

The Board had six scheduled meetings in the year, with one additional ad-hoc meeting to make a final decision on the PR24 Business Plan submission to Ofwat. Attendance at the meetings is shown in the table later in this report. Our scheduled meetings are preceded the evening before by an informal meeting over dinner, allowing more time to debate issues in depth. The Board has invited a number of key stakeholders to dinner throughout the year to enable information to be shared and discussed in more depth.

The Board agenda is set for each meeting by the Chair, with input from the executive directors and the Company Secretary. In addition, any of the other directors can request a matter to be added to the agenda at any time. Monthly reports on operational matters, health, safety and environmental matters and financial performance are circulated to the Board members regardless of whether a Board meeting is scheduled.

The Board seeks to regularly meet both formally and informally with senior management from across the business to gain further insight into the day-to-day operations and the key risks and opportunities facing each part of the business.

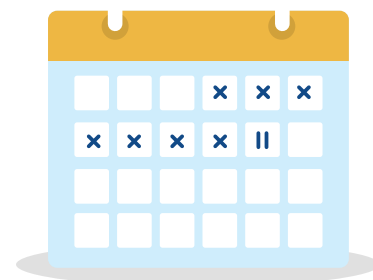
Members of the Executive and other key senior managers are regularly invited to attend Board meetings to provide updates and give the non-executive Board members regular direct access to the senior management team.

There is a schedule of Matters Reserved for the Board which sets out the specific matters that must be referred to the Board for approval. These include matters relating to company structure, dividend policy, material regulatory submissions and external press releases, along with significant operational and strategic matters.

The Board considers the role of the Company Secretary to be key in ensuring that the Board has the right governance in place and that Board processes follow best practice. The Company Secretary meets with each of the directors individually as necessary to discuss governance-related matters. The directors are also able to obtain independent professional advice at the expense of the company whenever necessary.

# Board activities during the year

The following gives some examples of the activities of the Board in the year under review.



## April 2023

The Board was focused on PR24 and the newly formed PR24 Committee met to consider engagement with customers, our strategic plans and the key principles and decisions that would shape our PR24 Business Plan.



## May 2023

We focused on public health at our Public Value Committee and on water quality at our Safety, Health and Environment Committee, which included a visit from Marcus Rink, the Chief Inspector of the Drinking Water Inspectorate. We also held a Colleague Engagement Forum which was attended by some of our Board members to hear directly from our colleagues.



## June 2023

Our Safety, Health and Environment Committee visited our wastewater treatment works at Ewden and our sewage pumping station at Stocksbridge, to see and hear first-hand how these operate and the work being undertaken to improve our performance in relation to wastewater discharges. Our PR24 Committee also met to consider the draft Business Plan.

## August 2023

Our PR24 Committee continued to meet throughout August, with meetings focused on customer engagement, the affordability of bills and the financial support to be offered to customers as part of PR24. The Committee also reviewed the assurance in relation to the PR24 Business Plan in detail. We held another Colleague Engagement Forum, which was attended by some of our Board members to hear directly from our colleagues.



## July 2023

Our PR24 Committee met multiple times to consider different sections of the draft Business Plan, including particular focus on the proposed performance commitments, the financeability of the Plan and its affordability for customers, its consideration of asset health, and the quality and ambition contained within the Plan. In mid-July some members of our Board attended the opening of a fish pass in the River Don which will enable salmon to reach spawning grounds in the centre of Sheffield for the first time in 200 years. This was the result of joint work by many organisations, including Yorkshire Water, the Environment Agency and the Don Catchments Rivers Trust. The new fish pass will both help wildlife and be a prominent feature for the public to enjoy.

## September 2023

In September, our Board met with representatives from our three Trade Unions to hear their views first hand on all matters impacting our colleagues. The Board also had dinner with the Executive team to hear from them on matters across the business. Our Board meeting was held at our office in Bradford where the modernisation team is based, to enable the Board to hear from the team directly about our modernisation programme, which is designed to improve our wastewater services to customers. Our Remuneration Committee meeting focused very much on culture and agreeing the desired culture for the business with the Board. Our PR24 Committee also met multiple times to review all elements of the PR24 Business Plan prior to submission.



## October 2023

Our PR24 Committee met after the submission to discuss next steps and the work required prior to 1 April 2025 to be ready to implement the plan.



## January 2024

Our Board met with Ruth Kelly and David Henderson, the Chair and CEO of Water UK, to discuss areas of focus for the water sector as a whole. Our Safety, Health and Environment Committee had another visit from Marcus Rink, Chief Inspector of the Drinking Water Inspectorate to hear feedback on our progress in relation to water quality. The Committee also heard directly from a third-party supplier undertaking process safety high hazard reviews, to understand the findings in this area. The Audit and Risk Committee also took part in a cyber workshop run by the National Cyber Security Centre, to consider the evolving cyber risks facing the business.



## November 2023

Our Board and Committee meetings in November included a visit from Alan Lovell, the Chair of the Environment Agency, to hear his thoughts directly on environmental regulation and areas for focus going forward. We also heard from our Area Director from the Environment Agency specifically on the day-to-day relationship between Yorkshire Water and the Environment Agency. Our Board meeting was held at our water treatment works at Elvington and the Board had a tour around the site, hearing directly from operational colleagues on their work on the site. In addition, we held a Your Water, Your Say event during the month, which was attended by some of our Board members to hear directly from our customers.



## March 2024

Our Board met again with the Trade Union representatives from the business to discuss anything on the minds of colleagues and the actions taken since the previous meeting in September. The Board also met with Iain Coucher, Chair of Ofwat, to hear directly from him on his views on regulation and the water sector. Our Board meeting was held at our customer contact centre and the Board spent time listening to customer calls and speaking directly to colleagues who handle customer calls each day, to hear the view from our customers.



# The Board performance review

We undertake an annual Board performance review to consider the effectiveness of our Board. In 2024 this has been an internally facilitated review, undertaken by our Company Secretary. Our last externally facilitated review was in 2022.

The Board performance review last year highlighted some areas for additional focus. The table below sets out these areas and the progress made during the year:

Area for additional focus	Progress in 2024
Consideration to be given to the way in which environmental, social and governance matters are brought to the Board and whether this is more effectively done through the Board meetings or through one or more of the committees.	This was covered as part of the governance review noted earlier and it was agreed that environmental, social and governance matters should be brought to the whole Board, with just any environmental incidents still being considered by the Safety, Health and Environment Committee, and the Public Value Committee retaining oversight of the plan to reach net-zero carbon emissions.
A more detailed skills audit to be undertaken to assess the experience of the current directors, to inform future recruitment requirements.	This has been done and the results are disclosed within our <a href="#">Nomination Committee report</a> . The outcome of the audit has been used to inform our ongoing recruitment of an additional independent non-executive director.
Thought to be given to strengthening the Colleague Engagement Forum to further enhance its effectiveness in making the colleague voice heard at the Board, which in turn will help improve the effectiveness of the Board.	Considerable thought has been given during the year to the effectiveness of the Colleague Engagement Forum and it has been decided that rather than changing the Forum, an extended programme of colleague engagement would be devised for the Board to ensure that it hears from a variety of colleagues from across the whole organisation during the course of each year. Examples of such engagement can be seen later in this report.

The performance review in 2024 has consisted of one-to-one interviews of all Board members by the Company Secretary. The results from these interviews were compiled into a report which was shared with the Board for discussion.

The review concluded that the Board and its committees were operating effectively with a number of areas of significant strength noted, including trust, openness and mutual respect between Board members, with all members feeling able to give their views and that they are listened to.

## The review highlighted some specific areas for focus in 2025:

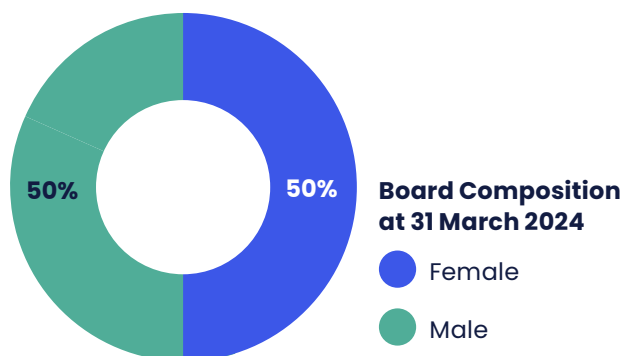
- Some operational deep dives into specific performance commitments will be held to enable Board members to fully understand the challenges faced and the work underway;
- A strategy session will be held for the Board to consider some strategic matters such as the use of Artificial Intelligence in the organisation; and

- More information will be provided to the Board on talented individuals within the organisation and how each is being developed and supported in their career within Yorkshire Water.

An action plan has been developed and agreed by the Board and the progress made will be reported in our Annual Report next year.

In addition to the annual Board performance review, the Chair meets with each Board member individually on at least an annual basis to discuss their own performance and to identify any areas for development or potential training needs. The Senior Independent Director also gathers feedback separately on the performance of the Chair and discusses this with her at least annually.

Further information on how the Board engages with stakeholders, including colleagues, customers and communities, can be found in our [Section 172\(1\) statement](#).



## Board composition

As noted earlier, we have undertaken a more detailed skills audit during the year to better understand the balance of expertise and experience that we have on the Board, compared to our current and potential future needs. The results of this are shown in the [Nomination Committee report](#). This will be kept updated to help ensure we maintain the balance of the skills and experience that we need.

We are delighted that our Board now has an equal representation of men and women, however, we are very aware that it does not reflect the diversity of the community that we serve from an ethnicity perspective. We have a Board Appointments Policy which ensures a consistent and fair approach to recruitment is always undertaken. The fundamental objective of recruitment remains to ensure that the best candidate for the role is appointed, but we actively work with recruitment consultants to ensure we review a diverse range of candidates and that all are given an equal opportunity for the role.

## Training and development

The Board receives regular updates on governance-related matters and more formal training where appropriate. Potential training needs are discussed as part of individual performance evaluations, plus each director is given the opportunity to flag any additional training requirements as part of the annual Board performance review. New directors joining the company are given a broad and comprehensive induction to the business consisting of site visits, meetings with key personnel and detailed information relating to the business, as well as any training specifically required in relation to the duties of directors and their role on the Board.

## Non-executive director meetings

The independent non-executive directors and non-executive investor directors meet with the Chair at regular intervals to discuss Board-related matters without the executive directors present.

## The UK Corporate Governance Code

Yorkshire Water is a private limited company but has chosen to report its compliance with the UK Corporate Governance Code on an annual basis, to provide greater transparency.

The Board considers that it has complied with all the principles of the UK Corporate Governance Code 2018 which are applicable to private companies throughout the year ended 31 March 2024, except for the following provisions:

- **Provision 11** – this principle requires that at least half the Board, excluding the Chair, should be independent non-executive directors. Whilst our independent non-executive directors make up the largest group on the Board, they do not represent half the Board when the Chair is excluded.
- **Provision 18** – this provision relates to the annual re-election of directors. As a private limited company, we do not hold an Annual General Meeting and instead our directors are re-elected every two or three years when their appointment term ends.
- **Provision 24** – this provision requires the Audit and Risk Committee to consist entirely of independent non-executive directors. Our Audit and Risk Committee has a majority of independent non-executive directors but also has a non-executive investor director, who we believe provides useful challenge and insight to the Committee.
- **Provision 32** – this provision requires the Remuneration Committee to consist entirely of independent non-executive directors. Our Remuneration Committee has a majority of independent non-executive directors but also has three non-executive investor directors, which means we receive useful insight from investors when making remuneration decisions.

The UK Corporate Governance Code is available on the website of the Financial Reporting Council at [frc.org.uk](https://www.frc.org.uk)

## Attendance at Board and committee meetings

Director	Board	Audit and Risk Committee	Safety, Health and Environment Committee	Nomination Committee	Remuneration Committee	Public Value Committee	PR24 Committee
	No./max	No./max	No./max	No./max	No./max	No./max	No./max
<b>Vanda Murray</b>	7/7	-	4/4	3/3	6/6	3/3	12/12
<b>Scott Auty</b>	4/4	-	2/2	2/2	4/4	-	
<b>Wendy Barnes</b>	7/7	7/7	-	3/3	6/6	3/3	12/12
<b>Isabelle Caumette</b>	3/3	-	2/2	1/1	2/2		
<b>Andrew Dench</b>	7/7	6/7	-	3/3	6/6	-	11/12
<b>Russ Houlden</b>	7/7	-	-	3/3	6/6	3/3	12/12
<b>Paul Inman</b>	7/7	-	-	-	-	-	-
<b>Andrew Merrick</b>	7/7	7/7	4/4	3/3	-	3/3	11/12
<b>Ray O'Toole</b>	2/2	-	1/2	2/2	-	-	-
<b>Nicola Shaw</b>	7/7	-	4/4	-	-	3/3	-
<b>Julia Unwin</b>	6/7	-	4/4	3/3	6/6	3/3	11/12
<b>Andrew Wyllie</b>	7/7	6/7	4/4	3/3	6/6	-	-

## Business model and KPIs

The details of our business model and our KPIs are included in the [Strategic report](#).

## Reappointment of the external auditor

Deloitte LLP has advised of their willingness to continue in office and have confirmed their continued independence. Deloitte LLP was appointed as our external auditor in 2018, following a robust, competitive tender process which resulted in a change of auditor.

Following consideration of the relationship with the external auditor, the Audit and Risk Committee has recommended to the Board that Deloitte LLP is re-appointed, and a resolution for their reappointment will be considered by the Board later this month. They have provided an independent audit opinion on these accounts which can be found in the [Financial Statements](#). Our audit partner, Chris Robertson, is in his second year as the partner on our audit and continues to be entirely independent from Yorkshire Water.

## Powers of the directors

The business of the company is managed by the directors, who may exercise all the powers of the company, subject to the provisions of the Articles of Association and relevant statutes.

All directors have a statutory duty to avoid conflicts of interest. Our Articles of Association permit those directors who are not conflicted to authorise conflict situations, as is standard practice. Conflicts of interest are a standing agenda item at each Board meeting and any potential conflicts must be disclosed and may then, if appropriate, be authorised by the non-conflicted directors. Any such authorisations may be subject to appropriate conditions. The directors do not consider that any actual conflicts of interest have arisen during the year between the roles of the directors as directors of the company and any other roles which they may hold.

Our Chair, executive directors and non-executive investor directors remain mindful that they are also directors of Kelda Holdings Limited and that this operates as a separate legal entity.

- The final draft is reviewed by the Audit and Risk Committee prior to consideration by the Board. The Committee advised the Board that the ARFS, taken as a whole, is fair, balanced, and understandable for shareholders and other stakeholders to assess the company's performance, business model and strategy. Each director in office at the date of this report confirms that, to the best of their knowledge the Financial Statements give a true and fair view of the assets, liabilities, financial position, and loss of the company; and
- The [Strategic report](#) includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that it faces.

The directors have voluntarily complied with the Disclosure and Transparency Rules, to the extent that these can be reasonably applied to the company. The company is required, under its licence, to publish information about its results as if it were a company with a premium listing on the London Stock Exchange.

## Directors' statement

The directors confirm that they consider the Annual Report and Financial Statements (ARFS), taken as a whole, to be fair, balanced, and understandable and provides the information necessary for shareholders and other stakeholders to assess the company's performance, business model and strategy. When arriving at this position, the Board was assisted by a number of processes including the following:

- The ARFS is drafted by senior management with overall co-ordination by senior members of the Finance team and Company Secretariat to ensure consistency across the relevant sections;
- An internal verification process is undertaken to ensure factual accuracy;
- Comprehensive reviews of drafts of the ARFS are undertaken by the executive directors and senior management;
- An advanced draft is reviewed by the Board;

## Disclosure of information to auditors

Each director in office at the date of this report confirms that:

- So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- Each director has taken all the steps they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## Statement of directors' responsibilities

The directors are responsible for preparing the ARFS in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law, the directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law, the directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

### In preparing these Financial Statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Relations with shareholders

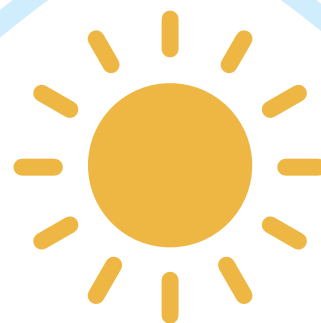
As a private limited company, we have three shareholder representatives appointed as non-executive directors to our Board. Our fourth shareholder also has an appointed representative who attends our Board meetings as an observer. This means that we have regular interaction with representatives from each of our shareholders and can present detailed information to them to enhance their understanding of our business and the communities which we serve. This also means that we can understand in detail the views of our shareholders which has been extremely useful in building a strong relationship and understanding since the appointment of our first non-executive investor directors in September 2017.

## Amendments to the company's Articles of Association

Any amendments to the company's Articles of Association may be made by passing a special resolution of the shareholders.

## Our risk management framework

Our risk management framework, which sets out our approach to identifying and managing our risks, is detailed in our [Managing risks and uncertainties section](#) of the [Strategic report](#).



# Risk management responsibilities

## The Board

The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the overall risk profile is aligned with this. It is also responsible for ensuring that the business maintains sound internal control and risk management systems, as well as reviewing the effectiveness of those systems.

To do this, the Board has regular meetings with senior management and, via the Audit and Risk Committee, receives regular reports from the internal auditors and the external auditors on the effectiveness of internal controls and risk management. Acknowledging the improvements recommended by these reports in relation to general IT controls, the lack of formal documentation and retention of all audit evidence, the Board is satisfied that the systems are embedded within the day-to-day activities of the business and cover financial, operational and compliance controls, and that the business continues to be compliant with the provisions of the 2018 UK Corporate Governance Code relating to internal controls. The Board recognises the requirements of the recently published Financial Reporting Council guidance on internal controls and is committed to supporting the need to continuously ensure all material controls are fully embedded and operating effectively within the required timeframe.

## The Executive

The Executive is responsible for reviewing the risks that have been recorded, to ensure completeness and accuracy, as well as assessing the suitability of the mitigations in place and any proposed timescales for further controls to be implemented.

## Audit and Risk Committee

The responsibilities of the Audit and Risk Committee in relation to risk management are set out in the [Audit and Risk Committee report](#).

## Financial risk management

We produce an annual budget which is reviewed by senior management and ultimately approved by the Board. We also have our five-yearly Business Plan which aligns to the Final Determination issued by Ofwat as part of each Price Review, and we have a longer-term 30 year financial model for the group which we regularly monitor performance against.

We also prepare monthly performance reports against budget, which are monitored by each business area and reported at Executive and Board meetings. Further information about the financial risk management policies in place and, in particular, the way in which credit risk, liquidity risk, interest rate risk and foreign currency risk are managed, is in [note 17](#) to the [Financial Statements](#).

## Greenhouse gas emissions

Information on our greenhouse gas emissions for the year to 31 March 2024 is contained in our [Strategic report](#) in the [Environment section](#).

# Nomination Committee report

**The role of the Nomination Committee is to keep the structure, size and composition of the Board under review and to ensure that the balance of skills, knowledge and experience of the Board meets the requirements of the business, both now and in the future.**

The Committee is also responsible for overseeing the recruitment process for new directors and for making recommendations regarding appointments to the Board.

## Board structure

Our Board structure is different from that of a listed company in that we have three non-executive investor directors who sit on our Board, alongside our independent non-executive directors and our executive directors. This has been the case since September 2017. Having representatives from our shareholders in the room is immensely beneficial to us as it enables us to understand their views in detail and ensures they hear first-hand all of the information that is presented to the Board in order to provide support and challenge as appropriate.

Whilst they are not deemed independent in accordance with the definition in the UK Corporate Governance Code, the non-executive investor directors still carry the same legal and fiduciary duties as our other directors and fully understand the importance of the services that we provide to Yorkshire and the impact that our actions have on local communities and the environment. They also individually bring skills and experience to the Board which help create a greater diversity of skills and experience, which is beneficial to the Board in its decision making.

## Ongoing recruitment

At a meeting of the Committee in January 2024, it was agreed that recruitment of a further independent non-executive director would begin, to further enhance the balance of skills and experience on the Board. Green Park have been appointed as independent recruitment consultants to assist with this appointment, which is ongoing.

## Developing talent

In addition to reviewing the composition of the Board, the Nomination Committee plays a key role in developing talent in the organisation, to identify and promote those who are potential future Board members, either of Yorkshire Water or elsewhere. This includes ensuring that there are equal opportunities for development for people of all genders.

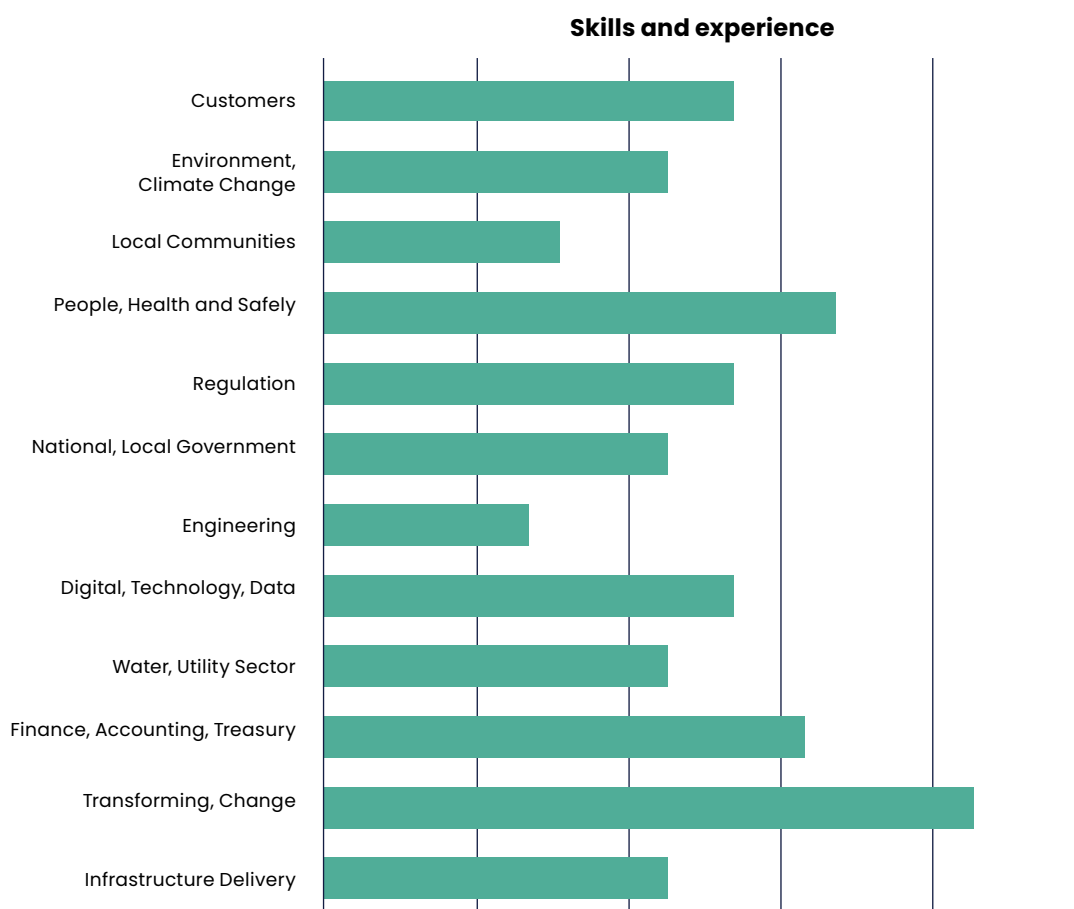
The Committee has a Board Appointments Policy which sets out the key principle for appointments to be made on merit, with consideration always being given to the need for diversity of all types. Yorkshire Water is committed to using open advertising or the services of an independent external adviser when recruiting to the Board and will only use external executive search firms who have signed up to the voluntary Code of Conduct addressing gender diversity and best practice.

## Our skills and experience matrix

We maintain a Board skills matrix, which the Nomination Committee uses to monitor the balance of skills and experience on the Board and to identify any areas where new skills or experience may be required. During the year we have revised the skills and experience we are monitoring to better align with the needs of the business.

In the matrix, directors evaluate themselves, noting where they have specific skills or experience, where they have some skills or experience, but these have not been core to a previous role, as well as those areas where they have no or only limited skills or experience.

The current matrix is shown below:



The matrix shows that there are no key areas without relevant skills or experience on the Board, but that our lowest areas are engineering and experience of local communities.

## Attendance at Committee meetings

The Nomination Committee is a sub-committee of the Board and meets as often as required each year. During the year ended 31 March 2024, the Committee met three times. The membership and attendance of the Committee is set out earlier in the [Governance report](#). Meetings are also attended by the Chief Executive, where relevant, and the Company Secretary.

## Committee responsibilities

- To review the structure, size and composition of the Board on a regular basis and to make recommendations to the Board regarding any changes;
- To ensure plans are in place for orderly succession to Board and senior management positions, and oversee the development of a diverse pipeline for succession;
- To keep under review the leadership needs of the organisation, both executive and non-executive, to ensure the continued ability of the organisation to meet its obligations in relation to investors, the public service it provides and the community in which it operates;
- To oversee the process for the recruitment or reappointment of any Board roles; and
- To review annually the time required from each of the directors to perform their roles effectively.

The Terms of Reference of the Committee are in line with the recommendations in the UK Corporate Governance Code and from the Chartered Governance Institute.

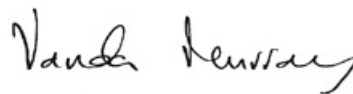
Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](https://yorkshirewater.com)

## Committee performance review

During the year, an internally facilitated performance review was undertaken of the Board and all of its Committees. The feedback on the Nomination Committee showed it to be operating effectively.

## Thanks and feedback

Our non-executive directors contribute significant time and effort in their roles and have done so again this year with significant time spent reviewing the PR24 Business Plan. I would like to thank them for their ongoing commitment to Yorkshire Water.



**Vanda Murray OBE DBA**  
**Chair, Nomination Committee**  
 3 July 2024



# Public Value Committee report

**The Public Value Committee is an additional sub-committee of the Board which began in 2018 specifically to consider matters relating to the public value which Yorkshire Water can bring to the region.**

As an anchor institution in Yorkshire, we have a significant impact on the communities that we serve; through our customers, our colleagues, the land we own and the investments we make. We know that our actions shape the regional economy, as well as the health and wellbeing of Yorkshire. We are committed to improving the quality of life for our region, which is reflected in our strategic aim of 'a thriving Yorkshire, right for our customers and right for the environment'.

## Committee remit

The remit of the Committee was altered slightly during the year to ensure that certain key matters received the attention of the full Board. The new Committee remit now focuses on three main areas:

- Monitoring our progress to net-zero;
- Overseeing our regional stakeholder relationships; and
- Identifying matters that may become a focus for public interest in the future.

These were all felt to be areas that would benefit from additional focused time being spent by the Committee on deep dives and more detailed discussions on behalf of the Board.

## What we have considered during the year

During the year, the Committee has met three times and has had considerable focus on our progress to net-zero, receiving reports at every meeting and ensuring that the plans for net-zero are woven into our PR24 Business Plan.

There have also been discussions around public health and consideration of the impact of Yorkshire Water on public health both now and into the future.

The Committee also has oversight of the annual 'Our Contribution to Yorkshire' report, which sets out our annual impact on Yorkshire and the public value that we bring. This is done using the Six Capitals concept, which measures our contribution not just financially, but also in relation to our environmental and social impacts, amongst other things.



The Committee reviews the report each year and approves it prior to publication.

A copy of the latest report can be found on our website at [yorkshirewater.com](https://yorkshirewater.com)

Prior to the change of remit of the Committee, there was also a detailed review of improvements being made in the customer contact centre to ensure a better customer experience for those contacting us. This is now an area of focus for the whole Board.

The Committee reports back to the Board after each meeting, with papers and minutes circulated to all Board members to ensure that the whole Board remains informed of matters considered by the Committee.

## The six capitals



### Financial capital

Our financial health and efficiency



### Manufactured capital

Our pipes, treatment works, offices and IT



### Natural capital

The materials and services we rely on from the environment



### Human capital

Our workforce's capabilities and wellbeing



### Intellectual capital

Our knowledge and processes



### Social capital

Our relationships and customers' trust in us

## Attendance at meetings

Attendance at the Committee meetings during the year is noted earlier in the [Governance report](#). As well as the Committee members, meetings are also attended by the Director of Strategy and Regulation, the Head of Strategic Planning, the Manager of Net-Zero Carbon and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

## Terms of Reference

The specific duties of the Committee in its Terms of Reference include:

- To oversee the engagement strategy with local stakeholders and to engage directly as a Committee where appropriate;
- To engage directly with individuals in the Yorkshire region to ensure the stretch and challenge being received by the business in matters of public value is sufficient;
- To monitor matters of potential public interest to ensure these are being adequately considered and monitored by the business and are flagged to the Board as when appropriate;
- To receive regular updates on behalf of the Board in relation to the plan to achieve net-zero; and
- To discuss and highlight to the Board any other matters of public value which the Committee believes should be considered in Board decision making.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or are on our website at [yorkshirewater.com](http://yorkshirewater.com)

## Committee performance review

During the year, an internally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Public Value Committee showed it to be operating effectively, with no specific areas for development.

**Dame Julia Unwin**  
**Chair, Public Value Committee**  
 3 July 2024

# Safety, Health & Environment Committee report

**Our strategy is about working towards 'a thriving Yorkshire, right for our customers and right for the environment'.**

As part of that, we need a sustainable foundation, which includes ensuring we keep our people, our partners and any members of the public that we come into contact with safe and well. It also means that we need to understand any environmental incidents that occur, and we need to ensure our company response to such incidents, gets to the root of the cause and makes the right decisions to try to ensure such incidents are not repeated. The Safety, Health and Environment Committee was set up to allow there to be more time spent focusing on these important matters at a Board level. We review the governance around this every year and continue to evolve it as necessary.





## Health and safety

We have a moral imperative of 'zero harm' and we need to ensure that our health and safety vision of 'everyone, every day, safe and well, and we know it' continues to be embedded in everyday life across the business.

The Committee monitors performance and progress against our health and safety KPIs and reviews any incidents or high potential incidents that occur during the year, and the actions taken as a result. We are encouraged that our Lost Time Injury Rate, which measures the number of working hours lost as a result of injuries sustained at work, continues to reduce and this year we achieved our lowest ever rate of 0.10 per 100,000 working hours. We remain very aware, however, of the constant risks we face and are driving to further improve our performance.

The Committee considers all health, safety and wellbeing risks and has a particular focus on three potentially high impact areas; water quality and how we ensure our water remains safe to drink; process safety, including the control framework around the handling of hazardous chemicals; and our approach to reservoir integrity risk.

As part of our evolving management of process safety, during the year a series of process safety high hazard studies began and the Committee met with the independent third party undertaking these, to hear directly on the methodology being followed and any issues arising from the early reviews.

We include our partners in all our health and safety considerations and the Committee monitors the health and safety performance of our partners as part of the overall health and safety performance of our organisation. Our health and safety performance, when including partner metrics, was slightly below target in the year and there is much work ongoing with partners to identify key high risk activities and to focus on simplifying procedures to seek to mitigate the risks as far as possible.

We discuss partner health and safety performance at every Committee meeting and ensure that action is always taken when performance does not meet the high standards that we expect.

## Water quality

The quality of the drinking water we provide to our customers is one of the three key risks overseen by the Safety, Health and Environment Committee. The Committee has received several updates on this during the year, including a detailed deep dive into the risks relating to water quality.

The Committee has also met twice during the year with the Chief Inspector from the Drinking Water Inspectorate. This has enabled the Committee to hear first-hand from one of our key regulators and to understand any concerns from him and any actions that we need to take as a business to improve our performance.





## Environmental incidents

The Board takes its responsibilities for protecting and enhancing the environment extremely seriously. It also recognises the increasing public scrutiny around environmental incidents, particularly in relation to the pollution of waterways. The Board is unanimous in its view that we want to eradicate harm from wastewater discharges into the environment, whether permitted or not. This is something that everyone in Yorkshire Water wants to achieve, and we have detailed plans in place to do this over time. More information on our ambitions, targets and actions in this area are provided in the [Environment section](#) of our [Strategic report](#).

The Committee monitors the environmental performance of the business closely and has oversight of the investigation process into any incidents. We have seen a decline in our overall pollution performance in the 2023 calendar year, including five incidents classified as 'serious pollution', which we know is unacceptable. We are taking steps to address this as set out in more detail in our [Wastewater section](#). The Committee has received details of these incidents during the year and the recommendations of our Incident Review Panel to prevent recurrences wherever possible.

We are also disappointed to have slipped from a three-star to a two-star rating in the annual Environment Agency Environmental Performance Assessment. We know how important wastewater infrastructure is for the environment, and the performance of our wastewater treatment works has maintained our 2022 calendar year performance, which was industry leading. However, we are disappointed with the number of serious pollution incidents in the year, which has been the reason for the two-star assessment. It has been a challenging year due to the significantly heavy rainfall that we have seen. This has also impacted the number of discharges from storm overflows. When our results are normalised for rainfall, we can see that our interventions are working and the discharges are reducing.

We have a Pollution Incident Reduction Plan in place and, as announced last year, a £180m programme in place to reduce wastewater discharges. Our PR24 Business Plan also includes a further £1.4bn investment in our storm overflows and £580m to improve coastal and inland bathing waters.

During the year, the Committee heard directly from the Area Director of the Environment Agency to hear his views on the performance of Yorkshire Water and any areas requiring increased focus.

The newly appointed Head of River Health also attended the Committee to set out the plans for the forthcoming year, including plans to increase visibility of the network through the use of network logger devices, and increased investment in sewage pumping stations and rising mains.

## Seeing environmental performance in action

During the year, the Committee met offsite at our Ewden wastewater treatment works, which included seeing the transfer sewage pumping station and the Combined Sewer Overflow at Stocksbridge. This enabled Committee members to see first-hand the measures being undertaken to minimise wastewater discharges and the challenges being faced by the business in this area. The Committee was also able to observe the health and safety measures in place on the site and to discuss with operational colleagues directly their experience of working for Yorkshire Water.



## Attendance at Committee meetings

The Committee met four times during the year. Attendance at the Committee meetings is noted earlier in the [Governance report](#). As well as the Committee members, meetings are also attended by the Director of Health and Safety, the Director of Wastewater, the Director of Water, the Director of Asset Delivery and the Company Secretary. Other specialists are also invited to attend the Committee as and when required.

## Terms of Reference

The specific duties of the Committee in its Terms of Reference include:

- To consider the health, safety and wellbeing and environmental cultures across the business and the extent to which the desired cultures are embedded;
- To provide advice to the Board on the perceived 'tone from the top' in relation to health, safety, wellbeing and environmental matters;
- To review and approve the health, safety and wellbeing strategy and annual plan, ensuring that it appropriately prioritises health, safety and wellbeing across the business, is adequately resourced and reflects the risk appetite set by the Board;
- To consider the short, medium and long-term risks relating to health, safety, wellbeing and environmental incidents and the mitigations in place to reduce these risks as far as reasonably practicable;
- To receive regular updates on health, safety and wellbeing performance and details of any non-trivial incidents or near misses and the actions arising from these to prevent recurrence;
- To receive regular updates on environmental performance including in comparison to Performance Commitments;
- To receive details of any potential Category 1 or Category 2 environmental incidents and the actions arising from these as well as receiving and considering assurance that the company is identifying and applying lessons learnt;
- To keep under review relationships with third parties that are integral to health, safety, wellbeing and environmental risk management;
- To review the adequacy of the health, safety, wellbeing and environmental risk management framework across the business; and
- To review the findings from health, safety, wellbeing and environmental audits and other assurance programmes, including the mitigating actions and the timely closure of audit findings.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](https://yorkshirewater.com)

## Committee performance review

During the year, an internally facilitated performance review was undertaken of the Board and all of its Committees. The feedback on the Safety, Health and Environment Committee showed it to be operating very effectively with no specific areas for development.

We have made progress in some key areas this year, but we are aware that there is still much to be done to ensure that the performance of Yorkshire Water is consistently at the standard of which we aspire. I would like to thank my colleagues for their efforts during the year and we look forward to delivering further improvements in the future.



**Andrew Wyllie CBE**  
**Chair, Safety, Health and**  
**Environment Committee**  
 3 July 2024

# PR24 Committee report

## As expected, this has been an extremely busy year for the PR24 Committee.

The Committee was set up in March 2023 to enable a sub-set of the Board to oversee the development of the PR24 Business Plan and to spend more time reviewing, challenging and scrutinising the various parts of the Plan, and the independent assurance in relation to each part, before making recommendations to the Board. In reality, all Board members were invited to attend Committee meetings and all did attend wherever possible.

Our PR24 Business Plan was submitted to Ofwat in early October 2023



There were 12 Committee meetings during the year. Many of these focused on specific topics, including:

- Customer engagement;
- Customer affordability and financial support;
- Performance Commitments and Outcome Delivery Incentives;
- Financeability;
- Residual risk; and
- Assurance in relation to the Plan.

In addition, the Committee spent considerable time reviewing the draft Business Plan itself and discussing specific sections within the Plan.

The Committee does not make decisions on behalf of the Board, but having a separate Committee allowed for there to be deeper dives into key areas of the Business Plan and allowed attendees to spend more time reviewing the details behind the Business Plan.

The Committee has remained in place since the PR24 Business Plan submission in October 2023, to consider any feedback or queries received on the Business Plan and will consider the Draft Determination from Ofwat, when received later this month.

## Attendance at Committee meetings

Attendance at the Committee meetings is noted earlier in the [Governance report](#). As well as the Committee members, meetings are also attended by our Chief Executive, our Chief Financial Officer, other Board members, the Director of Strategy and Regulation, the Company Secretary and members of our Strategy and Regulation, Customer Insight, Finance, Risk and Compliance, and operational teams as appropriate.

We were delighted to meet with the Chair and Deputy Chair of our Yorkshire Water Customer Forum at one of our meetings to hear directly from them on their thoughts on our Plan.

We also met with various external assurers throughout the year so that the Committee could hear feedback on the assurance work directly from those involved.

## Purpose of the Committee

The specific duties of the Committee in its terms of reference include:

- Scrutinising, reviewing and challenging the decisions taken in preparation of the submissions;
- Overseeing the risks and opportunities which arise from the PR24 programme;
- Ensuring that the Committee is comfortable making a recommendation to the Board on each submission requiring Board approval;
- Receiving updates on any issues or themes arising from post-submission queries from Ofwat and alerting the Board to these when necessary; and
- Considering the Draft and Final Determinations from Ofwat and overseeing the preparation of the response to these for approval by the Board.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](https://www.yorkshirewater.com)

## Committee performance review

During the year an, internally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the PR24 Committee showed it to be operating effectively.

We also undertook an internal lessons learnt exercise following the PR24 Business Plan submission process, and this indicated that the Committee had added value for the Board and the Executive team.

As Chair of the Committee, and a member of the Yorkshire Water Board, I would like to acknowledge all the hard work that has gone into our PR24 Business Plan submission, from many people across our organisation. On behalf of the Committee, I would like to thank everyone involved for their contribution during the year.



**Wendy Barnes**  
Chair, PR24 Committee  
3 July 2024

# Audit and Risk Committee report

**The Audit and Risk Committee supports the Board by providing oversight and challenge to the company's systems for reporting and managing risk and for maintaining the integrity of its operational and financial reporting.**

During the year, the Committee has focused on assurance over financial resilience, via risk scenario planning and has carried out a deep dive review of financial sustainability risks. This is alongside a thorough review of the risks that could have a very high impact on the business but are assessed as low or very low likelihood. Through positive relationships with the external and internal auditors the Committee has gained assurance that the internal controls framework remains robust, and that risks are identified, escalated, and managed in line with our corporate appetite. The Committee has delivered all its duties which are outlined in this report.



## Role

### The Committee's primary responsibilities are to:

- Monitor the integrity of our external reporting, ensuring that we provide clear, complete, fair, balanced, and understandable financial reports to all our stakeholders;
- Receive assurance to gain confidence over the design and operation of the internal controls and procedures, including oversight of our speaking up arrangements;
- Maintain oversight of the relationship with the external auditor;
- Provide oversight of the effectiveness of the process for identifying, assessing and managing key risks across the business, supporting the Board in agreeing and monitoring an appropriate risk appetite;
- Review the effectiveness of both external and internal audit;
- Review and approve the internal audit plan for the year, review internal audit reports and monitor completion of any actions arising;
- Review the arrangements to strengthen our financial capital, including our contribution to the local economy and our financial health; and
- Review the Speaking Up Policy, arrangements and activity.

## Membership and attendance

The Committee met for seven scheduled meetings during 2024. Membership and attendance of the Committee is shown earlier in this report. Although not Committee members, the Chief Executive, Chief Financial Officer, Head of Finance, Head of Audit, Risk and Compliance, Manager of Internal Audit, Company Secretary and the external auditors are notified of all meetings and may attend. The Committee has taken the opportunity during the year to talk to the external and internal auditors without management being present.

## Committee performance review

During the year, an internally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Audit and Risk Committee showed it to be operating effectively.

Copies of the Terms of Reference for all our committees are available from the Company Secretary or on our website at [yorkshirewater.com](https://yorkshirewater.com)

## Activity in the year

The Committee has discharged its responsibility to the Board through its coordinated programme of activity in the year. The table that follows highlights the key matters that were considered and challenged as appropriate by Committee members. The table notes whether these were for review (R) or approval and recommendation to the Board (A).



**Andrew Merrick**  
Chair, Audit and Risk Committee  
3 July 2024

## Key matters reviewed and approved at Committee meetings

Area of Focus	Matters for Consideration	Action
<b>Integrity of external reporting, including significant areas of judgement</b>		
Accounting policies and practices	The Committee reviewed the integrity and the appropriateness of significant accounting policies and disclosures, and material accounting estimates and judgements. It gained assurance that these were reasonable and give a fair outcome.	<b>R</b>
Fair, balanced, and understandable	The Committee assessed whether the information presented in the 2024 Annual Report and Financial Statements taken as a whole, is fair, balanced, and understandable and contains the information needed to enable stakeholders to assess the company's performance, risks, business model and strategy. It considered the process for producing the Annual Report and Financial Statements and the assurance available. It recognised that a rigorous review process is in place, designed to ensure that all disclosures are complete, accurate and verified. It undertook a detailed review of the Annual Report to satisfy itself that the reporting of performance is balanced and understandable. It recommended the Annual Report and Financial Statements to the Board for approval.	<b>R</b>
Long-Term Viability (LTV)	<p>The Committee recommended the long-term viability assessment to the Board based on review and challenge of:</p> <ul style="list-style-type: none"> <li>the six-year coverage to March 2030, which is considered appropriate as it aligns to the company's longer-term risk horizon;</li> <li>the sensitivity analysis includes appropriate potential severe but plausible risk scenarios which have been clearly set out;</li> <li>the impacts of these scenarios on both the interest cover ratio (used as a proxy for default) and the four financial ratios which, if missed, would trigger a breach; and</li> <li>consideration of the headroom as a form of reverse stress test of the nature and extent of events needed to trigger default or a breach.</li> </ul> <p>It considered it justifiable to state that the directors have a reasonable expectation that the company is viable over the six year period.</p>	<b>A</b>
Going concern	The Committee confirmed to the Board that it is appropriate for the company's Financial Statements to be prepared on a going concern basis by reviewing the basis of management's assessment, including evidence of liquidity and funding, alongside the auditor's report. A full review was performed, and further details can be found in <a href="#">note 1</a> to the <a href="#">Financial Statements</a> .	<b>A</b>
Infrastructure asset valuation	The Committee reviewed the methodology and assumptions around the infrastructure asset value, noting the external support received. It noted that the approach has been reviewed by external technical accounting specialists to ensure the methodology is as robust as possible.	<b>R</b>

Area of Focus	Matters for Consideration	Action
Financial instruments	<p>Significant management judgement is required to value the company's financial instruments. The overall credit position of the company was considered as follows:</p> <ul style="list-style-type: none"> <li>• interest rate swaps, cross-currency swaps and floating to fixed swaps were valued based on third party valuations, primarily from banks, the mid-market valuation provided by third parties adjusted to reflect its own credit risk; and</li> <li>• the other instruments were valued using a custom-built inflation linked swaps valuation model as the institutions that these instruments are held with do not perform their own mark to market valuation.</li> </ul> <p>The Committee noted that the approach was in line with FRS102 and was consistent with previous years.</p>	<b>R</b>
Annual Performance Report (APR)	The Committee reviewed the risks and assurance over the information included in the 2024 APR including performance against Outcome Delivery Incentives (ODIs) and Year 5 forecasts for ODIs.	<b>A</b>
PR24	The Committee reviewed the risks, assurance, judgements and estimates included in the PR24 Business Plan.	<b>A</b>
<b>Assurance over the design and operation of internal controls</b>		
Internal control framework	<p>The Committee received the internal audit reports and the outcomes of the regular evaluation of compliance process, including the actions to improve the company's compliance with its obligations. It monitored and challenged the timely achievement of the action plans agreed to address previously reported control weaknesses, noting that the implementation of internal audit actions as improved.</p> <p>The Committee received an update on the company's proposed response to the Financial Reporting Council's expectations regarding future internal controls reporting, recognising the wider remit of the internal controls statement in future years.</p>	<b>R</b>
Speaking Up arrangements	The Committee reviewed and approved the Speaking Up Policy, following minor amendments and updates. It maintained oversight of the themes raised through individual speaking up, the outcomes and agreed actions, and received assurance that no one using the policy has been victimised as a consequence.	<b>A</b>
Internal audit plan	The Committee satisfied itself that the 2024 internal audit plan, taken in the context of a three-year rolling plan, provided sufficient third line assurance that risks are managed to the level reported.	<b>A</b>
Internal audit performance	The Committee agreed the level of performance, experience and expertise expected to deliver the 2024 internal audit plan and reviewed the performance of internal audit in relation to quarterly performance targets and the achievement of milestones in the three year action plan to improve internal audit performance in line with the external quality assessment conducted in 2020.	<b>A</b>

Area of Focus	Matters for Consideration	Action
<b>Effectiveness and independence of the external auditor</b>		
Independence of the external auditor	The Committee considered the independence of the external auditor at the planning and reporting stage of the audit, to satisfy itself that there were no factors which may, or may be seen to, impact the independence and objectivity of the external audit process, particularly the level of fees relating to non-audit work. The Committee approves on an individual basis any non-incidental non-audit work by the external auditor which is capped at 70% of the three year average statutory external audit fee for the whole group. The 2024 split between audit and non-audit fee is shown in <a href="#">note 3</a> to the <a href="#">Financial Statements</a> , the non-audit fees predominantly relate to regulatory reporting requirements. The Committee reviewed this and accepted that it did not impinge on independence.	<b>A</b>
Performance of the external auditor	The Committee assessed the performance of the external auditor during 2023 by reviewing the findings from a survey completed by management stakeholders and the Committee about the conduct and quality of the audit. The performance of the external auditor during 2024 will be assessed by the Committee in September 2024.	<b>R</b>
External audit fee	The Committee reviewed and approved the external audit fee, plan, and approach for the financial year 2024.	<b>A</b>
<b>Effectiveness of the risk management process</b>		
Principal risks	<p>The Committee reviewed the progress made in implementing the actions agreed from the 2022 internal audit of risk management arrangements, noting a further audit would be taking place in 2025. The Committee were satisfied that the improvements enhanced the existing arrangements over the design and operation of the corporate risk management process to provide confidence over the completeness and assessment of corporate and principal risks reported to the Board.</p> <p>The Committee considered deep dive reviews of the principal risks as part of an agreed programme of work.</p>	<b>A</b>
Risk appetite	The Committee reviewed the company's overall risk position and the level of risk against the agreed corporate risk appetite, recognising that maturity continues to improve in this area.	<b>A</b>

## Discharge of responsibilities

The Committee has devoted sufficient time to reviewing and challenging all the areas in its Terms of Reference which are integral to the company's core management, risk, and financial processes, as well as engaging regularly with management, internal audit, and our external auditors. The Committee has, where necessary, taken the initiative in requesting and questioning information in order to discharge its constructive challenge role. The Committee believes it has had an impact on assuring and improving the internal control framework.



# Directors' remuneration report

## Our information on directors' remuneration is structured as follows:

- Annual Statement from the Chair of the Remuneration Committee, providing an overview of the key developments and remuneration decisions made during the financial year.
- Remuneration policy report, setting out the remuneration policy for 2025 that has been recommended by the Remuneration Committee and approved by our shareholders.
- Annual report on remuneration, showing how the remuneration policy for 2024 has been applied, how we intend to apply the new policy for 2025, along with a summary of the work of the Remuneration Committee in the year.

Yorkshire Water is a private limited company and our shareholders do not require us to hold an Annual General Meeting (AGM). This report is therefore not subject to approval at an AGM but is presented for information to our stakeholders, to ensure we are transparent in what we pay our directors, and in compliance with the relevant legislation.

## Annual Statement from the Chair of the Remuneration Committee

On behalf of the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 March 2024.

Executive pay has attracted a lot of attention over recent years, not least within the water sector, and the Remuneration Committee is very aware of the scrutiny that its decisions are rightly subject to. We are clear that our role is to ensure that the money we pay our executive directors is fair, fully justifiable and drives the right behaviours and results for the benefit of our business, our customers and the environment.

## How the Committee operates

We are proud of the way our Remuneration Committee operates. It is entirely independent from our executive directors and has always operated in accordance with best practice. Whilst we continue to review and adjust our remuneration measures as required to align with the evolving needs of the business and wider context, the way in which the Committee considers remuneration has remained consistent for many years and complies entirely with regulatory requirements and the UK Corporate Governance Code.

## Improving our services to customers

As a Committee, we are very clear on the expectations of our customers and the company is committed to supporting the business to make improvements in our services. Nicola Shaw and Paul Inman were appointed as CEO and CFO to lead the organisation, as they have the right skills and experience to drive the changes that need to happen. Their remuneration therefore needs to reflect this and to incentivise the improvements that they need to bring, to contribute to a thriving Yorkshire.

As well as overseeing the fixed pay of our executive directors, we measure the performance of the executive directors each year against the measures in our Executive Incentive Plan (EIP). In our final review each year, before any EIP payments are made, we consider an independent report on performance against those measures and then apply discretion to take account of any wider factors and the performance of the business in the round.

## Remuneration in relation to environmental performance

Yorkshire Water is committed to improving the environment. We want to ensure that our customers always receive clean drinking water and that sewage is taken away safely. We want to eradicate harm from wastewater discharges to the environment and we have a significant investment programme to achieve this. From a pay perspective, the Remuneration Committee is very clear that we want to incentivise a continual improvement in our environmental performance, from both a water and wastewater perspective, through incentives that stretch and challenge the executive directors to deliver what is right for our environment, as quickly as possible. This is reflected in the targets that we have set in the EIP.

## Responding to feedback from Ofwat

In recent years, Ofwat has provided guidance around performance-related executive pay, the most recent of which was a publication in November 2023 which set out an assessment of pay decisions for the financial year-ended 2023 and guidance for future decisions. The Remuneration Committee is always keen to ensure it aligns with the requirements set out by Ofwat. The key points from the publication in November are set out below, along with how we have responded, both in the decisions made during the year and in our disclosures in this report:

- **Companies need to better explain the targets they have used for variable pay measures and how these are stretching.** We have included more information in this report on the measures that have been used in our EIP during the year and on the measures, we have agreed for the new EIP, for which awards were made on 1 April 2024.
- **Companies need to go further in explaining how overall performance has been taken into account when making variable-pay decisions.** The Committee always considers the overall performance of the company when making pay decisions and we have included more information on this later in this report.
- **Variable pay frameworks need to align to Ofwat expectations regarding delivery for customers and the environment.** We were really pleased that Ofwat confirmed in their report that most companies met their expectations in this area, and Yorkshire Water was one of these companies. The Committee remains very mindful of the need to ensure that at least 50% of variable pay measures relate to delivery for customers and the environment and this has been the case both in our EIP that has vested in 2024 and the new EIP that we have introduced for the new financial year.

## Remit of the Committee

As a result of the governance review undertaken in the year, the decision was made to consider people matters at the full Board rather than the Remuneration Committee, to make sure these were being discussed by all Board members, whilst also ensuring the Committee had sufficient time to focus on remuneration matters, given the complexity and scrutiny surrounding decisions in this area. The name of the Committee has consequently changed during the year from the 'People and Remuneration Committee' to simply the 'Remuneration Committee'.

## Policy changes

We review our remuneration policy each year to ensure it remains fit for purpose and we reported last year that the EIP would be revised during 2023 to better align to the strategy of the business and to simplify the scheme to make it easier for participants and stakeholders to understand. During the year the Committee has therefore led a wholesale review of the EIP scheme and has developed a new EIP scheme, which has two elements; an Executive Bonus Plan (EBP) and Long-Term Incentive Plan (LTIP). It also has fewer measures to make it easier to understand and we have reduced the maximum award to the executive directors from 300% to 220% per annum, to align with the rest of the Executive team. The review has also led to a revision of the rules of the scheme, including additional clarity around the use of malus and clawback. These changes were launched on 1 April 2024. Details of the new schemes are included later in this report and the Committee is confident that the new EBP and LTIP will deliver better outcomes for customers, the environment and other stakeholders and align with the guidance issued by Ofwat. The first performance period for the new EBP will cover the year from 1 April 2024 to 31 March 2025 and the results of this will be reported in our Directors' remuneration report next year. The new LTIP will vest based on results at the end of 31 March 2027 and the results will therefore be reported in the Directors' remuneration report in 2027.

## Performance

As set out in our [Strategic report](#), we continue to see improvement in the majority of our key performance areas this year. We have been pleased to achieve our best ever health and safety performance in the year, as well as improvements in customer service that saw our Customer Experience (C-MeX) score increase from eleventh in the industry to ninth, with us achieving seventh in the sector in the last quarter of the year. We have also seen increases in our colleague engagement across the year and have met or exceeded operational targets in relation to drinking water quality contacts, significant water supply events and leakage.

At the same time, we continue to experience challenges as a business as a result of severe weather events. In the months from September 2023 through to January 2024 we experienced ten named storms, compared to just one in the prior year. Rainfall has also been unusually high with a 42% increase in 2023 in the number of days with heavy rain in Yorkshire and nine of the 12 months in 2023 had rainfall above the average for the month. This impacts upon our wastewater network, which collects both rainwater and wastewater. This has meant that our environmental performance in the year has been below where we would want it to be and we are extremely disappointed to have slipped back to a two-star Environmental Performance Assessment rating, from the three-star rating we achieved last year.

All of these factors have been considered by the Committee in our remuneration decisions as we strive to appropriately reward and motivate our executives, whilst never rewarding under-performance.



## Key decisions by the Committee in the year

The Committee met six times during the financial year and there have been a number of key decisions taken, which are outlined below:

### Salary review for executive directors

The annual pay negotiations across the business resulted in an average pay rise of 5.0% being awarded across the business with effect from 1 April 2024. The Committee reviewed the pay of the executive directors in March 2024 and agreed to apply the same increase of 5.0% to the base pay of Nicola and Paul with effect from 1 April 2024.

### The award and measures for the EIP

As noted earlier, the Committee has approved the launch of a new EIP with effect from 1 April 2024 and there have been many discussions around the appropriate metrics and targets for this. More information on this can be found later in this report.

### Variable pay vesting in 2024

As Nicola and Paul only joined us in 2022 and 2023 respectively, neither participate in any long-term schemes that were due to vest in 2024. The only vesting therefore is in relation to the short-term EIP scheme awarded on 1 April 2023.

The Committee reviewed both the formulaic outcome of the performance metrics in the year, as well as the overall performance of the business in its decision-making process in relation to the vesting of the scheme. More information on this can be found later in this report.

The outcome of the discussions was that whilst the formulaic outcome indicated vesting of 61.2%, the Committee decided to exercise its

discretion to reduce this by a net adjustment of 19.0% to reflect the disappointing performance in some areas, specifically in relation to the environment. This means that the overall reduction in performance-related pay in the year as a result of environmental performance was 33.6%, reflecting 14.6% in the formulaic outcome and the further 19.0% net discretionary adjustment. The Committee believes that this is a fair representation of the performance of the business during the year and reflects the fact that performance has been strong in some areas while variable reward has not been given for areas where performance has not met expectations.

Payments in relation to the EIP will be paid to executive directors in July 2024. Further information on the amounts to be received is shown in the [Remuneration policy report](#).

## Feedback

As a private limited company, our Directors' remuneration report is not subject to a vote on at AGM. We are keen, however, to receive any feedback from stakeholders on our remuneration policy, which may be directed to me via our Company Secretary, who can be contacted at [compsec@yorkshirewater.co.uk](mailto:compsec@yorkshirewater.co.uk)

**Wendy Barnes**  
Chair of the Remuneration Committee  
3 July 2024

# Remuneration policy report

**This part of our Directors' remuneration report sets out the Directors' remuneration policy for Yorkshire Water and applies from 1 April 2024. There have been two policy changes during the year as a result of the new Executive Incentive Plan (EIP) which was launched on 1 April 2024:**

- The previous EIP was split into two parts, with a short-term element vesting after one year and the longer-term element being reduced by the vesting in year one and then being paid in equal instalments in years three, four and five, subject to further performance metrics. The new EIP is simpler, with fewer measures, and consists of two separate schemes; a short-term scheme which vests after one year and then a long-term scheme which has a three year performance period, vesting at the end of the third year.
- The maximum award that could be made to the executive directors was equivalent to 300% of base pay previously, with 150% relating to the short-term element of the scheme and 150% to the longer-term element. Under the new scheme, this has been reduced to a maximum of 220% to align with the rest of the Executive team. This will be split 110% for the short-term scheme and 110% for the long-term scheme.

Any existing remuneration commitments or contractual arrangements agreed prior to the implementation of this policy will be honoured in accordance with their original terms.

Remuneration payments and payments for loss of office can only be made during the policy period if they are consistent with this policy or are otherwise approved by our shareholders by an ordinary resolution.

## Policy overview

The current remuneration policy for directors comprises the elements set out in the table overleaf.

In setting the policy, the Committee considers a number of factors, including:

- Alignment of the remuneration policy with the strategic objectives of the business and our desire for 'a thriving Yorkshire, right for our customers and right for the environment', to ensure reward reflects performance;
- An appropriate balance between fixed and performance-related pay to incentivise strong long-term performance, sustained shareholder value creation and behaviour aligned with the Yorkshire Water values, whilst not driving unnecessary risk-taking or irresponsible behaviour;
- Provision of a remuneration structure that is sufficiently competitive to attract, retain and motivate high calibre executive directors;
- The principles set out in the Ofwat Board Leadership, Transparency and Governance Principles, as well as those in the UK Corporate Governance Code; and
- Periodic external comparisons of market trends and practices elsewhere in the water industry and in companies of a similar size, complexity and geographic scope.

We want our remuneration structure to be simple and transparent and to clearly link pay to performance. Our policy ensures that performance-related components form a significant proportion of the overall remuneration package, with maximum total potential rewards earned only through the achievement of stretching performance targets, based on measures selected to promote the long-term success of the company and to meet our vision of a thriving Yorkshire.

## Consideration of pay and employment conditions across the business

The Committee also considers the pay and employment conditions of colleagues across the business when setting the remuneration policy for the executive directors, to ensure that these are aligned where appropriate. We regularly monitor pay trends across all levels of the business and salary increases for the directors will normally be in line with or lower than those of the wider workforce, in percentage terms.

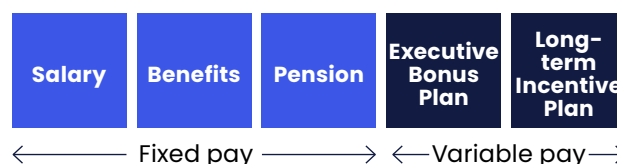
The Committee also seeks views on remuneration from colleagues across the business through the Yorkshire Voice survey, which has been conducted twice during the year. This information is fed back to the Board after each survey.

## How the Committee may exercise discretion

The Committee may exercise discretion in two broad areas for each element of remuneration, as follows:

- To ensure fairness and align executive remuneration with underlying individual and company performance, the Committee may adjust, upwards or downwards, the outcome of any variable pay within the limits of the relevant plan rules. This includes taking into account significant health, safety or pollution incidents, serious criminal breaches, compliance issues, significant events that impact on customers, operational performance not covered elsewhere in the metrics, and financial resilience in the year under review.
- In the case of a non-regular event occurring, the Committee may apply its discretion to ensure fairness and seek alignment with business objectives. Non-regular events include, but are not limited to, corporate transactions, changes in the company's accounting policies, administrative matters, internal promotions, external recruitment, terminations, etc. Any such adjustments will be made on a neutral basis: so that the event is not to the benefit or detriment of participants.

Any use of discretion by the Committee during the financial year will be detailed in the Annual report on remuneration each year. **The remuneration of our executive directors is made up of five elements:**



## Executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Fixed pay</b>			
<b>Base salary</b>			
Setting the base salary at the right level enables us to attract and retain the high calibre executives required to deliver the performance we want at Yorkshire Water.	<p>Salaries are reviewed annually with changes typically effective from 1 April.</p> <p>The review considers the general annual salary increases for the workforce as well as any other key internal and external reference points, including the calibre and performance of the individual. Base salaries are usually set in line with the market rate for the role when benchmarked against other companies, whilst also taking into consideration market rates in the top half of the FTSE 250 for similar roles.</p> <p>There is no prescribed maximum annual basic salary or salary increase.</p> <p>Increases will not normally exceed the general level of increase for colleagues across the business in percentage of salary terms; however, we may award higher increases in certain circumstances, for example, where there is a change in responsibility, progression in the role or a significant increase in the scale of the role or the size or complexity of the business.</p> <p>Details of the base salaries for each of the executive directors are shown in the <a href="#">Annual report on remuneration</a>.</p>	No specific performance measures are used to determine base salary, but individual and business performance are considered as part of the discussion when setting the base salary levels.	There are no provisions to recover any sums paid.

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Fixed pay</b>			
<b>Benefits</b>			
Paying the right level of benefits helps us to attract and retain the right individual for the role.	<p>The provision of benefits is set based upon general market practice, considering the benefits available to other colleagues across the business.</p> <p>The benefits available to executive directors may include a combination of:</p> <ul style="list-style-type: none"> <li>• Private medical insurance for the executive, their spouse and dependent children;</li> <li>• Life assurance;</li> <li>• A choice of company car lease or a car allowance of up to £12,000 per annum for the CEO and £7,500 for the CFO;</li> <li>• Medical screening; and</li> <li>• Optional private fuel provision.</li> </ul> <p>Executive directors will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms.</p> <p>We also reimburse normal business-related expenses for our executive directors.</p> <p>The cost of benefits may vary from year to year and there is no maximum level set.</p>	Benefits are not performance related.	There are no provisions to recover any sums paid.
<b>Retirement benefits</b>			
Retirement benefits are paid as part of a market competitive package which, in turn, helps us to attract and retain high calibre individuals to deliver the strategic objectives of the business.	<p>Executive directors are entitled to receive a company contribution to the defined contribution stakeholder scheme of up to 10% of basic salary. Alternatively, they can elect to receive a cash allowance of up to 10% of basic salary or a combination of a company contribution to the defined contribution stakeholder scheme and a cash allowance.</p> <p>Retirement benefits are set in line with general market practice.</p>	Retirement benefits are not performance related.	There are no provisions to recover any sums paid.

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Variable pay</b>			
<b>Executive Bonus Plan (EBP)</b>			
<p>The EBP is designed to ensure focus on short-term priorities for the benefit of our customers, the environment, our investors and other stakeholders.</p> <p>The EBP is designed to incentivise performance against stretching targets.</p>	<p>Performance targets are set at the beginning of the year by the Committee with up to 110% of base salary vesting each year depending on the performance in that year against the targets set, as determined by the Committee.</p> <p>All payments are at the ultimate discretion of the Committee.</p> <p>20% of the maximum is payable for achieving the threshold hurdle, rising to 80% of maximum at target level and with payments of up to 100% of the maximum level for stretch performance.</p> <p>The threshold and target levels reflect the greater emphasis placed on variable pay by the Committee and the stretching nature of target performance.</p>	<p>A balance of financial and non-financial measures is selected by the Committee at the start of each year.</p> <p>All targets are clear, stretching and measurable and relate to the main KPIs for the company.</p> <p>The measures agreed for 2024 and 2025 are set out in more detail later in this report.</p> <p>In addition to the performance measures set by the Committee, there is an underpin that the Committee must be satisfied that the financial and non-financial performance of the business over the performance period warrants the level of vesting.</p>	<p>Payments are subject to clawback for a two year period after payment, in the event of material misstatement of performance, errors, inaccuracies or misleading information or assumptions being found to be the basis of the assessment of performance conditions, serious misconduct or any other reason at the discretion of the Remuneration Committee.</p>

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Variable pay</b>			
<b>Long-term Incentive Plan (LTIP)</b>			
<p>The LTIP is designed to ensure focus on long-term business goals and sustainability for the benefit of our customers, the environment, our investors and other stakeholders.</p> <p>The LTIP is designed to incentivise performance against stretching targets.</p>	<p>Performance targets are set at the beginning of the three year performance period by the Committee with up to 110% of base salary vesting following the end of the third year, depending on the performance over the period against the targets set, as determined by the Committee.</p> <p>All payments are at the ultimate discretion of the Committee.</p>	<p>A balance of financial and non-financial measures is selected by the Committee at the start of each performance period.</p> <p>All targets are clear, stretching and measurable and relate to the main KPIs for the company.</p> <p>The measures agreed for the performance period starting on 1 April 2024 are set out in more detail later in this report.</p> <p>In addition to the performance measures set by the Committee, there is an underpin that the Committee must be satisfied that the financial and non-financial performance of the business over the performance period warrants the level of vesting.</p>	<p>Payments are subject to clawback for a two-year period in the event of material misstatement of performance, errors, inaccuracies or misleading information or assumptions being found to be the basis of the assessment of performance conditions, serious misconduct or any other reason at the discretion of the Remuneration Committee.</p>

## Non-executive directors' policy table

Component of remuneration and how it supports the Yorkshire Water strategy	How does this operate and what is the maximum that may be paid?	What performance measures are used and why?	Are there any provisions to recover sums paid?
<b>Fees</b>			
Fees are set to provide competitive pay to enable us to attract and retain the right calibre of individual and the right balance of skills on the Board. Only our Independent Non-Executive Directors receive any fees from the company.	<p>Fees are reviewed annually. Any increase will be guided by changes in market rates, time commitments and responsibility levels as well as by increases for the broader colleague population.</p> <p>The Chair is paid an all-encompassing fee to take account of all Board responsibilities. The other Independent Non-Executive Directors receive a base fee with additional fees paid for additional responsibility, such as the chairing of a committee or performing the role of the Senior Independent Director.</p> <p>In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Independent Non-Executive Directors, the company may pay extra fees to recognise the additional workload.</p> <p>We reimburse our Independent Non-Executive Directors for any normal business-related expenses.</p>	Performance is addressed through regular one-to-one meetings between the Chair and each Independent Non-Executive Director. The performance of the Chair is reviewed at one-to-one meetings between the Chair and the Senior Independent Director.	There are no provisions to recover any sums paid.

## How does the remuneration policy for executive directors differ from that of other colleagues?

Overall, the remuneration policy set for the executive directors is more heavily weighted towards performance-related variable pay than for most other colleagues. As such, a greater proportion of their remuneration is dependent upon the performance of the business.

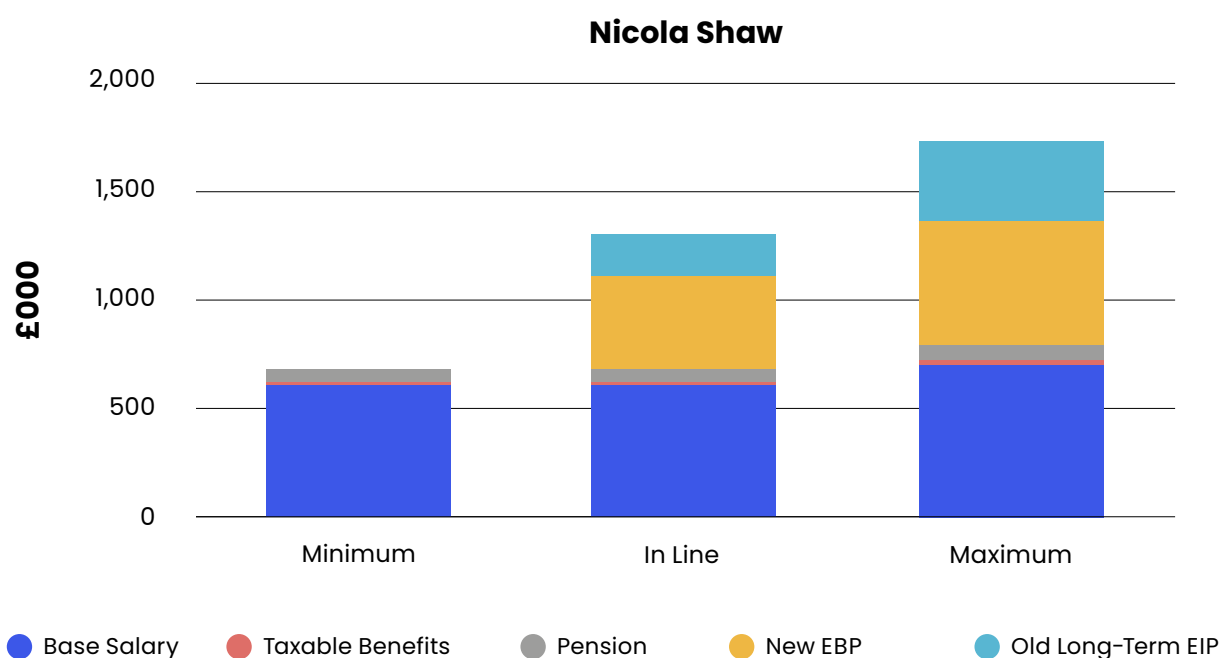
The key differences are noted in the table below:

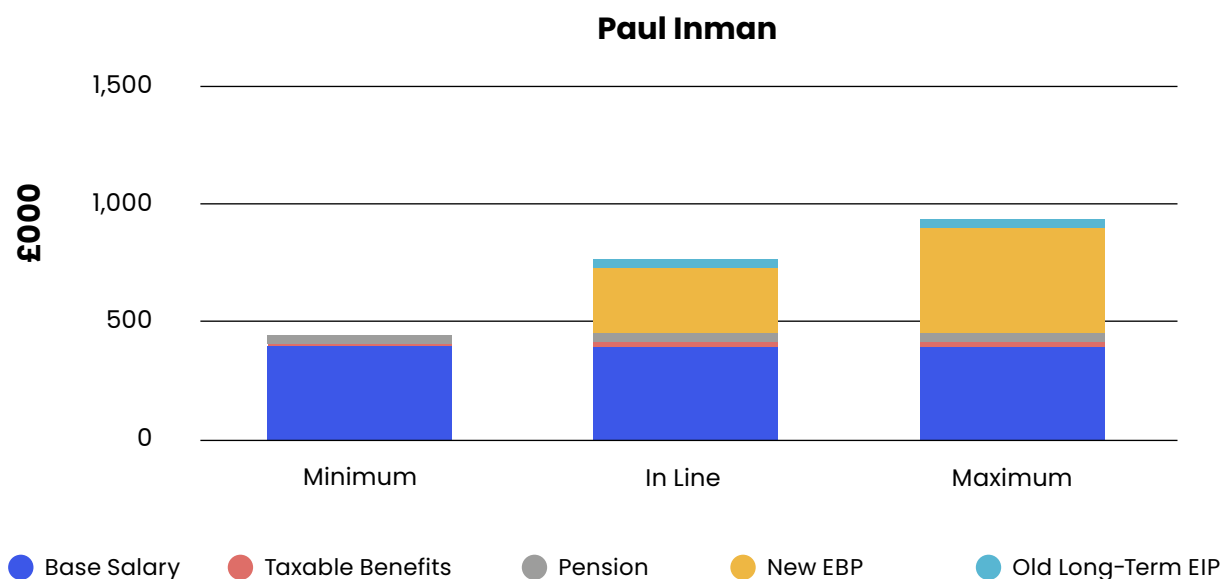
Remuneration component	Difference
<b>Base salary</b>	<p>Base salaries are reviewed in the same way for executive directors as for other senior colleagues, considering market rate information, internal reference points, individual performance, the scope of the role, the financial performance of the business and the average increases across the rest of the business.</p> <p>Most colleagues are covered by collective agreements which are negotiated based on our principles of affordability, fairness and transparency. The outcome of these negotiations is also taken into account when considering pay increases for more senior colleagues.</p> <p>We pay all colleagues, contract partners and service providers salaries at least equivalent to the voluntary Real Living Wage.</p>

Remuneration component	Difference
<b>Benefits</b>	An increasing level of benefits is offered to colleagues as their job level increases. Those offered to the executive directors are consistent with those offered to other senior colleagues, with a slightly higher car allowance offered to the CEO.
<b>Retirement benefits</b>	All colleagues are entitled to pension contributions from Yorkshire Water. The amount contributed increases as the colleague contribution increases. The policy for executive directors is consistent with that for new colleagues across the business with a maximum company contribution of 10% of base salary.
<b>Short-Term and Long-Term Incentive Plans</b>	<p>Variable pay awards are made only to those individuals who are most able to directly influence the corporate strategy. Along with the executive directors, senior leaders are also invited to participate in the variable pay schemes. The performance measures and performance periods are the same for all participants in the scheme. The level of award increases with seniority.</p> <p>Colleagues just below senior leader level participate in an annual bonus scheme with payments of up to ten or 15 per cent of salary, dependent on role. All other colleagues participate in a bonus scheme which pays up to £1,000 per annum depending on company performance.</p>

## What might executive directors be paid in the coming year?

The charts below indicate how much the executive directors might receive under the remuneration policy from 1 April 2024 on a fixed, in-line with expectations, and maximum basis.





## Chart assumptions

The different scenarios shown in the graphs are:

- **Minimum** – where performance is below threshold and executive directors receive fixed pay only with no vesting under the variable pay schemes. Fixed pay comprises base salary, benefits and retirement benefits;
- **In line with expectations** – where executive directors receive their fixed pay plus an Executive Bonus Plan (EBP) pay-out of 58.4% of the maximum opportunity, which is the average vesting of the short-term variable pay over the last five years. In addition, this includes an assumption of 57.9% pay out of the long-term element of the old EIP which was awarded in 2023 and is due to vest in 2025, which is the average vesting of the long-term variable pay award over the last five years;
- **Maximum** – where performance meets or exceeds the maximum and the executive directors receive their fixed pay plus the maximum in-year vesting of the EBP and the maximum long-term element of the EIP that is due to vest in 2025.

It should be noted that the charts show what could be earned by the executive directors based on the 2025 remuneration policy and the numbers will therefore differ from those included in the table later in this report which details what was actually earned by the executive directors in the year to 31 March 2024.

## Recruitment policy

The remuneration package for a new executive director is set in accordance with the remuneration policy in place at the time of appointment, considering the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

The table below sets out our policy on the recruitment of new permanent executive directors for each element of the remuneration package:

Remuneration component	Recruitment policy
<b>Base salary</b>	<p>The salary would be provided at such a level as required to attract the most appropriate candidate. The aim would be to pay the appropriate market rate for the role when benchmarked against other water companies, other utilities and listed companies of a similar size, in line with the current policy for existing executive directors.</p> <p>Where it is appropriate to set a lower salary initially, a series of increases above the level awarded to the wider workforce may be given over the following few years until the desired position is achieved, subject to individual performance. This may apply to those promoted internally in the business as well as to those recruited from outside.</p>
<b>Benefits</b>	<p>The benefits package we will offer will be set in line with the policy for existing executive directors.</p> <p>In addition to the benefits currently available to existing executive directors, we may also offer an allowance to cover relocation, travel and / or incidental expenses as appropriate.</p>
<b>Retirement benefits</b>	<p>The maximum pension contribution will be set in line with the policy for executive directors at up to 10% of base salary.</p>
<b>Short-Term and Long-Term Incentive Plans</b>	<p>Short-Term and Long-Term Incentive Plan awards will be made in line with the policy for other executive directors. In the year of recruitment, an award may be made at a date outside of the usual annual awards, at the discretion of the Committee.</p> <p>Different performance measures may be set initially at the discretion of the Committee, depending on the point in the financial year at which the individual joins. The award made will be pro-rated to the period of employment, with both the in-year and deferred vesting amounts pro-rated accordingly.</p>
<b>Buy-outs</b>	<p>In addition to the above, we may also offer additional cash when we consider this to be in the best interests of the business. Any such payments would be based solely on remuneration relinquished when leaving the former employer and would reflect, as far as possible, the nature and time horizons attaching to that remuneration and the impact of any performance conditions.</p> <p>Our policy on 'buying-out' of existing incentives granted by the executive's previous employer will depend on the circumstances of recruitment and will be negotiated on a case-by-case basis. There will not be a presumption in favour of buy-out, but it will be considered if necessary to attract the right candidate.</p>

In total, the maximum variable pay level in the year of appointment – excluding the value of any buy-out awards – will be 110% of base salary through the Executive Bonus Plan.

For an internal executive appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as appropriate to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment would be allowed to continue.

## Non-executive director recruitment

The fee structure for Independent Non-Executive Director appointments will be based on the Independent Non-Executive Director fee policy as set out in the policy table.

## Service contracts

Our policy is to set notice periods for executive directors at six months' notice from either party. The current service agreement dates are set out in the table below:

Director	Date of appointment	Date of current service agreement
Nicola Shaw	9 May 2022	6 April 2022
Paul Inman	1 March 2023	17 February 2023

## Letters of appointment

Independent Non-Executive Directors are appointed by letters of appointment for a period of two years. Appointments may be renewed by mutual agreement for further periods of up to two years subject to a total period of nine years' service with the company. The letters of appointment allow for termination by either party without a requirement for notice.

The appointment of the Chair is for a period of three years and may be renewed by mutual agreement for further periods of up to three years, subject to a total period of nine years' service with the company. The notice period is set at three months for either party.

The dates of the current letters of appointment are noted in the table below:

Director	Date of appointment	Date of most recent re-appointment
Vanda Murray	1 July 2021	1 July 2024
Wendy Barnes	1 November 2022	–
Andrew Merrick	1 June 2019	1 June 2023
Julia Unwin	1 January 2017	1 January 2023
Andrew Wyllie	1 September 2017	1 September 2023

The following Non-Executive Director appointments were made in accordance with Clause 4 of the Shareholders Agreement dated 20 June 2023. This permits investors to appoint representatives to the company in accordance with their holdings.

Non-executive director	Appointed
<b>Isabelle Caumette</b>	20 November 2023
<b>Andrew Dench</b>	13 September 2017
<b>Russ Houlden</b>	19 January 2022

## Payments to executive directors who leave the business

The table below sets out our policy on payments in relation to executive directors who leave Yorkshire Water.

The Committee is clear that contractual entitlements will be honoured, there will be a consistent approach to exit payments and no reward for poor performance. We will not pay anything if an executive director is dismissed for serious breach of contract, serious misconduct or under-performance or for acts that bring the executive director or Yorkshire Water into serious disrepute.

Remuneration component	Treatment on exit
<b>Base salary</b>	Salary will be paid for the contractual notice period. Where appropriate, we will seek to mitigate any payments due, however the Committee has discretion to make a lump sum payment on termination in lieu of notice.
<b>Benefits and retirement benefits</b>	Benefits and retirement benefits will normally continue to be provided over the notice period. Where appropriate, we will seek to mitigate any payments due, however, the Committee has discretion to make a lump sum payment on termination equal to the value of the benefits payable during the notice period.
<b>Short-Term and Long-Term Incentive Plans</b>	Normally awards will lapse on cessation of employment, unless the Committee determines that the executive is a good leaver. Good leaver principles have been agreed by the Committee and status is usually conferred for one of the following reasons: death, ill health, injury or disability, a change of control, redundancy or other circumstances at the discretion of the Committee. Good leavers will be treated in accordance with the rules of the specific scheme. Colleagues leaving on the grounds of retirement will be considered on a case-by-case basis.

In relation to a termination of employment, the Committee may make payments in relation to any statutory entitlement or payments to settle compromise claims as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any transitional costs if deemed necessary. Payment may also be made in respect of accrued benefits, including untaken holiday entitlement.

Payments on a change of control, where a director's employment is adversely changed, will be as on termination. There will be no enhanced provisions on a change of control.

The Independent Non-Executive Directors' letters of appointment do not include any compensation for loss of office.

## Policy on outside appointments

We believe that where executive directors hold directorships in other companies, Yorkshire Water can benefit from their experience. As a result, and subject to the Board's prior approval, executive directors may take on one substantial external non-executive directorship and retain the fees earned.

# Annual report on remuneration

**This part of the Directors' remuneration report sets out the amounts we have paid to directors for the year ended 31 March 2024 and describes how the policy will be implemented in 2025.**

The financial information contained in this part of the report has been audited where indicated.

## Single total figure table (audited)

	Current directors				Past directors					
	Nicola Shaw		Paul Inman		Liz Barber		Chris Johns		Total	
	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000	2024 £000	2023 £000
Base salary	585	515	388	32	–	45	–	318	973	909
Taxable benefits	13	11	9	1	–	1	–	8	22	22
Retirement benefits	59	52	39	3	–	4	–	32	98	91
Sub-total	657	578	436	36	–	50	–	358	1,093	1,022
EIP – short term element	371	–	245	23	–	–	–	227	618	250
EIP – long-term element	–	–	–	–	–	–	–	62	–	62
EIP – discounted early settlement upon departure	–	–	–	–	–	–	–	259	–	259
Sub-total	371	–	245	23	–	–	–	548	616	571
Relocation expenses	–	140	–	–	–	–	–	–	–	140
Buy-out payments	–	–	–	357	–	–	–	–	–	357
Sub-total	–	140	–	357	–	–	–	–	–	497
Total	1,028	718	681	416	–	50	–	906	1,709	2,090

## Notes to the table

- Nicola joined the Board on 9 May 2022 and Paul joined the Board on 1 March 2023. The payments in the table above reflect the payments made to Nicola and Paul since their appointments.
- Liz Barber left the Board on 6 May 2022. She remained in the employment of the company until 31 December 2022. The table above shows only the amounts paid to her while she was a director of the company.
- Chris Johns left the Board on 28 February 2023. The payments in the table above reflect the payments made to Chris prior to his departure, plus the payment in lieu of notice made to him in April 2023 and the payments made to him in relation to his outstanding EIP awards in July 2023.
- Nicola and Paul received their retirement benefits in cash during the year instead of opting for a contribution to the Kelda Stakeholder+ Plan.
- Buy-out payments represent a payment of £357,000 paid to Paul in March 2023 to compensate him for remuneration he forfeited upon his resignation from his previous role in order to join Yorkshire Water.
- Both Nicola and Paul also received remuneration for services to other group companies in the year, which was paid by Kelda Holdings Limited and is therefore disclosed in the Financial Statements of that company.

## EIP – Short-Term Element

The EIP was a rolling five year plan, with awards made with effect from 1 April each year. There were two elements to the scheme, a short-term element and a long-term element. In the year under review, the executive directors only received payments in respect of the short-term element as they had not been with the company long enough to participate in any of the long-term elements vesting in 2024. More detail on the long-term element of the EIP can be found in the Directors' remuneration report for 2023.

EIP awards will not vest unless the Committee is satisfied that the underlying financial and non-financial performance has been satisfactory over the performance period, considering any relevant factors. The Committee has authority to exercise its discretion to adjust the level of vesting to any extent considered appropriate. Any amounts that vest are paid in cash to participants in July of each year.

The EIP has now been revised and a new Executive Bonus Plan and Long-Term Incentive Plan were launched on 1 April 2024, further information on this can be found later in this report.

## Vesting in 2024

### The short-term element

Awards of up to 150% of base salary were made to executive directors on 1 April 2023. The performance period for the short-term element ran to 31 March 2024. The performance measures are focused on four key areas: customer, environment, people and financial.

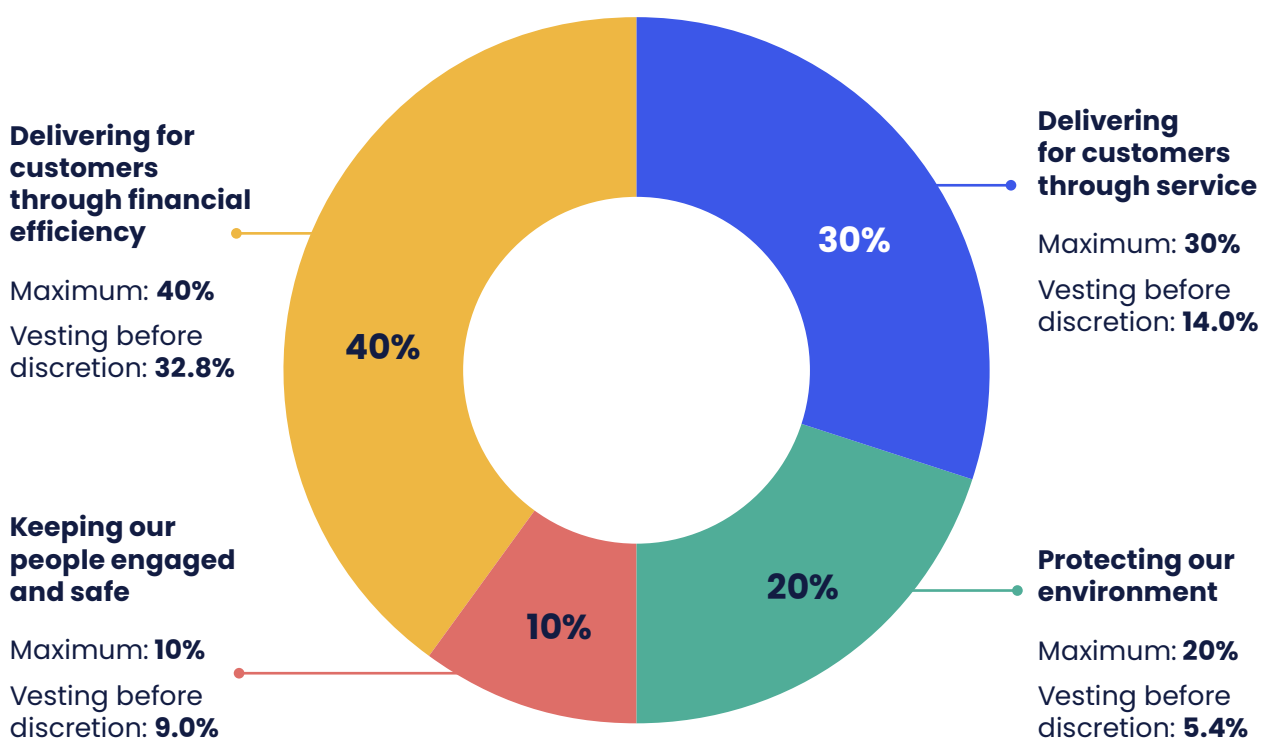
The specific performance metrics are set out as follows, along with how the actual performance in the year compares.

### Terminology used in our metrics:

**Performance Commitment** = a regulatory target for the year, set by Ofwat.

**Business Plan** = an internal target for the year set by the business, based on prior year performance and aligned to our annual financial budget.

### Vesting in 2024: short-term element



## Customer Measures

### C-MeX

**Target:** Tenth in the sector

**Actual:** Ninth in the sector

C-MeX stands for the Customer Measure of Experience and was designed by Ofwat to incentivise excellent customer experience for residential customers. This was chosen as a performance metric as improving customer experience is a key focus for the business.

The target was an improvement of one place on the prior year. Whilst our ambition is to move into the top half of the league table by 2025, and then progress further in AMP8, the aim for 2024 was to turn things around and to start improving in comparison to other companies, which is stretching when all companies are striving to improve. To improve, we are delivering sustainable transformation in our systems and operating model to drive benefit for customers.

### Supply Interruptions

**Target:** 7 minutes 30 seconds

**Actual:** 10 minutes 35 seconds

Clearly it is important that our customers are not without water for any significant period of time, therefore this has been chosen as a performance metric to ensure focus is maintained in keeping supply interruptions as low as possible. The target for this year was set at an average per customer of 7 minutes 30 seconds as this would be a significant improvement on the prior year of 9 minutes 27 seconds and therefore represents a stretching target.

### Drinking Water Quality Contacts

**Target:** 10.2 per 10,000 customers

**Actual:** 8.9 per 10,000 customers

This measure represents the number of contacts received per 10,000 customers each year in relation to drinking water quality. We take the quality of our drinking water extremely seriously and therefore this has been included as a key performance metric. The target was set as 10.2 to show year-on-year improvement from the performance last year of 10.4. Such an improvement is stretching given that the numbers are already low.

### Internal Sewer Flooding

**Target:** 665 incidents

**Actual:** 662 incidents

Internal sewer flooding occurs when water escapes from a sewerage system into a customer property, including to an adjoining garage. This normally occurs due to blockages in the system or severe weather events. We understand that internal sewer flooding is an extremely distressing thing for a customer to experience and therefore the reduction of these incidents is a key performance metric for the business. Our business plan target for this year was set at 665 incidents, compared to a Performance Commitment target of 340 incidents. At the beginning of this Asset Management Period, Yorkshire Water was one of the fastest improving water companies in this area, but our performance has always been below the Performance Commitment target due to regional factors that make sewer flooding performance more challenging in Yorkshire. More information on these regional factors can be found in our section on [Yorkshire Water in context](#). We therefore believe that the target set for this year in the EIP was extremely stretching and demonstrates continued ongoing performance improvement.

### External Sewer Flooding

**Target:** 4,965 incidents

**Actual:** 5,873 incidents

External sewer flooding occurs when water escapes from a sewerage system into the land around a customer property or an outbuilding or detached garage owned by a customer. Such an event can cause significant disruption and upset to a customer and therefore we are very focused on reducing the number of such events each year. The target for the year was set at 4,965 incidents which is well within our Performance Commitment target of 6,053 incidents. A more stretching target was chosen for the EIP as we wanted to demonstrate ongoing improvement from the prior year. Unfortunately, again due to exceptionally wet weather and the high proportion of combined sewers in our network, we have not achieved our target for the year, although we have outperformed against our Performance Commitment.

## Significant Water Supply Events

**Target:** 16 incidents

**Actual:** 18 incidents

Significant water supply events are defined as those where there was an interruption of 12 hours or longer. Such interruptions can cause significant disruption to customers and therefore it is essential to keep such events to a minimum. The target was set at 16 incidents in the year, to show a stretching improvement from the previous year of 18.

## Environment Measures

### Net-Zero

**Target:** 91,681 tonnes of operational carbon

**Actual:** 281,185 tonnes of operational carbon

We have a plan to reduce our operational carbon emissions by 12% over the five year period to 2025 and the target set above aligns to this, and the Performance Commitment set by Ofwat. We want this to be a key area of focus for the business as we continue to move towards our net-zero target, so include this as a measure in the EIP and align it to our Performance Commitment. To-date we have met the Performance Commitment in this area in each year of the current Asset Management Period, however, this year the difficult decision was taken not to purchase a form of carbon offsets, but instead to focus on reducing emissions in line with our customer research and to deliver better outcomes for the environment. This has led to us failing the net-zero Performance Commitment in the year, which assumed the purchase of certain carbon offsets. However, had the decision been taken to continue to purchase these offsets then the target for the year would have been exceeded. The performance in the year has been calculated using version 16 of the Carbon Accounting Workbook to ensure consistency across the Asset Management Period. This is slightly different from the calculation in the [Environment section](#) which uses version 18.

## Environmental Performance Assessment

**Target:** 3-Star

**Actual:** 2-Star

This is a combined measure which includes multiple elements of environmental performance, including pollution events and discharge permit compliance. The targets each year are set by the Environment Agency and become more challenging each year. A 3-star target was therefore considered stretching as even though we achieved a 3-star performance in the 2022 calendar year, to repeat this performance would have been more stretching in the 2023 calendar year, given the more challenging targets.

### Leakage

**Target:** 286.9 megalitres per day on a three-year rolling average

**Actual:** 275.3 megalitres per day on a three-year rolling average

Leakage is defined as treated water that is lost from the water distribution network, including any lost from consumer pipes. Some leakage is inevitable as pipes wear out or are damaged by freezing weather or the weight of traffic on roads. Our aim is to find and repair leaks and to replace pipes that wear out to reduce leakage as much as possible. The target this year is aligned to the Performance Commitment target set by Ofwat.

### Storm Overflow Discharges

**Target:** 60,666

**Actual:** 77,761

This is a new measure for 2024 given the importance of this to our business. The target was set in-line with our commitment to reduce storm overflow discharges by 20% between the 2021 baseline of 70,062 and the end of the Asset Management Period in March 2025, which is considered stretching given the impact of severe weather events on the number of discharges and the significant cost and length of time that it takes to increase storage capacity in our wastewater network to reduce such discharges.

## People Measures

### Colleague Engagement

**Target:** 7.0

**Actual:** 7.2

The engagement of our colleagues is extremely important, as our colleagues are key to delivering the right outcomes for our customers and the environment. We are always looking to improve our colleague engagement and therefore, the performance metric was set significantly higher than the 6.3 achieved in the previous year which was considered extremely stretching. We are delighted that this has been achieved.

### Lost Time Injury Rate

**Target:** 0.10

**Actual:** 0.10

The lost time injury rate measures working time lost as a result of an injury at work. In 2023, we achieved our lowest ever lost injury rate at 0.15. In order to avoid complacency, it was decided to set the target for 2024 at a world-class level of 0.10, which is extremely stretching. We are delighted to have achieved the target, achieving our best ever performance in the year.

## Financial Measures

### EBITDA

**Target:** £619.8m

**Actual:** £611.9m

EBITDA is earnings before interest, taxation, depreciation and amortisation and is the key profit indicator used by the company to track and assess financial performance. A stable and resilient financial performance is key to ensuring the ongoing resilience of the business. Careful management of the money we receive from customers is also essential to ensure we are delivering services in as cost effective a way as possible.

The EBITDA target reflects the budgeted EBITDA for the year, which is considered stretching in the current economic climate with continued high inflation, increased energy and chemical costs and a larger proportion of customers struggling to pay their bills.

## Operating Cash

**Target:** £619.6m

**Actual:** £604.2m

Cash flow is important to any business to ensure that the business can continue to run day-to-day. This has been chosen as a key performance metric to ensure colleagues are focused on ensuring cash is handled carefully across the business. The target was set higher than both the previous year target of £615m and the operating cash achieved last year of £612m, to increase the stretch for colleagues in this area.

## Capital Expenditure

**Target:** £814.8m

**Actual:** £684.6m

Every year the business spends a significant amount of money on capital expenditure to improve our assets. While this investment is necessary to improve our assets and deliver better service for customers, we want to incentivise the delivery of capital projects for as low a cost as possible, to ensure that customer and investor money is not spent unnecessarily. The performance metric therefore incentivises projects to be delivered as cost effectively as possible and a stretching target has been set to do this.

## Time, Cost, Quality Index

**Target:** 70%

**Actual:** 69%

This is a new measure for 2024 and is a way of measuring performance on capital projects in terms of the time taken to deliver, the cost to deliver and the quality delivered. The target has been set at 70% as this was believed to be suitably stretching for the business based on initial indications of performance when the Time, Cost, Quality Index was introduced to the business and where the Committee wishes performance to get to.

## Application of discretion

The performance set out indicates a total vesting of 61.2% for the short-term element of the EIP.

This was discussed in detail by the Remuneration Committee to consider whether such vesting represented performance in the round. Factors taken into consideration as part of the discussion around overall performance included:

- Performance across the other Performance Commitments not included in the EIP** – the Board receives regular updates on all 44 Performance Commitments throughout the year. There has been both under and over performance on the measures which are not included within the EIP. Some of these impact indirectly on the EIP outcomes through the resulting penalty or reward that is received from Ofwat. The Committee does not consider that any under performance in those measures not included within the EIP is sufficient to warrant a discretionary decrease in the outcome of the EIP. Further information on performance in relation to all our Performance Commitments can be found in our Annual Performance Report which is on our website at [yorkshirewater.com](http://yorkshirewater.com)
  - Financial resilience** – there has been much work on the financial resilience of the business over recent years and the Committee believes that Yorkshire Water is in a financially resilient position and will continue to be so, as set out in our [Going concern and long-term viability section](#).
  - Reputational issues** – there have been a number of weather-related issues affecting customers during the year and the Committee has reviewed these and considered the lessons learned. There have also been five Category 2 pollution incidents in the year under review, for which the Board has received regular updates throughout the year. The Committee has considered the causes and impacts of these and the fact that these have contributed to our two-star Environmental Performance Assessment rating, which is a measure within the EIP. The Committee noted that the under performance in relation to some environmental measures had already reduced the vesting outcome by 14.6% in the formulaic outcome. It concluded in its discussions that a further 21% reduction should be applied to reflect the disappointing performance in this area.
- As noted in our [Strategic report](#) the decision was taken by the Board during the year to move away from the purchase of certain carbon offsets and instead to focus on reducing absolute carbon emissions, investing in energy self-generation and efficiency, as well as the purchase of green energy via direct wire. This has had a negative impact on the formulaic outcome of the EIP through the failure to meet the net-zero carbon target in the year. The Committee recognises that this decision was taken for the good of the business and the environment and to better align to the views of our customers. The Committee therefore agreed to award an additional vesting of 2.0% to reflect the strong performance in reducing carbon emissions across the business, prior to the carbon offset decision. This means that the net reduction in the EIP vesting in the year as a result of environmental under performance is 33.6%, equivalent to £295,082 for Nicola Shaw and £195,350 for Paul Inman.
- Compliance issues** – during the year, along with a number of other companies across the sector, Yorkshire Water has been under investigation by both Ofwat and the Environment Agency in relation to environmental matters. The outcomes of these investigations are not yet known, however both investigations began before our current CEO and CFO were appointed and therefore the Committee does not believe it would be fair to hold Nicola and Paul accountable for events that occurred prior to their joining the company.
  - Other overall performance considerations** – during the year, Yorkshire Water continued to be deemed as a 'lagging company' by Ofwat, which indicates a need for performance to improve. The Board is very aware of the need for improved performance, and believes that Nicola and Paul are the right executives to lead this transformation. Whilst performance is not yet where the Board would like it to be, there are clear plans in place for improvement and the Board understands that change cannot happen instantly. The Committee therefore does not believe that classification as a lagging company this year is reflective of poor performance by the executive directors and therefore does not believe that this requires discretion to be applied to reduce the EIP outcome for the year under review.

In addition, the Committee has considered whether any malus or clawback provisions could be enforced in relation to events that have taken place in previous years, but for which the full impact has only now become apparent. It has concluded that there were no provisions in place at the time of these incidents that would allow recovery of any variable pay elements to be enforced.

The total amount of discretion applied by the Committee is therefore a net reduction of 19.0%, which reduces the total vesting of the short-term element of the EIP from 61.2% to 42.2%. This is equivalent to a reduction of £166,862 for Nicola Shaw and £110,466 for Paul Inman.

## The new incentive scheme from 1 April 2024

As noted earlier in this report, the Committee has spent considerable time in the year reviewing the EIP to ensure it remains fit for purpose and continues to incentivise the right focus and behaviours. It was decided that the previous scheme was too complex and required simplifying to enable participants to better understand how they can directly contribute to the measures. In addition, the Committee was concerned to minimise disruption to the business from the changes to the scheme given the significant amount of change already ongoing across the business.

The conclusion of the Committee is that from 1 April 2024, any new awards will be split into two separate schemes; an Executive Bonus Plan (EBP) and a Long-Term Incentive Plan (LTIP).

The EBP will have a one year performance period and will be focused on delivery in the year of the award. The LTIP will be awarded annually and will have a three year performance period, with targets sets in the context of a five year time horizon.

Both the EBP and LTIP will have a smaller number of measures than the EIP and these will be split with 60% of measures being non-financial and 40% being financial. These are set out below:

EBP		LTIP	
Non-Financial 60%	Financial 40%	Non-Financial 60%	Financial 40%
C-MeX		C-MeX	
Pollution		Storm Overflow	
Water Quality	EBITDA	Discharges	Return on
Compliance Risk Index	Cash flow	Leakage	Regulated Equity
Time, Cost, Quality Index		Internal and External	
Lost Time Injury Rate		Sewer Flooding	

More detail on the targets set for each metric will be included in the relevant future Directors' remuneration report. The Committee is very mindful of the need to ensure that it sets targets that are stretching but achievable in order to drive the right focus and behaviour amongst the colleagues in the scheme.

## Outstanding EIP awards as at 31 March 2024

The table below relates to the long-term elements of the EIP:

	Nicola Shaw		Paul Inman	
Effective date of award	09.05.2022	01.04.2023	01.03.2023	01.04.2023
Awards outstanding at 1 April 2023 £'000	367	-	23	-
Awards made in the year £'000	-	555	-	371
Vested during the year £'000	-	-	-	-
Lapsed during the year £'000	-	-	-	-
Awards outstanding at 31 March 2024 £'000	367	555	23	371
Face value of maximum total award £'000	367	555	23	371
Total % that would vest at threshold performance %	20%	20%	20%	20%

## Payments for loss of office (audited)

No payments have been made for loss of office during the year under review.

## Payments to past directors (audited)

No payments were made to past directors during the year.

## Independent Non-Executive Directors

### Single total figure table (audited)

The total annual fees paid to each non-executive director are shown in the table below.

Non-executive director	2024 £000	2023 £000
Vanda Murray	289	283
Wendy Barnes <sup>1</sup>	85	29
Andrew Merrick	71	70
Ray O'Toole <sup>2</sup>	15	63
Julia Unwin	71	74
Andrew Wyllie	81	74

<sup>1</sup> Wendy Barnes joined the Board on 1 November 2022 and therefore her fee was pro-rated from that date.

<sup>2</sup> Ray O'Toole stepped down from the Board on 6 July 2023 and therefore his fee was pro-rated to that date.

The investor directors do not receive any remuneration from Yorkshire Water.

## Remuneration of the CEO

The table below sets out the remuneration for our CEO in each of the last ten years. If there was a change of CEO part way through the year, we have added together the total remuneration to show the total paid for the role of CEO in that year.

	2024 £000	2023 £000	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Total remuneration	1,028	767	1,419	1,316	1,469	1,328	932	1,328	1,231	1,291
Annual bonus paid against maximum opportunity <sup>1</sup>	42.2%	-	43.0%	84.0%	74.8%	64.6%	67.7%	73.5%	60.0%	87.0%
Long-term incentive vesting against maximum opportunity <sup>2</sup>	-	-	39.5%	45.3%	74.8%	50.0%	-	50%	50%	75%

<sup>1</sup> As reported last year our CEO, Nicola Shaw, waived her annual bonus for the year ended 31 March 2023. The amount that vested was 47.9% of the maximum, equivalent to £369,000, but this was not paid.

<sup>2</sup> Nicola Shaw joined the business in May 2022 and therefore did not participate in a long-term incentive scheme vesting in 2023 or 2024.

## Chief Executive pay ratio

The table below shows the pay ratio of our Chief Executive in the year indicated as required by the Companies (Miscellaneous Reporting) Regulations 2018.

Year	Method	25 <sup>th</sup> percentile pay ratio	Median pay ratio	75 <sup>th</sup> percentile pay ratio
2024	Option A	31:1	24:1	18:1
2023	Option A	25:1	19:1	15:1

We have chosen Option A to prepare the calculations as this is considered to be the most statistically accurate methodology and aligns with the approach taken in the previous year. The ratios were calculated with reference to the total pay and benefits of the workforce presented in the table that follows and the single total remuneration of the CEO presented in the Single total figure table. The following was considered as part of the calculation:

- Identifying all colleagues who received a base salary during the year ended 31 March 2024 and who were still employed on that date;
- Using the total pay and benefits received in respect of the year ended 31 March 2024, including bonuses earned for performance in the financial year and paid in July following the end of the financial year;
- Uplifting certain pay elements for colleagues who were employed on a part-time basis or who were not employed for the full financial year;
- Considering any changes in working hours during the reporting period and adjusting relevant pay elements accordingly; and
- Using the employer contribution to the defined benefit pension schemes in order to reduce administrative complexity.

Our CEO has a significant proportion of her remuneration linked to variable pay and therefore it is expected that the ratios will vary each year depending on the outcome of the EIP. Participation in the EIP is currently limited to approximately 45 colleagues, with none of the individuals identified as the 25<sup>th</sup> percentile, median or 75<sup>th</sup> percentile participating in the EIP.

It should also be noted that the ratios above have also been impacted by the distribution of the 2023 pay award, with lower banded colleagues receiving up to an 8.5% pay increase and the CEO receiving a 2% pay increase, therefore somewhat mitigating the increase in the pay ratio.

We have a whole range of policies and practices to ensure that colleagues are fairly rewarded, one of these being our annual salary review which is underpinned by market benchmarking to ensure we offer competitive and fair rates of pay across the organisation. We are also committed to paying our colleagues in accordance with the Real Living Wage.

Presented in the table below are the base salary and the total pay and benefits for those colleagues at the 25<sup>th</sup> percentile, the median and the 75<sup>th</sup> percentile:

	25 <sup>th</sup> percentile	Median	75 <sup>th</sup> percentile
<b>Base salary</b>	29,359	38,036	49,158
<b>Total pay and benefits</b>	33,066	42,886	55,749

The pay ratio calculation shows that, in total remuneration terms, the CEO earns 24 times (2023: 19 times) that of the median employee. These calculations have been independently verified by Ernst and Young.

## Change in remuneration

The table below sets out the change in the remuneration of the CEO from the prior year in comparison to the average percentage change in respect of all colleagues at Yorkshire Water:

	% change in element between 2023 and 2024			
	Total compensation	Salary	Taxable benefits <sup>1</sup>	Annual bonus
<b>CEO</b>	33.9% increase	4.5% increase	8.3% increase	100.0% increase
<b>All colleagues</b>	11.2% increase	11.3% increase	No change	36.8% increase

<sup>1</sup> Taxable benefits include healthcare, car allowance and fuel provision for colleagues who receive such benefits.

The increases for the CEO reflect the fact that Nicola Shaw was only in role for less than 11 months in 2023. Her actual increase in base pay year on year was 2.0% and she received no increase in her taxable benefits. The increase in her annual bonus reflects the fact that Nicola waived her bonus entitlement for the year ended 31 March 2023 as noted earlier in this report.

## Relative spend on pay

The table below sets out the relative spend on pay for Yorkshire Water as a whole in comparison to distributions to shareholders:

	Year ended 31 March 2024 £m	Year ended 31 March 2023 £m	Percentage change %
<b>Total remuneration cost for all colleagues<sup>1</sup></b>	199.0	189.4	5.1% increase
<b>Total distributions made<sup>2</sup></b>	84.1	62.2	35.2% increase

<sup>1</sup> The total remuneration cost for all colleagues is taken from [note 4](#) to the [Financial Statements](#) and includes wages and salaries, social security costs and other pension costs.

<sup>2</sup> Total distributions made consists of £84.1m (2023: £62.2m) of distributions made to the parent company to make interest and loan payments. As noted in the [Other disclosures section](#), none of these dividends were distributed to the shareholders of Kelda Holdings Limited (2023: Nil), Yorkshire Water's ultimate parent company.

Details of the distributions made can be found in [note 9](#) to the [Financial Statements](#) and these are also explained further in the [Governance report](#).

## Implementation of policy for 2025

The table below sets out how we will implement the remuneration policy for the 2025 financial year:

Implementation in 2025	
<b>Base salary</b>	<p>The Committee reviewed base salaries in March 2024 and agreed an increase of 5.0% for Nicola and Paul to align with the increase given to other colleagues with effect from 1 April 2024.</p> <p>The base salaries for 2025 are therefore as follows:</p> <ul style="list-style-type: none"> <li>• Nicola Shaw: £614,754</li> <li>• Paul Inman: £406,980</li> </ul>
<b>Benefits</b>	Benefits remain unchanged from 2024.
<b>Retirement benefits</b>	Retirement benefits remain unchanged from 2024.
<b>EBP and LTIP</b>	Variable pay awards made with effect from 1 April 2024 are equivalent to a maximum of 110% of base salary for both executive directors for the EBP and 110% of base salary for the LTIP, with the LTIP subject to a three year performance period.

## Independent Non-Executive Directors

The Board undertook its annual review of fees for the Independent Non-Executive Directors in May 2024, taking into account the average increase for the wider workforce of 5.0%. It decided that the same increase of 5.0% should be applied to the fees for Independent Non-Executive Directors and for the Chair, effective from 1 April 2024.

The fees to be paid in 2025 are set out below:

	£000
Chair fee	303
Base Independent Non-Executive Director fee	62
Additional fee for Committee Chair <sup>1</sup>	13
Additional fee for Senior Independent Director	10

<sup>1</sup> The additional fee for the role of Committee Chair is not paid to the Chair for her role as Nomination Committee Chair. The fee paid to Vanda as Chair already encompasses her additional role as Committee Chair.

## Remuneration Committee

The membership and attendance at Committee meetings during the year is shown in the table in the [Governance report](#). Meetings are also attended by the CEO, the Director of People, the Head of Reward and the Company Secretary. No colleagues are present when their own reward is discussed. The Remuneration Committee is a sub-committee of the Board and has four scheduled meetings a year. Additional meetings are held as and when required. There were two additional meetings held in the year, specifically to consider the vesting of the EIP for 2023 and the revision of the EIP for 2024. The specific matters considered by the Committee at each of the meetings are shown in the table below:

Meeting	Matters considered
<b>May 2023</b>	<ul style="list-style-type: none"> <li>A detailed discussion around variable pay outcomes in 2023, particularly in the light of communications from Ofwat on performance-related pay.</li> <li>An update on pay negotiations in the business.</li> <li>A review of pay at a Band 1 level, for those in the Executive team who were not Board members.</li> <li>A review of the draft Directors' remuneration report for 2023.</li> </ul>
<b>June 2023</b>	<ul style="list-style-type: none"> <li>A detailed discussion and approval of variable pay outcomes for 2023.</li> <li>Review and approval of the proposed base pay increases for the Executive Directors and other members of the Executive, taking into consideration the outcome of the pay negotiations across the business.</li> <li>Discussion and agreement of the principles for the new variable pay arrangements for 2024 onwards.</li> </ul>
<b>July 2023</b>	<ul style="list-style-type: none"> <li>A detailed discussion of the new variable pay arrangements and the proposed areas of focus for the metrics for both the Short-Term and Long-Term schemes.</li> <li>A review of the feedback from the Yorkshire Voice survey and the proposed actions as a result.</li> <li>An update on proposed changes to the pension offering to colleagues.</li> <li>Sign-off of the final Directors' remuneration report for 2023.</li> </ul>
<b>September 2023</b>	<ul style="list-style-type: none"> <li>An update on the development of the proposed new variable pay arrangements.</li> <li>An update on proposed changes to the pension offering to colleagues.</li> <li>An update on culture, and the ongoing work to develop a new target culture.</li> <li>An update on resourcing across the business.</li> </ul>
<b>January 2024</b>	<ul style="list-style-type: none"> <li>A brief update on variable pay performance.</li> <li>Agreement of the principles to be adopted as part of the forthcoming pay negotiations across the business.</li> <li>A detailed review of the proposed new Executive Bonus Plan and Long-Term Incentive Plan arrangements.</li> </ul>
<b>March 2024</b>	<ul style="list-style-type: none"> <li>An update on variable pay performance.</li> <li>An update on the outcome of pay negotiations across the business.</li> <li>Review and approval of the proposed base pay increases for the Executive Directors and other members of the Executive, taking into consideration the outcome of the pay negotiations across the business.</li> <li>A review of the first draft of the Directors' remuneration report for 2024.</li> </ul>

During the year under review, the Committee received remuneration advice from Willis Towers Watson. Willis Towers Watson received fees of £140,000 for their updates on the remuneration market, benchmarking data in relation to executive director and senior management roles, and support on the revision of the EIP. Willis Towers Watson did not provide any other services to the business during the year. They are signatories to the Remuneration Consultants Group Code of Conduct and the Committee has reviewed the way in which they operate and their relationships with the business and is satisfied that the advice it receives is independent and objective.

During the year, an internally facilitated performance review was undertaken of the Board and all of its committees. The feedback on the Remuneration Committee showed it to be continuing to operate effectively.

The terms of reference of the Committee were revised during the year, to move much of the 'people' remit of the Committee to the whole Board. The intention for this was to ensure people matters were discussed by the whole Board rather than by a sub-committee, as well as ensuring the Remuneration Committee was left with sufficient time to focus on remuneration, given the increasing complexity and scrutiny around decisions in this area.

#### The Committee is responsible for:

- Setting the remuneration policy for all executive directors and senior executives, considering relevant legal and statutory requirements, the Ofwat Board Leadership, Transparency and Governance Principles, and the UK Corporate Governance Code, having regard to pay and employment conditions across the business;
- Ensuring the remuneration policy attracts, retains and motivates executive management of the quality required to run the company successfully, without paying more than necessary and while having regard to the views of investors and other stakeholders and driving delivery for customers and the environment;
- Considering the clarity, simplicity, risk mitigation, predictability, proportionality and alignment to purpose, values, strategy and culture of the remuneration policy and practices;
- Designing remuneration policies and practices that support the business strategy and promote long-term sustainable success, aligned to performance, behaviours and the achievement of the company purpose, values and strategy;
- Using discretion where appropriate to over-ride formulaic outcomes;
- Overseeing any remuneration paid to leavers from amongst the executive directors and senior executives; and
- Appointing remuneration consultants to provide reports, surveys or information deemed necessary to assist with the setting of an appropriate remuneration policy.

Copies of the Terms of Reference are available from the Company Secretary or are on our website at [yorkshirewater.com](https://www.yorkshirewater.com)

## Consideration of shareholders' views

The presence of three directors representing investors on the Board of Yorkshire Water enables a direct flow of communication and sharing of views by investors to the Board. All three investor directors also sit on the Remuneration Committee.

#### Signed by order of the Board



**Kathy Smith**  
Company Secretary  
3 July 2024

# Directors' report – other disclosures

## Indemnities

As required by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. An indemnity was in force throughout the last financial year and a new indemnity was signed by all directors on 27 March 2024. The company also has directors' and officers' liability insurance in place.

## Research and development

The company undertakes a programme of research in pursuit of improvements in service and operating efficiency. In 2024 £2.9m (2023: £3.5m) was committed to research and development. In addition, £4.4m (2023: £4.2m) of costs have been accrued by Yorkshire Water in relation to the Innovation in Water Challenge scheme operated by Ofwat for Asset Management Period 7. These expenses offset revenue recognised during the year. The amounts accrued will either be spent on innovation projects that the group successfully bids for or will be transferred to other successful water companies in accordance with the scheme rules.

## Employment, training and advancement of disabled colleagues

Applications for employment by disabled persons are welcomed. In the event of a colleague becoming disabled, every effort is made to ensure that their employment with the group continues, and that appropriate training is arranged. It is our policy that the training, career development and promotion of disabled colleagues should, as far as possible, be identical to that of other colleagues.

We run a supported internship in partnership with a local school for students with an autistic spectrum condition where students work in real roles in the business at the same time as gaining a formal qualification. Yorkshire Water is now part of a group leading the roll out of an internship programme across the region.

We are a Disability Confident employer and any candidate who considers themselves to have a disability is guaranteed an interview if they meet the essential criteria for the role.

## Political donations

Yorkshire Water does not support any political party and does not make what are commonly regarded as donations to any political party or other political organisations. However, the definition of "donations" in the Political Parties Elections and Referendums Act 2000 covers a number of activities which form part of the necessary relationship between the company and stakeholders, for example, attendance at party conferences or other events. As part of its stakeholder engagement programme Yorkshire Water incurred expenditure of £656 (2023: £4,280) on such activities.

## Post balance sheet events

In May 2024, a further £100.0m was received from Kelda Eurobond Co Limited, reducing the outstanding loan balances to £437.2m.

Following the year end, the Board of Directors proposed a dividend of 1.70 pence per share, equating to a total dividend paid of £37.5m.

This report has been approved by the Board of directors and is signed on behalf of the Board.



**Nicola Shaw CBE**  
**Chief Executive Officer**  
3 July 2024

# Financial Statements

<b>Profit and loss account</b>	<b>208</b>
<b>Statement of comprehensive income and expense</b>	<b>208</b>
<b>Balance sheet</b>	<b>209</b>
<b>Statement of changes in equity</b>	<b>210</b>
<b>Notes</b>	<b>212</b>
<b>Independent auditors report</b>	<b>246</b>



## Profit and loss account

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
<b>Revenue</b>	2	<b>1,227.0</b>	1,144.7
Operating costs		<b>(990.4)</b>	(908.0)
<b>Operating profit</b>	3	<b>236.6</b>	236.7
Interest receivable and similar income before fair value movements	6	<b>66.7</b>	65.1
Interest payable and similar charges before fair value movements	7	<b>(275.8)</b>	(376.4)
Fair value movements	7	<b>71.6</b>	797.9
Net fair value movement and interest (payable)/receivable		<b>(137.5)</b>	486.6
<b>Profit before taxation</b>		<b>99.1</b>	723.3
Taxation	8	<b>(31.7)</b>	(179.1)
<b>Profit for the financial year</b>		<b>67.4</b>	544.2

## Statement of comprehensive income and expense

For the year ended 31 March 2024

	Note	2024 £m	2023 £m
<b>Profit for the financial year</b>		<b>67.4</b>	544.2
<b>Items that will not be reclassified to profit or loss:</b>			
Revaluation of tangible assets before taxation	11	<b>19.2</b>	(458.7)
Tax on revaluation of tangible assets		<b>(4.8)</b>	113.8
Revaluation of retirement benefits before taxation		-	1.2
Tax on revaluation of retirement benefits		-	(0.3)
		<b>14.4</b>	(344.0)
<b>Items that may be subsequently reclassified to profit or loss:</b>			
Movement on cash flow hedges taken to equity before taxation	17	<b>(3.5)</b>	(42.3)
Tax on cash flow hedges		<b>0.9</b>	10.6
		<b>(2.6)</b>	(31.7)
<b>Total other comprehensive income/(expense) for the year</b>		<b>11.8</b>	(375.7)
<b>Total comprehensive income for the year</b>		<b>79.2</b>	168.5

All of the results above relate to continuing operations.

## Balance sheet

As at 31 March 2024

	Note	2024 £m	2023 £m
<b>Fixed assets</b>			
Intangible assets	10	<b>290.1</b>	229.2
Tangible assets	11	<b>9,374.6</b>	9,004.6
Investments	12	<b>2.2</b>	2.2
Non-current debtors	13	<b>498.8</b>	625.0
		<b>10,165.7</b>	9,861.0
<b>Current assets</b>			
Stocks		<b>8.3</b>	7.6
Current debtors (including £240.9m (2023: £226.2m) due after more than one year)	13	<b>700.4</b>	895.5
Cash and cash equivalents		<b>49.7</b>	293.9
		<b>758.4</b>	1,197.0
<b>Creditors: amounts falling due within one year</b>	14	<b>(763.2)</b>	(1,088.6)
<b>Net current (liabilities)/assets</b>		<b>(4.8)</b>	108.4
<b>Total assets less current liabilities</b>		<b>10,160.9</b>	9,969.4
<b>Creditors: amounts falling due after more than one year</b>	15	<b>(8,199.7)</b>	(8,027.8)
<b>Provisions for liabilities</b>			
Deferred tax liability	19	<b>(722.5)</b>	(713.0)
Other provisions	20	<b>(29.0)</b>	(14.0)
		<b>(751.5)</b>	(727.0)
<b>Net assets</b>		<b>1,209.7</b>	1,214.6
<b>Capital and reserves</b>			
Called up share capital	21	<b>11.0</b>	11.0
Revaluation reserve	21	<b>583.5</b>	569.1
Hedging reserve	21	<b>0.9</b>	3.5
Profit and loss account	21	<b>614.3</b>	631.0
<b>Shareholders' funds</b>		<b>1,209.7</b>	1,214.6

The Financial Statements on pages 208 to 245 were approved, and authorised for issue, by a duly authorised committee of the Board of directors on 3 July 2024 and were signed on its behalf by:



**Nicola Shaw CBE**

**Chief Executive Officer**

Yorkshire Water Services Limited

Registered in England and Wales no. 02366682

## Statement of changes in equity

For the year ended 31 March 2024

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2023		11.0	569.1	3.5	631.0	1,214.6
<b>Total comprehensive income/(expense) for the year</b>						
Profit for the financial year		-	-	-	67.4	67.4
Revaluation of tangible assets before taxation		-	19.2	-	-	19.2
Tax on revaluation of tangible assets		-	(4.8)	-	-	(4.8)
Movement on cash flow hedges taken to equity before taxation		-	-	(3.5)	-	(3.5)
Tax on cash flow hedges		-	-	0.9	-	0.9
<b>Total comprehensive income/(expense) for the year</b>		-	14.4	(2.6)	67.4	79.2
<b>Transactions with owners recorded directly in equity</b>						
Dividends	9	-	-	-	(84.1)	(84.1)
<b>Balance at 31 March 2024</b>		11.0	583.5	0.9	614.3	1,209.7

## Statement of changes in equity (continued)

For the year ended 31 March 2024

	Note	Called up share capital £m	Revaluation reserve £m	Hedging reserve £m	Profit and loss account £m	Total equity £m
Balance at 1 April 2022		11.0	914.0	35.2	148.1	1,108.3
<b>Total comprehensive income/ (expense) for the year</b>						
Profit for the financial year		-	-	-	544.2	544.2
Revaluation of tangible assets before taxation		-	(458.7)	-	-	(458.7)
Tax on revaluation of tangible assets		-	113.8	-	-	113.8
Revaluation of retirement benefits		-	-	-	1.2	1.2
Tax on revaluation of retirement benefits		-	-	-	(0.3)	(0.3)
Movement on cash flow hedges taken to equity before taxation		-	-	(42.3)	-	(42.3)
Tax on cash flow hedges		-	-	10.6	-	10.6
Total comprehensive income/ (expense) for the year		-	(344.9)	(31.7)	545.1	168.5
<b>Transactions with owners recorded directly in equity</b>						
Dividends	9	-	-	-	(62.2)	(62.2)
Balance at 31 March 2023		11.0	569.1	3.5	631.0	1,214.6

# Notes

## 1. Accounting policies

Yorkshire Water Services Limited (Yorkshire Water or the company) is a private company limited by shares, incorporated in the United Kingdom (UK) under the Companies Act 2006, registered in England and Wales, and resident for tax in the UK. Registered address: Yorkshire Water Services Limited, Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

### Basis of preparation

These Financial Statements have been prepared in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group Financial Statements. These Financial Statements present information about the company as an individual undertaking and not its group.

The presentation currency of these Financial Statements is £ sterling (GBP) because that is the currency of the primary economic environment in which the company operates.

Kelda Eurobond Co Limited includes the company in its consolidated Financial Statements. The consolidated Financial Statements of Kelda Eurobond Co Limited are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and are available to the public and may be obtained from Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ.

In these Financial Statements, the company, as a qualifying entity, has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes;
- Key management personnel compensation; and
- Transactions between wholly-owned subsidiaries, or with their parent.

As the consolidated Financial Statements of Kelda Eurobond Co Limited include the equivalent disclosures, the company has also taken certain exemptions under FRS 102 available in respect of the disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

The preparation of these Financial Statements requires the use of certain critical accounting judgements and key sources of estimation uncertainty. Judgements made by management in applying the significant accounting policies and estimates made at the end of the reporting period are discussed at the end of this note.

### Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are described in the Strategic report. Our long-term viability statement has also been included in the Strategic report.

The directors have considered the budget and the cash position of the company, specifically the sufficiency of the funds available to fund the operating and capital investment activities of the company for the 12 months from the date of signing the Financial Statements. In addition, the company has an indefinite licence to operate as a water and sewerage operator terminable with a 25 year notice period.

Yorkshire Water's available combination of cash and committed undrawn facilities totalled £981.7m at 31 March 2024 (2023: £682.9m), comprising £932.0m (2023: £389.0m) undrawn committed facilities and £49.7m (2023: £293.9m) of cash and cash equivalents. Whilst Yorkshire Water reports a small net current liability as at 31 March 2024, this does not adversely impact on going concern considerations due to the strength of the overall net asset position.

Yorkshire Water's securitised financing arrangements include covenants with 'trigger' and 'default' thresholds, which are reported bi-annually and are explained further below.

## 1. Accounting policies (continued)

A baseline model, established from the company's business plan, shows sufficient liquidity and headroom for debt covenants, when considering 'trigger' as well as 'default' thresholds.

The going concern review has primarily been centred around financial modelling which depicts the best estimate forecast profit and loss, balance sheet and cash flow, as well as reviewing the impact on available liquidity and key interest cover ratios for 2025 and 2026.

The base case Board-approved budget cash flows show available headroom in the key metrics reviewed. A number of sensitivities were then overlayed to the base case to consider a number of possible adverse scenarios. Mitigating actions were also considered to ensure headroom remained on facilities available, key interest cover ratios and to ensure the company managed its business risks appropriately throughout the going concern period.

In addition, the directors have considered the group's business activities, including the group's financial and operational performance, accuracy of historical forecasting accuracy and strength of the year end net asset position.

As a result of this analysis, the directors believe that despite financial and operational challenges, the strength of the mitigations available are such that the group is well placed to manage its business risks successfully and have a reasonable expectation that the group has adequate resources to continue in operational existence over a period of at least 12 months from the date of approval of the Financial Statements. For this reason, they continue to consider it appropriate to adopt the going concern basis of accounting in preparing the Financial Statements.

### Measurement convention

The Financial Statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through profit or loss and certain categories of tangible assets measured using the revaluation model.

## Basic financial instruments

### Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

### Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate for a similar debt instrument.

### Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition interest-bearing borrowings are stated at amortised cost using the effective interest method.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, and other short-term highly liquid investments.

## Other financial instruments

### Financial instruments not considered to be basic financial instruments

Other financial instruments not meeting the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except investments in equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably shall be measured at cost less any impairment losses.

# 1. Accounting policies (continued)

## Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged as set out below.

### Fair value hedges

Where a derivative financial instrument is designated to hedge the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the profit and loss account (even if those gains would normally be recognised directly in reserves).

Hedge effectiveness is assessed on an ongoing basis and evaluates whether the hedging instrument is effective in offsetting changes in the fair values or cash flows of the hedged item attributable to the hedged risk. This is done through evaluating the economic relationship between hedged item and instrument, the effectiveness of which can be reliably measured.

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

The company applies fair value hedge accounting to its cross-currency interest rate swaps and associated debt and certain fixed to floating interest rate swaps and associated debt.

### Cash flow hedges

Where a derivative financial instrument is designated to hedge the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in other comprehensive income is included in the initial cost or other carrying amount of the asset or liability. Alternatively, when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated, or exercised, or the entity discontinues designation of the hedge relationship, but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the profit and loss account immediately.

Energy derivatives, which hedge the company's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price, are designated as cash flow hedges and hedge accounting has been applied.

## Tangible assets

Infrastructure assets are valued annually using the support of a third party expert. Residential properties, non-specialised properties and rural estates held within land and buildings are held at their revalued cost less accumulated depreciation. Other tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of a tangible asset have different useful lives, they are accounted for as separate items.

The company assesses at each reporting date whether an indicator of impairment exists, and if such an indicator exists, then an impairment test is performed.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. Assets in the course of construction are not depreciated until commissioned.

# 1. Accounting policies (continued)

The estimated useful lives are as follows:

<b>Land and buildings</b>	
Buildings	25 – 100 years
Residential properties, non-specialised properties (revalued)	60 years
Rural estates (land) (revalued)	Not depreciated
<b>Plant and equipment</b>	
Fixed plant	5 – 40 years
Vehicles, mobile plant, and computers	3 – 10 years
<b>Infrastructure assets</b>	
Infrastructure assets – water mains and sewers (revalued)	40 – 125 years
Infrastructure assets – earth banked dams and reservoirs (revalued)	200 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

## Revaluation

Infrastructure assets, residential properties, non-specialised properties, and rural estates are stated at fair value less any subsequent accumulated depreciation and impairment losses.

Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the profit and loss account.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in the profit and loss account. FRS 102 requires assets held at fair value to be valued by an independent third party on a periodic basis. See [note 11](#) for further detail.

## Grants and contributions

Grants and contributions in respect of property, plant and equipment are held as deferred income and credited to the Profit and Loss account by instalments over the expected economic lives of the related assets. Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Grants and contributions received in respect of an item of expense during the year are recognised in the Profit and Loss account on a systematic basis in line with the cost that it is intended to compensate.

## Intangible assets

### Software as a service (SaaS)

Costs incurred to configure or customise SaaS application software are expensed when the costs are incurred. Costs which relate to the development of software code that enhances or modifies on-premise software, or costs incurred for software which meet the recognition criteria for an intangible asset, are capitalised as incurred. Any costs expensed are recognised in line with the service provided. Any intangible assets identified are initially carried at cost and follow the existing accounting policy for intangible assets.

### Other intangible assets

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

### Amortisation

Software is amortised on a straight-line basis over its useful life which is estimated to be 3 – 15 years. Software under construction is not amortised until taken into use.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with FRS 102 Section 27 *Impairment of assets* when there is an indication that an intangible asset may be impaired.

# 1. Accounting policies (continued)

## Impairment

### Financial assets (including trade, intercompany and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

### Non-financial assets

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## Leases

Leases in which the company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

## Employee benefits

### Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

### Group defined benefit plan

Some of the company's employees are members of a group wide defined benefit pension plan. As there is no contractual agreement or stated group policy for charging the net defined benefit cost of the plan to participating entities, the net defined benefit cost of the pension plan is recognised fully by the sponsoring employer of the plan, which is Kelda Group Limited. The company recognises a cost equal to its contribution payable for the period as an expense.

## Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

## 1. Accounting policies (continued)

Where the company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company considers these to be insurance arrangements and accounts for them as such. In this respect, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

### Revenue

#### Water charges

This revenue stream comprises charges to customers for water, wastewater and other services excluding value added tax, and arises only in the UK.

Revenue is recognised when the performance obligations have been discharged to the customer with respect to the services detailed above, and the amounts receivable in respect of these services are deemed probable of collection. Revenue relates to charges due in the year, excluding any amounts paid in advance. Revenue for measured water charges includes amounts billed plus an estimation of the amounts unbilled at the year end. The accrual is estimated using a defined methodology based upon daily average water consumption, which is calculated based upon latest and historical billing information.

No revenue is recognised for unoccupied properties and no bills are raised. If a bill has been issued, and the company subsequently become aware that the property is unoccupied, the bill and relevant revenue is cancelled. Generally, a property is classed as void if it is unoccupied and unfurnished.

#### Connection charges

This revenue stream comprises charges to property developers for the connection of new properties to the water and sewerage network. Revenue relating to these charges is deferred and recognised over the expected useful life of the related infrastructure assets.

#### Infrastructure charges

This revenue stream comprises charges to property developers to compensate for the additional strain on the infrastructure system. The associated revenue is deferred and recognised over the expected useful life of the associated assets.

### Expenses

#### Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

#### Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

### Interest payable and interest receivable

Interest payable and similar charges include interest payable, movements in the fair value of financial instruments excluding those meeting cash flow hedging criteria, and finance lease charges recognised in profit or loss using the effective interest method. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Interest receivable and similar income include interest receivable on funds invested and bank interest.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

### Dividends

Dividends payable are recognised on approval by the Board.

Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established.

# 1. Accounting policies (continued)

## Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Financial Statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, which are described earlier in this note, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed overleaf.

*The directors consider the key sources of estimation uncertainty made in the Financial Statements to be:*

## Fair value of derivative financial instruments

The company's accounting policy for financial instruments is detailed earlier in [note 1](#). In accordance with FRS 102, derivative financial instruments are recognised in the Financial Statements at fair value. The fair value of derivative financial instruments that are not traded on an active market is determined using a discounted cash flow valuation technique. Management uses its judgement, after taking advice from external parties, to determine the derivative valuations. The calculations include adjustments to the Mark to Market (MtM) value to arrive at the reported fair values. Details of the nature of the assumptions inherent within the financial instrument fair valuations can be found in [note 18](#). Particular estimation uncertainty exists in relation to counterparty funding adjustments and own and counterparty credit risk assumptions since these are unobservable inputs to which the valuation model is materially sensitive.

The fair value of net derivative financial liabilities of £1,518.8m (2023: £1,679.4m) would be £19.6m (2023: £25.0m) higher or lower were the counterparty funding assumption to change by ten basis points. The fair value of net derivative financial liabilities of £1,518.8m (2023: £1,679.4m) would be £12.8m (2023: £15.5m) higher or lower were the credit curve assumption to change by ten basis points.

## 1. Accounting policies (continued)

The fair value of net derivative financial liabilities of £1,518.8m (2023: £1,679.4m) would be £41.5m (2023: £57.7m) higher or lower were the recovery rate assumption to change by ten per cent.

Disclosing an appropriate sensitivity of fair values could vary based on what is reasonably possible in the market but a change of ten basis points demonstrates the level of movement in the assumption which results in a material difference, this can be scaled up or down and is consistent with sensitivities reported previously.

### Infrastructure assets valuation

Infrastructure assets are held under a revaluation model. Fair value is determined with the support of a third party using a market value approach, which uses discounted cash flow modelling to calculate a valuation range for the Enterprise Value (EV) of Yorkshire Water. Management conclude on the appropriate EV to be used from within this range using their judgement. The adjusted EV is then allocated against certain assets and liabilities to estimate the fair value of infrastructure assets. This represents a level 3 fair value measurement since it is derived from valuation techniques that include inputs not based on observable market data.

Estimates are made in respect of the key assumptions applied in the valuation model. The key assumptions requiring estimation are the discount rate and the underlying forecast cash flows, this is heightened for the year ended 31 March 2024 given where the company is at in the AMP cycle. The discount rate applied is 9.50% (2023: 8.00%). See [note 11](#) for the revaluation in the year and total net book value of tangible assets held as at the year end. The key judgements inherent within the valuation methodology are the selection of the appropriate point within the range of EVs calculated by the third party valuation expert, and the attribution of the EV to relevant assets and liabilities. The selection within the range is undertaken with due consideration of the regulatory capital value of the infrastructure assets.

The key sensitivities to assumptions that would cause a material<sup>1</sup> movement in the model's valuation output are: a £1.71m pa movement in the underlying cash flows<sup>2</sup>; and a 0.04% movement in the discount rate.

<sup>1</sup> Material is defined as more than 2.7% of EBITDA in the year.

<sup>2</sup> Across all years of the model.

### Household bad debt provision

At each reporting date, management makes an estimate regarding future cash collection to form the basis of the household bad debt provision. Estimates associated with this provision are based on historical, current, and forward-looking information where available. Some uncertainty remains around how current economic conditions could impact the recoverability of household debtors, particularly in light of the backdrop of the cost-of-living crisis. At 31 March 2024, the total amount provided for relating to household customer debt was £33.3m (2023: £34.5m) and non-household debt was £0.5m (2023: £0.4m), totalling an overall bad debt provision of £33.8m (2023: £34.9m). The household bad debt provision is primarily based on reviewing customer payment profiles and predicting collection levels over a future period of five years, if the recovery percentage applied worsened by 1%, then the provision would increase by £0.8m.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately above), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements.

*The directors consider the critical judgements made in the Financial Statements to be:*

### Capitalisation of labour costs

Additions made to property, plant, and equipment (PPE) include £79.8m (2023: £73.1m) of own work capitalised. Judgement is made to ensure these costs relate to relevant assets and that future economic benefits will flow to the company.

## 1. Accounting policies (continued)

### Depreciation

The company's accounting policy for PPE is detailed earlier in [note 1](#) of the Financial Statements. Estimated useful economic lives of PPE are based on management's judgement and experience. When management identifies that actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively. Due to the significance of capital investment to the company, variations between actual and estimated useful lives could impact operating results both positively and negatively. Historically, only minor changes to estimated useful lives have been required. See [note 11](#) for the depreciation charge.

### Climate change

Yorkshire Water continues to develop its assessment of the impact that climate change may have on the amounts recognised in the Financial Statements. The natural environment in which we operate is continually changing, and the expected impact on the company from climate change is set out within the [Climate-related Financial Disclosure section](#) of the Strategic report. We have considered the impact of the climate change related risks to which Yorkshire Water is exposed in the preparation of these Financial Statements. The risks are long-term in nature, and whilst they will provide a need for investment in the future, we conclude that there is no material impact on the carrying amount of assets or liabilities recognised in the Financial Statements, nor do they lead to any additional key sources of estimation or judgement.

## 2. Revenue

	2024 £m	2023 £m
UK regulated water and sewerage services	1,212.8	1,132.6
UK non-regulated water services	14.2	12.1
<b>Total revenue</b>	<b>1,227.0</b>	<b>1,144.7</b>

## 3. Operating profit

Included in the operating profit for the financial year are the following:

	2024 £m	2023 £m
Raw materials and consumables	72.9	71.8
Staff costs (note 4)	199.0	189.4
Depreciation and impairment of tangible assets (note 11)	331.9	307.4
Operating lease charges	3.1	3.0
Amortisation of software (note 10)	43.4	33.3
<b>Auditor's remuneration:</b>		
Audit of the Financial Statements	0.7	0.6
Other assurance services	-	0.1

Other assurance services predominantly relate to regulatory reporting obligations.

## 4. Staff numbers and costs

The monthly average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2024	2023
<b>Activity:</b>		
UK regulated water & wastewater	2,912	3,062
Support services	774	742
	<b>3,686</b>	<b>3,804</b>

Following an internal review of the approach adopted in 2023, the methodology allocating the number of employees by activity has been refined. As a result, the presentation of the categories reported has changed compared with those reported last year. There has been no change to the overall employee numbers reported.

## 4. Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:	2024 £m	2023 £m
Wages and salaries	165.8	157.0
Social security costs	17.8	18.0
Other pension costs	15.4	14.4
	199.0	189.4

In the Strategic report of this ARFS in the [our People](#) section there are details of a range of employee diversity statistics. In those statistics, a total of 3,773 (2023: 3,675) colleagues were employed on the last day of the financial year, whereas a total of 3,686 (2023: 3,804) employees were employed based on a monthly average throughout the financial year. Both approaches are accurate and are provided in the format stated by the relevant regulatory and statutory requirements.

## 5. Directors' remuneration

	2024 £m	2023 £m
Aggregate emoluments	2.3	2.7
The amounts in respect of the highest paid director are as follows:		
<b>Total amount of emoluments</b>	<b>1.0</b>	<b>0.9</b>

During the financial year, none of the executive directors (2023: none) were contributory members of the Kelda Group Pension Plan, a defined benefit scheme and accordingly the accrued pension benefit of the highest paid director in 2024 was £nil (2023: £nil).

Full details of directors' remuneration are given in the [Directors' remuneration report](#).

## 6. Interest receivable and similar income

	2024 £m	2023 £m
Interest on amounts owed by group undertakings	61.1	63.0
Interest on bank deposits	5.6	2.1
<b>Total interest receivable and similar income</b>	<b>66.7</b>	<b>65.1</b>

Interest on amounts owed by group undertakings includes £61.1m (2023: £63.0m) receivable from Kelda Eurobond Co Limited, of which £27.9m cash repayment was received in the year to 31 March 2024 (2023: £25.5m).

## 7. Interest payable and similar charges

	2024 £m	2023 £m
Finance leases	2.2	1.2
Interest on amounts owed to subsidiary undertakings	272.1	364.3
Other interest	42.1	62.5
Net interest payable/(receivable) from swaps in hedge relationships	14.2	(0.8)
Interest capitalised (note 11)	(54.8)	(50.8)
<b>Interest payable and similar charges before fair value movements</b>	<b>275.8</b>	<b>376.4</b>

Interest on amounts owed to subsidiary undertakings relate to payments made to entities within the Whole Business Securitisation (WBS) group ([note 16](#)).

	2024 £m	2023 £m
<b>Fair value movements</b>		
Movement in fair value of inflation linked swaps	(69.3)	(789.2)
Movement in fair value of RPI to CPI swaps	3.4	-
Movement in fair value of cross-currency interest rate swaps	23.5	(5.5)
Movement in fair value of debt associated with cross-currency swaps	(23.1)	3.7
Movement in fair value of floating to fixed interest rate swaps	(0.7)	(6.0)
Movement in fair value of fixed to floating interest rate swaps	(13.1)	47.6
Movement in fair value of debt associated with fixed to floating interest rate swaps	7.7	(48.5)
<b>Total fair value movements</b>	<b>(71.6)</b>	<b>(797.9)</b>

Favourable movement in fair value of inflation linked swaps of £69.3m (2023: £789.2m favourable movement) includes a charge of £97.3m (2023: £144.6m) in relation to the RPI bullet accumulated as at 31 March 2024; interest payable of £63.2m (2023: £62.9m) offset by interest receivable of £118.8m (2023: £85.2m); and other favourable fair value movements of £111.0m (2023: £911.5m favourable movement).

Movement in fair value of RPI to CPI swaps includes a £1.2m (2023: £nil) charge relating to net cash accretion paid.

Movement in fair value of floating to fixed interest rate swaps includes £0.2m (2023: £1.7m) net interest payable.

Movement in fair value of fixed to floating interest rate swaps includes £4.0m favourable movement (2023: £47.6m adverse movement) relating to swaps in hedge relationships with associated debt and £9.1m favourable movement (2023: £nil) relating to swaps not in hedge relationships. The movement in fair value of fixed to floating swaps not in hedge relationships includes £1.2m (2023: £nil) net interest receivable.

## 8. Taxation

### Total tax charge recognised in the profit and loss account

	2024 £m	2023 £m
<i>Current tax</i>		
Accrual for payment to other group companies for tax losses	26.1	-
Adjustments in respect of prior periods	-	(1.8)
<b>Total current tax charge/(credit)</b>	<b>26.1</b>	<b>(1.8)</b>
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	6.0	137.2
Effect of change in tax rates	-	43.3
Adjustments in respect of prior periods	(0.4)	0.4
<b>Total deferred tax charge</b>	<b>5.6</b>	<b>180.9</b>
<b>Total tax charge included in profit and loss account</b>	<b>31.7</b>	<b>179.1</b>
<b>Total tax charge/(credit) recognised in other comprehensive income and expense</b>		
<i>Deferred tax (note 19)</i>		
Origination and reversal of timing differences	3.9	(95.0)
Effect of change in tax rates	-	(30.0)
Adjustments in respect of prior periods	-	0.9
<b>Total deferred tax charge/(credit) included in other comprehensive income and expense</b>	<b>3.9</b>	<b>(124.1)</b>

The Provisional Collection of Taxes Act, enacted on 17 March 2020, set the corporation tax rate at 19% from 1 April 2020.

The Finance Bill 2021, enacted on 24 May 2021 introduced an increase to the main rate of corporation tax to 25% from April 2023. This is the rate which has been used in preparing these Financial Statements for both current and deferred tax.

## 8. Taxation (continued)

### Reconciliation of effective tax rate

	2024 £m	2023 £m
<b>Profit before taxation</b>	<b>99.1</b>	723.3
Tax charge using the UK corporation tax rate of 25% (2023: 19%)	<b>24.8</b>	137.4
<b>Effects of:</b>		
Non-deductible expenses	<b>9.2</b>	6.6
Adjustments in respect of prior periods	<b>(0.4)</b>	(1.4)
Income not taxable	<b>(1.6)</b>	(1.2)
Other adjustments	<b>(0.2)</b>	0.1
Income from capital disposal not subject to tax	<b>(0.1)</b>	-
Impact of future tax rate changes on deferred tax balances	-	43.3
Super-deduction qualifying expenditure – additional capital allowances	-	(5.7)
<b>Total tax charge included in profit or loss</b>	<b>31.7</b>	179.1

**Non-deductible expenses:** expenditure and costs that are incurred by the company but are not deductible for tax purposes. For Yorkshire Water, this mainly relates to non-deductible depreciation/ impairments of capital assets that do not qualify for capital allowances or non-deductible fines.

**Income not taxable:** income reflected in the accounts which is not subject to tax as either:

- it relates to an adopted asset where no cash is received by the company;
- the income has reduced the amount of capital allowances that can be claimed on the assets associated with the income; or
- the income relates to Research & Development (R&D) expenditure credits that have been taxed in a previous period.

**Income from capital disposal not subject to tax:** proceeds from property disposals that are not subject to tax either due to the offset of capital losses, indexation that is allowed for tax purposes or the properties have been transferred to other Kelda group companies and will be subject to tax when disposed from the group.

**Future tax rate changes on deferred tax balances:** higher future enacted corporation tax rates will increase the amount of deferred tax that must be provided for. The tax timing differences on which deferred tax is provided will be expected to reverse at the higher corporation tax rate.

**Super-deduction qualifying expenditure:** The Finance Bill 2021 introduced a temporary first year allowance for companies investing in qualifying plant and machinery. The super deduction provides allowances of 130% on particular types of new equipment that would ordinarily qualify for an annual 18% writing down allowance.

During the year, no payments (2023: £6.6m) were made to other group companies regarding the previous year's tax losses surrendered to Yorkshire Water. No payments in relation to corporation tax were made to HM Revenue & Customs (HMRC) (2023: £nil).

## 8. Taxation (continued)

### Reconciliation of current tax

The current tax charge/(credit) represents payments to other Kelda group companies as compensation for them surrendering tax losses to the company. The company has no current tax charge for the year in relation to corporation tax liabilities owed to HMRC.

	2024 £m	2023 £m
<b>Profit before taxation</b>	<b>99.1</b>	723.3
Tax charge using the UK corporation tax rate of 25% (2023: 19%)	<b>24.8</b>	137.4
<b>Effects of:</b>		
Non-deductible depreciation on tangible assets and amortisation of intangible assets	<b>63.5</b>	43.5
Potential capital allowances available to claim on tangible assets	<b>(70.4)</b>	(70.0)
Capital allowances waived and deferred to future years	<b>56.4</b>	44.9
Interest costs that have been capitalised on the balance sheet but are deductible for tax purposes	<b>(13.7)</b>	(9.7)
Non-deductible expenses	<b>1.1</b>	0.9
Income not taxable	<b>(2.0)</b>	(1.4)
Fair value movements on financial instruments that are disregarded for tax purposes and replaced by an accruals basis of accounting	<b>(33.9)</b>	(177.6)
Deductible payments to pension scheme	<b>(1.1)</b>	(0.9)
Adjustments in respect of prior years	<b>-</b>	(1.8)
Chargeable gains	<b>(0.1)</b>	-
Other timing differences	<b>2.3</b>	(0.2)
Accrued employee remuneration deductible when paid	<b>(0.6)</b>	0.1
Unutilised losses	<b>(1.3)</b>	33.0
Spreading of swap termination payment	<b>1.1</b>	-
<b>Current tax charge/(credit) included in profit or loss</b>	<b>26.1</b>	(1.8)

## 9. Dividends

	2024 £m	2023 £m
Dividends of 3.82 pence per share paid in the year (2023: 2.83 pence)	84.1	62.2

During the year, dividends of 3.82 pence per share (2023: 2.83 pence), totalling £84.1m (2023: £62.2m), were distributed to the parent company, none of which were paid to the shareholders of Kelda Holdings Limited (2023: £nil), Yorkshire Water's ultimate parent company.

No dividends have been proposed post year end in relation to 2024 (2023: £nil).

Pence per share is rounded to two decimal places.

As at 31 March 2024, the company's directors believe that £371.8m (2023: £408.2m) of the profit and loss account balance of £614.3m (2023: £631.0m) is distributable to shareholders. The deduction from the profit and loss account balance relates to adjustments in respect of certain financial instrument movements which are treated as unrealised.

## 10. Intangible assets

	Software £m	Software under construction £m	Total £m
<b>Cost</b>			
Balance at 1 April 2023	253.2	84.2	337.4
Additions	34.9	69.4	104.3
Transfers on commissioning	35.4	(35.4)	-
Disposals	(14.6)	-	(14.6)
Balance at 31 March 2024	308.9	118.2	427.1
<b>Amortisation</b>			
Balance at 1 April 2023	108.2	-	108.2
Amortisation for the year	43.4	-	43.4
Disposals	(14.6)	-	(14.6)
Balance at 31 March 2024	137.0	-	137.0
<b>Net book value at 31 March 2024</b>	<b>171.9</b>	<b>118.2</b>	<b>290.1</b>
Net book value at 31 March 2023	145.0	84.2	229.2

## 11. Tangible assets

	Land and buildings £m	Infrastructure assets £m	Plant and equipment £m	Under construction £m	Total £m
<b>Cost or valuation</b>					
Balance at 1 April 2023	2,177.9	7,088.3	2,739.1	622.1	12,627.4
Additions	14.7	115.1	36.1	518.7	684.6
Transfers on commissioning	43.1	48.9	112.0	(204.0)	-
Disposals	(25.4)	(4.7)	(186.8)	-	(216.9)
Revaluation	18.6	-	-	-	18.6
Balance at 31 March 2024	2,228.9	7,247.6	2,700.4	936.8	13,113.7
<b>Depreciation and impairment</b>					
Balance at 1 April 2023	641.2	1,755.2	1,226.4	-	3,622.8
Depreciation charge for the year	48.5	107.3	166.9	-	322.7
Impairment	9.2	-	-	-	9.2
Disposals	(23.7)	(4.7)	(186.6)	-	(215.0)
Revaluation	(0.6)	-	-	-	(0.6)
Balance at 31 March 2024	674.6	1,857.8	1,206.7	-	3,739.1
<b>Net book value at 31 March 2024</b>	<b>1,554.3</b>	<b>5,389.8</b>	<b>1,493.7</b>	<b>936.8</b>	<b>9,374.6</b>
Net book value at 31 March 2023	1,536.7	5,333.1	1,512.7	622.1	9,004.6

During the year the company capitalised borrowings costs amounting to £54.8m (2023: £50.8m) on qualifying assets. Borrowings costs were capitalised at the weighted average rate on the company's borrowings of 5.35% (2023: 7.41%). Included in the net book value as at 31 March 2024 are £237.5m of capitalised borrowing costs (2023: £201.1m).

### Infrastructure assets included above held under a finance lease amount to:

	Infrastructure assets £m
Cost	69.1
Depreciation	(37.1)
<b>Net book value at 31 March 2024</b>	<b>32.0</b>
Net book value at 31 March 2023	33.0

### Land and buildings

#### The net book value of land and buildings comprises:

	2024 £m	2023 £m
Freehold	<b>1,547.6</b>	1,521.3
Long leasehold	<b>6.2</b>	14.8
Short leasehold	<b>0.5</b>	0.6
	<b>1,554.3</b>	1,536.7

### Revaluation – Infrastructure assets

The company's infrastructure assets were valued as at 31 March 2024 and 31 March 2023 using the approach outlined in [note 1](#). These annual valuations are performed on a consistent basis in accordance with FRS 102 which requires that assets subject to a policy of revaluation should be carried at their fair value less any subsequent accumulated depreciation and accumulated impairment losses. FRS 102 allows, where market based evidence of fair value is not available due to the specialised nature of the items of property plant and equipment, an entity to estimate fair value using an income approach.

## 11. Tangible assets (continued)

For the year ended 31 March 2024, no adjustment was made to the existing book value of infrastructure assets (2023: £458.7m loss).

The directors note that the revaluation reserve position may be subject to movements in future periods as key discounted cash flow (DCF) model assumptions are revised as information regarding future price controls and regulatory policy becomes available.

### Revaluation – Land and buildings

Certain categories of the company's land and buildings are also held under a revaluation model, on the basis of existing use, and were valued by independent qualified valuers as at March 2024.

The valuations were undertaken in accordance with the professional standards and practice guidance issued by the Royal Institution of Chartered Surveyors in the UK by the following surveyors:

Non-specialist properties	Lambert Smith Hampton Limited
Rural estates	Carter Jonas LLP
Residential properties	Carter Jonas LLP

The valuation has resulted in a net increase to tangible assets of £10.0m, before deferred tax, which has been incorporated into the Financial Statements. The total gain of £19.2m was recognised in the revaluation reserve with £9.2m recognised as an impairment in the profit and loss account.

### The following information relates to tangible assets carried on the basis of revaluation:

	Valuation £m	Historical cost basis £m
Infrastructure assets	5,389.8	4,450.3
Non-specialist properties	20.6	18.4
Rural estates	65.1	0.4
Residential properties	4.1	-
<b>At 31 March 2024</b>	<b>5,479.6</b>	<b>4,469.1</b>

### Analysis of the net book value of the revalued non-specialised properties, rural estates and residential properties is as follows:

	Valuation £m	Historical cost basis £m
At 31 March 2022	93.3	38.2
Additions	2.1	2.1
Depreciation and impairment	(12.7)	(9.9)
At 31 March 2023	82.7	30.4
Disposals	(1.6)	(1.5)
Net revaluation gain	19.2	-
Depreciation and impairment	(10.5)	(10.1)
<b>At 31 March 2024</b>	<b>89.8</b>	<b>18.8</b>

### Analysis of the net book value of the revalued infrastructure assets is as follows:

	Valuation £m	Historical cost basis £m
Valuation/cost at 31 March 2024	7,247.6	6,242.2
Aggregate depreciation	(1,857.8)	(1,791.9)
<b>Net value at 31 March 2024</b>	<b>5,389.8</b>	<b>4,450.3</b>
Valuation/cost at 31 March 2023	7,088.3	6,083.0
Aggregate depreciation	(1,755.2)	(1,703.7)
Net value at 31 March 2023	5,333.1	4,379.3

## 12. Investments

Shares in subsidiary  
undertakings  
£m

### Cost and net book value

At 31 March 2023 and at 31 March 2024

**2.2**

The directors believe that the carrying value of the investments is supported by their underlying net assets.

**The company has the following investments in subsidiaries whose registered office, unless otherwise stated, is Western House, Halifax Road, Bradford, West Yorkshire, BD6 2SZ:**

	Country of incorporation	Principal activity	Class of shares held	Ownership 2024 %	Ownership 2023 %
Yorkshire Water Services Finance Limited	England & Wales	Finance company	Ordinary	100	100
Yorkshire Water Finance Plc	England & Wales	Finance company	Ordinary	100	100

## 13. Debtors

	2024 £m	2023 £m
Trade debtors	<b>195.3</b>	164.7
Amounts owed by group undertakings	<b>114.8</b>	358.0
Amounts owed by subsidiary undertakings	<b>0.6</b>	0.6
Other debtors	<b>33.2</b>	21.1
Derivative financial assets (including £240.9m (2023: £226.2m) due after more than one year (note 17))	<b>250.0</b>	257.2
Prepayments	<b>12.1</b>	9.9
Accrued income	<b>94.4</b>	84.0
<b>Current debtors</b>	<b>700.4</b>	895.5
Amounts owed by group undertakings	<b>498.8</b>	625.0
<b>Non-current debtors</b>	<b>498.8</b>	625.0

Amounts owed by group undertakings include loans to Kelda Eurobond Co Limited totalling £537.2m (2023: £937.2m). The loans bear interest at a Sterling Overnight Index Average (SONIA) based rate plus 4.25% margin.

A repayment profile is in place for the repayment of the loans to Kelda Eurobond Co Limited. In October 2022 it was agreed with Ofwat that these loans would be repaid by April 2027 defined on the following basis: at least £300.0m by the end of June 2023; at least £200.0m by the end of March 2025; the balance of the loans by the end of March 2027. In June 2023 £400.0m was received reducing the outstanding loan balances to £537.2m. In May 2024, a further £100.0m was received reducing the outstanding loan balances to £437.2m.

In addition, amounts owed by group undertakings include £nil (2023: £1.9m) in relation to corporation tax group relief, repayable on demand and interest free.

Amounts owed by subsidiary undertakings are interest free and are repayable on demand.

## 14. Creditors: amounts falling due within one year

	2024 £m	2023 £m
Interest-bearing loans and borrowings (note 16)	82.0	395.0
Trade creditors	211.4	182.1
Capital creditors	179.6	133.8
Deferred grants and contributions on depreciating tangible assets	14.4	13.0
Amounts owed to group undertakings	52.7	29.1
Amounts owed to subsidiary undertakings	101.5	234.5
Taxation and social security	4.3	3.8
Receipts in advance	80.0	74.6
Other creditors	1.9	7.7
Accruals and deferred income	9.2	8.3
Derivative financial liabilities (note 17)	26.2	6.7
	<b>763.2</b>	<b>1,088.6</b>

Amounts owed to group undertakings are interest free and repayable on demand and include £24.3m (2023: £nil) in relation to corporation tax group relief, the remaining amounts being trading balances.

Amounts owed to subsidiary undertakings includes accrued interest and similar charges of £101.5m (2023: £64.6m charges) on amounts disclosed within borrowings in [note 16](#) and loans of £nil (2023: £169.9m) falling due within one year, also disclosed within borrowings in [note 16](#).

Other creditors include external interest accrued of £1.9m (2023: £4.7m) on amounts disclosed within short-term and long-term borrowings in [note 16](#).

## 15. Creditors: amounts falling due after more than one year

	2024 £m	2023 £m
Interest-bearing loans and borrowings (note 16)	703.1	686.0
Amounts owed to subsidiary undertakings (note 16)	5,120.6	4,818.8
Other creditors	2.0	2.0
Derivative financial liabilities (note 17)	1,742.6	1,929.9
Deferred grants and contributions on depreciating tangible assets	631.4	591.1
	<b>8,199.7</b>	<b>8,027.8</b>

Included within creditors: amounts falling due after more than one year are amounts repayable after five years by instalments of £27.2m (2023: £29.2m).

## 16. Interest-bearing loans and borrowings

	Bank loans and overdrafts 2024 £m	Finance lease 2024 £m	Total 2024 £m
<b>Short-term borrowings:</b>			
In one year or less or on demand	80.0	2.0	<b>82.0</b>
<b>Long-term borrowings:</b>			
In more than one year, but not more than two years	–	2.0	<b>2.0</b>
In more than two years, but not more than five years	159.1	6.0	<b>165.1</b>
In more than five years	508.8	27.2	<b>536.0</b>
	667.9	35.2	<b>703.1</b>
Amounts owed to subsidiary undertakings before fair value movements			<b>5,152.2</b>
Fair value movements in amounts owed to subsidiary undertakings			<b>(31.6)</b>
Total borrowings			<b>5,905.7</b>
Cash and cash equivalents			<b>(49.7)</b>
Amounts owed by group undertakings			<b>(537.2)</b>
<b>Net debt at 31 March 2024</b>			<b>5,318.8</b>

Fair value movements in amounts owed to subsidiary undertakings of £31.6m (2023: £16.2m) relates to the application of fair value hedge accounting. This includes £31.6m credit (2023: £39.3m charge) to the carrying value of sterling denominated debt and £nil (2023: £23.1m credit) relates to foreign currency denominated debt. The sterling denominated debt instruments are within designated hedging relationships with associated fixed to floating interest rate swaps. The foreign currency denominated debt instruments are within designated hedging relationships with associated cross-currency swaps.

	Bank loans and overdrafts 2023 £m	Finance lease 2023 £m	Total 2023 £m
<b>Short-term borrowings:</b>			
In one year or less or on demand	393.0	2.0	395.0
<b>Long-term borrowings:</b>			
In more than one year, but not more than two years	–	2.0	2.0
In more than two years, but not more than five years	–	6.0	6.0
In more than five years	648.8	29.2	678.0
	648.8	37.2	686.0
Amounts owed to subsidiary undertakings before fair value movements			5,004.9
Fair value movements in amounts owed to subsidiary undertakings			(16.2)
Total borrowings			6,069.7
Cash and cash equivalents			(293.9)
Amounts owed by group undertakings			(937.2)
<b>Net debt at 31 March 2023</b>			<b>4,838.6</b>

## 16. Interest-bearing loans and borrowings (continued)

Amounts owed to subsidiary undertakings includes loans from other members of the Yorkshire Water Financing Group (YWFG) (those subsidiary undertakings being Yorkshire Water Finance Plc and Yorkshire Water Services Finance Limited).

Yorkshire Water Finance Plc is the principal financing company for Yorkshire Water and holds corporate debt issued since the establishment of the WBS. Yorkshire Water Services Finance Limited is a legacy financing company that holds debt issued prior to the WBS being established. In both instances, funds raised from debt issuance have been on-lent to Yorkshire Water via back-to-back intercompany loans that match the terms of the underlying debt.

Debt covenants covering the YWFG include the consolidated external debt position of this group of companies. When calculating the consolidated debt position of the YWFG it should be noted that the book value of certain intercompany loans from Yorkshire Water Finance Plc recorded in these Financial Statements are £8.9m (2023: £10.1m) higher than the book value of the related underlying external debt. These intercompany loans, including amortising and deeply discounted loans, are related to exchange bonds issued by Yorkshire Water Finance Plc. Amortising loan payments of £2.7m (2023: £6.1m) were made during the year to Yorkshire Water Finance Plc to fund interest payments on the exchange bonds.

In 2018, Yorkshire Water Finance Plc was substituted as the issuer of bonds and notes issued by Yorkshire Water Services Odsal Finance Limited and Yorkshire Water Services Bradford Finance Limited. The external debt, and related intercompany loans to Yorkshire Water, were initially recognised by Yorkshire Water Finance Plc at fair value. Yorkshire Water continued to recognise the intercompany loans at their original book value. Hence, there is a difference between the carrying value of the intercompany loans in each entity. This difference is eliminated in the consolidated Financial Statements of Kelda Eurobond Co Limited.

Amounts owed by group undertakings relate to loans of £537.2m (2023: £937.2m) receivable from Kelda Eurobond Co Limited, a parent company of Yorkshire Water. This is disclosed in [note 13](#).

Net debt includes unamortised issue discount and costs of £116.2m (2023: £20.3m).

Borrowings repayable in instalments after more than five years include £27.2m (2023: £29.2m) in respect of a finance lease which matures in 2043 and carries an interest rate linked to SONIA. The finance lease creditors are secured on the underlying assets.

On 26 April 2023, Yorkshire Water Finance Plc repaid AUD 50.0m 5.875% bonds that were due on that day. Yorkshire Water repaid a corresponding amount to Yorkshire Water Finance Plc.

On 27 June 2023, Yorkshire Water Finance Plc agreed terms for the issue of £300.0m of sustainability bonds, £25.0m of which matures in April 2035 with a coupon rate of 5.50%. The remaining £275.0m matures in April 2041 with a coupon rate of 2.75%. The bonds issued have been consolidated with Yorkshire Water Finance Plc's existing £250.0m 5.50% sustainability bonds due April 2035 and £450.0m 2.75% sustainability bonds due April 2041 respectively. The net £202.1m proceeds of the new bonds, after taking into account discount on issuance and costs, were transferred to Yorkshire Water. The bonds were issued on 4 July 2023.

On 13 December 2023 and 5 January 2024 respectively, Yorkshire Water Plc repaid USD 150.0m 3.87% private notes and USD 30.0m 3.87% private notes that were due on those days. Yorkshire Water repaid corresponding amounts to Yorkshire Water Finance Plc.

During the year to 31 March 2024 the company increased the level of available liquidity through an increase in commitments under its Revolving Credit Facility (RCF) from £480.0m to £630.0m. There remains the ability to upsize the facility by a further £30.0m. An option was exercised during November 2023 to extend the term of facility by 12 months to November 2028, and there remains a further option that can be exercised in November 2024 to extend the term by another 12 months. As at 31 March 2024, £80.0m was drawn on the RCF (2023: £393.0m).

In July 2023 the company entered into an additional £80.0m committed credit facility with a three year term with options to request extensions for a further year at each of the first, second and third anniversary of execution. As at 31 March 2024, £nil amounts were drawn on this facility (2023: £nil).

## 16. Interest-bearing loans and borrowings (continued)

One-off cash interest financing fees totalling £1.4m were paid in relation to the increase in commitments under the RCF, extending the term of the RCF by 12 months, and entering into the new committed credit facility.

During March 2024, Yorkshire Water renewed its operating and maintenance bank liquidity facility (the O&M facility) at £120.0m (2023: £120.0m). This is a 12-month standby facility for the funding of Yorkshire Water's operating and maintenance expenditure. As at 31 March 2024, £nil amounts were drawn on this facility (2023: £nil).

Also during March 2024, Yorkshire Water extended the date of issuance on its rolling five-year evergreen debt service reserve guarantee (the DSR facility) to maintain the five-year term.

This £182.0m (2023: £182.0m) standby facility is required to cover Yorkshire Water's debt service obligation. As at 31 March 2024, £nil amounts were drawn on this facility (2023: £nil).

As at 31 March 2024, Yorkshire Water had access to undrawn committed facilities totalling £932.0m (2023: £389.0m), £120.0m of which expires in March 2025 (the O&M facility), £80m of which was expiring in July 2026 (the committed credit facility), £550.0m of which expires in November 2028 (the RCF) and £182.0m of which expires in March 2029 (the DSR facility).

### Leases

The minimum lease payments in respect of finance leases are as follows:

	2024 £m	2023 £m
No later than one year	4.2	3.9
Later than one year and no later than five years	15.5	14.6
Later than five years	38.6	40.1
	58.3	58.6
Less: future finance charges on finance lease obligations	(21.1)	(19.4)
Carrying value of lease obligations	37.2	39.2
Amount due for settlement within one year	2.0	2.0
Amount due for settlement after more than one year	35.2	37.2
	37.2	39.2

## 16. Interest-bearing loans and borrowings (continued)

Interest rates on amounts owed to subsidiary undertakings are detailed in the table below:

Counterparty	Nominal £m	Interest rate %	Maturity date Year	Liability/(asset) at 31 March 2024 £m
Yorkshire Water Finance Plc	300.0	1.750	2026	299.3
Yorkshire Water Finance Plc	150.0	5.500	2027	142.5
Yorkshire Water Finance Plc	60.0	2.030	2028	59.9
Yorkshire Water Finance Plc	250.0	3.625	2029	226.6
Yorkshire Water Finance Plc	90.0	3.540	2029	85.3
Yorkshire Water Finance Plc	250.0	5.250	2030	247.4
Yorkshire Water Finance Plc	50.0	2.140	2031	49.9
Yorkshire Water Finance Plc	240.0	6.625	2031	239.7
Yorkshire Water Finance Plc	350.0	1.750	2032	345.6
Yorkshire Water Finance Plc	90.0	4.965	2033	84.3
Yorkshire Water Finance Plc	50.0	2.210	2033	49.9
Yorkshire Water Finance Plc	100.0	1.524	2033	212.2
Yorkshire Water Finance Plc	250.0	5.500	2035	247.5
Yorkshire Water Finance Plc	25.0	5.500	2035	23.4
Yorkshire Water Finance Plc	40.0	2.300	2036	39.9
Yorkshire Water Finance Plc	50.0	2.300	2036	49.8
Yorkshire Water Finance Plc	200.0	6.375	2039	199.2
Yorkshire Water Finance Plc	100.0	6.375	2039	102.7
Yorkshire Water Finance Plc	175.0	2.718	2039	312.6
Yorkshire Water Finance Plc	85.0	2.718	2039	157.7
Yorkshire Water Finance Plc	50.0	2.160	2041	79.2
Yorkshire Water Finance Plc	350.0	2.750	2041	342.1
Yorkshire Water Finance Plc	100.0	2.750	2041	103.3
Yorkshire Water Finance Plc	275.0	2.750	2041	178.9
Yorkshire Water Finance Plc	50.0	1.803	2042	78.6
Yorkshire Water Finance Plc	Amortising loan	3.232	2027	2.8
Yorkshire Water Finance Plc	Amortising loan	6.611	2031	6.1
Yorkshire Water Finance Plc	Amortising loan	1.658	2033	6.6
Yorkshire Water Finance Plc	Deeply discounted loan	3.227	2027	(5.8)
Yorkshire Water Finance Plc	Deeply discounted loan	6.611	2031	9.7
Yorkshire Water Finance Plc	Deeply discounted loan	1.658	2033	6.7
Yorkshire Water Services Finance Limited	7.4	5.500	2027	7.1
Yorkshire Water Services Finance Limited	200.0	5.500	2037	196.4
Yorkshire Water Services Finance Limited	65.0	1.823	2050	119.7
Yorkshire Water Services Finance Limited	125.0	1.462	2051	236.5
Yorkshire Water Services Finance Limited	85.0	1.758	2054	156.7
Yorkshire Water Services Finance Limited	125.0	1.460	2056	236.4
Yorkshire Water Services Finance Limited	100.0	1.709	2058	184.2
				5,120.6

Amounts falling due after more than one year (note 15) 5,120.6

## 17. Derivative financial assets and liabilities

	2024 £m	2023 £m
<b>Derivative financial assets:</b>		
Inflation linked swaps	<b>240.8</b>	222.6
Fixed to floating interest rate swaps	<b>8.1</b>	-
Cross-currency interest rate swaps	-	30.0
Energy derivatives	<b>1.1</b>	4.6
	<b>250.0</b>	257.2
<b>Derivative financial liabilities:</b>		
Inflation linked swaps	<b>(1,731.1)</b>	(1,892.0)
RPI to CPI swaps	<b>(2.2)</b>	-
Floating to fixed interest rate swaps	<b>(4.9)</b>	(6.6)
Fixed to floating interest rate swaps	<b>(30.6)</b>	(31.3)
Cross-currency interest rate swaps	-	(6.7)
	<b>(1,768.8)</b>	(1,936.6)
<b>Net derivative financial liabilities</b>	<b>(1,518.8)</b>	(1,679.4)

Total derivative financial assets of £250.0m (2023: £257.2m) include £9.1m (2023: £31.0m) maturing in less than one year and £240.9m (2023: £226.2m) maturing after more than one year. Amounts maturing within one year include cross-currency interest rate swaps of £nil (2023: £30.0m), energy derivatives of £1.0m (2023: £1.0m) and fixed to floating interest rate swaps of £8.1m (2023: £nil). Total derivatives liabilities of £1,768.8m (2023: £1,936.6m) include £26.2m inflation linked swaps (2023: £nil) and £nil (2023: £6.7m) of cross-currency interest rate swaps maturing within one year.

### Managing financial risk

Yorkshire Water's operations expose the company to a variety of financial risks that include, amongst other things, inflation risk, interest rate risk and exchange rate risk.

In relation to inflation risk, Yorkshire Water's revenue is partly linked to the underlying rate of inflation, principally measured by consumer price index including owner-occupiers' housing costs (CPIH) and is therefore subject to fluctuations in line with changes in CPIH. In addition, Yorkshire Water's RCV, which is one of the critical components for setting customer's bills, is also linked to inflation. Yorkshire Water and its financing subsidiaries raises funds from third parties. These funds are used by the company to finance its activities (including funding the company's long-term capital investment programme). As the percentage of the company's net debt to RCV is a key covenanted ratio within Yorkshire Water's financing arrangements with its lenders, negative inflation, without appropriate management, could potentially breach such covenants despite the company being profitable.

Yorkshire Water manages its inflation risk via inflation linked debt, and a number of hedging instruments (termed as swaps in following sections).

### Inflation linked swaps

The company holds a number of inflation linked swaps, with a notional value at 31 March 2024 of £1,112.1m (2023: £1,289.0m). There are three cash flows associated with these inflation linked swaps:

- six monthly interest receivable linked to SONIA;
- six monthly interest payable linked to RPI; and
- an RPI-linked bullet that is payable on maturity of the instruments or at certain predetermined dates over the duration of the swaps.

In addition, a proportion of the inflation linked swaps also receive six monthly interest amounts based on a fixed rate.

## 17. Derivative financial assets and liabilities (continued)

Interest payments and receipts are accrued in the profit and loss account. The RPI bullet accumulated at the balance sheet date has been accrued in the profit and loss account and is recognised within derivative financial assets and derivative financial liabilities. The RPI bullet accrued to 31 March 2024 was £473.2m (2023: £501.7m). Discounting the bullet to present value using an appropriate rate applied to the specific life of the inflation linked swaps decreases it by £217.0m (2023: £201.0m) to £256.2m (2023: £300.7m).

Yorkshire Water's portfolio of inflation linked swaps gave rise to a net liability of £1,490.3m (2023: £1,669.4m net liability) at the year end date, comprising £240.8m assets and £1,731.1m liabilities (2023: £222.6m assets, £1,892.0m liabilities). Included within the net liability are net assets of £63.0m (2023: £65.8m) relating to unamortised day one deferred gains and losses recognised on the restructuring of certain inflation linked swaps in prior years.

During the year, inflation linked swaps with a notional value of £176.9m and original maturity year of 2026 were voluntarily terminated early.

The valuation model used by Yorkshire Water to determine the fair value of the inflation linked swaps portfolio as at 31 March 2024 includes a funding valuation adjustment, credit valuation adjustment and debit valuation adjustment to reflect long-term credit risk. All the swaps in the portfolio have super-senior status. The funding valuation adjustments, credit valuation adjustments and debit valuation adjustments to the valuation represent unobservable inputs that have the potential to materially affect the resultant fair valuation, and therefore require estimation techniques to be adopted by management. Management uses a third party expert to advise on the appropriateness of these assumptions and have prepared sensitivity analysis in order to evaluate the impact of a reasonably possible range of assumptions on the resultant valuation. The total adjustment made to the valuation as a result of the assumptions adopted in respect of these key inputs was £199.5m (2023: £260.0m).

### RPI to CPI swaps

Yorkshire Water holds swaps with a notional value of £300.0m (2023: £nil) that have the following cash flows:

- annual accretion receivable linked to RPI; and
- annual accretion payable linked to CPI plus a fixed accretion amount payable.

Both RPI-linked and CPI-linked accretion accrued on these swaps at 31 March 2024 was £nil (2023: £nil). These swaps are recognised as a fair value liability of £2.2m at 31 March 2024 (2023: £nil). Hedge accounting has not been applied. There has been £1.2m net cash accretion paid in the year to 31 March 2024 resulting in £3.4m of expense (2023: £nil) to the profit and loss account.

### Interest rate swaps

Yorkshire Water holds £45.0m notional value (2023: £45.0m) of floating to fixed interest rate swaps. These swaps are recognised at a fair value liability of £4.9m at 31 March 2024 (2023: £6.6m liability). Hedge accounting has not been applied. Of the year on year decrease in the liability of £1.7m (2023: decrease of £8.1m), £0.7m income (2023: £6.0m income) has been included in the profit and loss account, whilst £1.0m (2023: £2.1m) relates to net interest payments made during the year.

Yorkshire Water holds £1,430.0m notional value (2023: £430.0m) of fixed to floating interest rate swaps. These swaps are recognised as a net fair value liability of £22.5m at 31 March 2024 (2023: £31.3m liability).

Fair value hedge accounting has been applied to fixed to floating interest rate swaps with a notional value of £430.0m (2023: £430.0m). These swaps are recognised as a fair value liability of £30.6m (2023: £31.3m liability). In line with FRS 102, the financial instruments to which these fixed to floating interest rate swaps relate to have also been adjusted for the hedged interest rate risk at 31 March 2024.

The net impact of the fair value movement of the hedged fixed to floating interest rate swaps and the associated debt has resulted in £3.7m of expense (2023: £0.9m income) to the profit and loss account. This represents ineffectiveness in the hedge relationship due to sources of ineffectiveness such as credit risk.

## 17. Derivative financial assets and liabilities (continued)

Hedge accounting has not been applied to fixed to floating interest rate swaps with a notional value of £1,000.0m which were entered into during the year. These swaps are recognised as a fair value asset of £8.1m (2023: £nil).

The fair value movement of the fixed to floating interest rate swaps not in a hedge relationship has resulted in £9.1m income (2023: £nil) to the profit and loss account.

### Cross-currency interest rate swaps

Yorkshire Water hedged the fair value of USD debt using a series of interest rate and foreign currency swaps that in combination formed cross-currency interest rate swaps, swapping USD principal repayments into sterling and fixed rate USD interest payments into floating rate sterling interest payments. These swaps matured in December 2023 and January 2024 and as a result the swaps are recognised at a fair value asset of £nil at 31 March 2024 (2023: £30.0m asset). Hedge accounting was applied and the currency basis was included in the hedge designation, as it was a source of ineffectiveness.

Yorkshire Water hedged the fair value of AUD debt using a combined interest rate and foreign currency swap, swapping AUD principal repayments into sterling and fixed rate AUD interest payments into floating rate sterling interest payments. These swaps matured in April 2023 and as a result the swap is recognised at a fair value liability of £nil at 31 March 2024 (2023: £6.7m liability). Hedge accounting was applied and the currency basis was included in the hedge designation, as it was a source of ineffectiveness.

The net impact of the fair value movement of the currency interest rate swaps and the associated debt has resulted in £0.4m of expense (2023: £1.8m income) to the profit and loss account.

### Energy derivatives

The company holds UK electricity swaps, which help hedge the company's exposure to energy price risk by exchanging the average day ahead baseload index price of electricity in a given month for a fixed price. These are designated as cash flow hedges and hedge accounting has been applied.

The net movement in the derivatives of £3.5m from £4.6m assets to £1.1m assets (2023: movement of £42.3m from £46.9m assets to £4.6m assets) has been recognised in other comprehensive income.

## 18. Financial instruments

### Fair values of financial assets and financial liabilities

The information set out below provides information about how the company determines fair values of various financial assets and financial liabilities.

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table gives information about how the fair values of financial assets and financial liabilities grouped into Level 2 and Level 3 are determined (in particular, the valuation technique(s) and inputs used). The level for inflation linked swaps is determined through assessing the percentage of the Debit Value Adjustment (DVA) and Funding Value Adjustment (FVA) of the Dirty MtM value of each swap. Valuations that are classed as Level 3 for inflation linked swaps are defined by the proportion of the DVA and FVA being greater than 10% of the Dirty MtM of the instrument. The Dirty MtM value includes accrued interest.

## 18. Financial instruments (continued)

Financial assets/financial liabilities	Fair value as at 31 March 2024	Fair value as at 31 March 2023	Fair value hierarchy	Valuation technique(s) and key input(s)
1. Interest rate swaps, cross-currency swaps, inflation linked swaps, energy derivatives	Assets: £235.0m Liabilities: £729.5m	Assets: £245.2m Liabilities: £719.6m	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract interest rates, discounted at a rate that reflects own or counterparty credit risk.
2. Amounts owed to subsidiary undertakings, bank loans and overdrafts	Liabilities: £2,066.8m	Liabilities: £1,868.3m	Level 2	The fair values of amounts owed to subsidiary undertakings have been determined by reference to the fair values of back-to-back debt issued by subsidiaries. In relation to bonds issued by the subsidiaries, fair values are determined by reference to quoted prices for identical instruments that can be accessed at the measurement date. In relation to private notes issued by subsidiaries, and bank loans and overdrafts, fair values are calculated by discounting expected future cash flows using prevailing rates including credit spreads observable in publicly traded instruments.

Financial assets/financial liabilities	Fair value as at 31 March 2024	Fair value as at 31 March 2023	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value 31 March
3. Inflation linked swaps, RPI to CPI swaps, bank loans and overdrafts	Assets: £15.0m Liabilities: £1,269.0m	Assets: £12.0m Liabilities: £1,443.3m	Level 3	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting year) and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.	Inflation linked swaps: <ul style="list-style-type: none"> <li>Counterparty cost of funding assumption.</li> <li>Assumptions relating to long-term credit beyond observable curves.</li> <li>Recovery rates.</li> </ul> RPI to CPI swaps, bank loans and overdrafts: <ul style="list-style-type: none"> <li>Level 3 instrument valuations relate to CPI linked transactions where inputs are from a less liquid market.</li> </ul>	Unobservable inputs contribute on average to 21.4% of the fair value of level 3 instruments, equalling a total of £218.9m of the fair value included in the Financial Statements.  A ten basis point or percentage shift in each of these assumptions in either direction gives rise to an aggregate impact on the valuation of £66.2m higher or lower.  A ten basis point shift in the RPI to CPI wedge would give rise to a £3.0m higher or lower valuation of RPI to CPI swaps, bank loans and overdrafts.

## 18. Financial instruments (continued)

### Fair value of financial assets and financial liabilities (continued)

The following table provides the fair values of the company's financial assets and liabilities at 31 March 2024.

	Level 1 2024 £m	Level 2 2024 £m	Level 3 2024 £m	Level 1 2023 £m	Level 2 2023 £m	Level 3 2023 £m
<b>Primary financial instruments financing the company's operations</b>						
<b>Financial assets measured at Fair Value Through Profit and Loss</b>						
Fixed to floating interest rate swaps	-	8.1	-	-	-	-
Cross-currency interest rate swaps	-	-	-	-	30.0	-
Inflation linked swaps	-	225.8	15.0	-	210.6	12.0
<b>Financial assets measured at Fair Value Through Other Comprehensive Income</b>						
Energy derivatives	-	1.1	-	-	4.6	-
<b>Financial liabilities measured at Fair Value Through Profit and Loss or in fair value hedge relationships</b>						
Floating to fixed interest rate swaps	-	(4.9)	-	-	(6.6)	-
Cross-currency interest rate swaps	-	-	-	-	(6.7)	-
Inflation linked swaps	-	(694.0)	(1,037.1)	-	(675.0)	(1,217.0)
RPI to CPI swaps	-	-	(2.2)	-	-	-
Fixed to floating interest rate swaps	-	(30.6)	-	-	(31.3)	-
Amounts owed to subsidiary undertakings	-	(396.3)	-	-	(558.2)	-
<b>Financial liabilities held at amortised cost not in fair value hedge relationships</b>						
Bank loans and overdrafts	-	(360.3)	(229.7)	-	(367.3)	(226.3)
Amounts owed to subsidiary undertakings	(2,982.8)	(1,310.2)	-	(2,622.4)	(942.8)	-

For financial assets and liabilities not included in the fair values hierarchy table, the carrying amount approximates the fair value. The carrying amounts of bank loans and overdrafts totalling £80.0m (2023: £393.0m) approximate their fair value, so are not included in the hierarchy table.

## 19. Deferred tax assets and liabilities

Deferred tax (assets) and liabilities are attributable to the following:

	Assets 2024 £m	Liabilities 2024 £m	Net 2024 £m	Assets 2023 £m	Liabilities 2023 £m	Net 2023 £m
Accelerated capital allowances	-	1,041.5	1,041.5	-	1,063.7	1,063.7
Timing differences on financial instruments	(277.2)	-	(277.2)	(307.5)	-	(307.5)
Losses	(41.8)	-	(41.8)	(43.2)	-	(43.2)
Net tax (assets)/liabilities	(319.0)	1,041.5	722.5	(350.7)	1,063.7	713.0

### Movement in deferred tax during the year

	1 April 2023 £m	Recognised in income £m	Recognised in equity £m	31 March 2024 £m
Accelerated capital allowances	1,063.7	(27.0)	4.8	1,041.5
Timing differences on financial instruments	(307.5)	31.2	(0.9)	(277.2)
Losses	(43.2)	1.4	-	(41.8)
	713.0	5.6	3.9	722.5

### Movement in deferred tax during the prior year

	1 April 2022 £m	Recognised in income £m	Recognised in equity £m	31 March 2023 £m
Accelerated capital allowances	1,187.2	(9.7)	(113.8)	1,063.7
Timing differences on financial instruments	(531.0)	233.8	(10.3)	(307.5)
Losses	-	(43.2)	-	(43.2)
	656.2	180.9	(124.1)	713.0

All the timing differences above are expected to reverse after more than 12 months.

The company has no deferred tax assets that are unrecognised in its Financial Statements (2023: none).

## 20. Provisions for liabilities

	Operational activities £m	Regulatory activity £m	Total £m
<b>Balance at 1 April 2022</b>	7.8	4.0	11.8
Charged to the profit and loss account	5.7	4.1	9.8
Utilised in the year	(5.5)	(2.1)	(7.6)
<b>Balance at 31 March 2023</b>	8.0	6.0	14.0
Charged to the profit and loss account	19.6	4.4	24.0
Utilised in the year	(4.4)	(4.6)	(9.0)
<b>Balance at 31 March 2024</b>	<b>23.2</b>	<b>5.8</b>	<b>29.0</b>

The regulatory activity relates to regulatory commitments governed by Ofwat schemes. Operational provisions largely relate to public liability matters and potential environmental claims. The provisions reported represent management's best estimate of the value of settlement, the timing of which is dependent on the resolution of the relevant claims.

## 21. Share capital and other reserves

	2024 £m	2023 £m
<b>Allotted, called up and fully paid</b>		
22,000,000 (2023: 22,000,000) ordinary shares of 50 pence each	<b>11.0</b>	11.0

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company.

Also included within equity are reserves, the nature of which are as follows:

**Revaluation reserve:** Infrastructure assets, residential properties, specialised properties, and rural estates are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve. For further details, see [note 1](#) and [note 11](#).

**Hedging reserve:** Energy derivatives, which hedge the company's exposure to energy price risk by exchanging the day ahead index price of energy for a fixed price, are designated as cash flow hedges and hedge accounting has been applied. The hedging gain or loss is recognised in other comprehensive income. For further details, see [note 1](#) and [note 17](#).

**Profit and loss account:** Cumulative profits or losses, net of revaluation of retirement benefits and dividends paid.

## 22. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings 2024 £m	Other 2024 £m	Total 2024 £m	Land and buildings 2023 £m	Other 2023 £m	Total 2023 £m
Less than one year	0.4	3.2	3.6	0.4	2.7	3.1
Between one and five years	1.4	3.9	5.3	1.3	3.7	5.0
More than five years	13.0	–	13.0	12.2	–	12.2
	14.8	7.1	21.9	13.9	6.4	20.3

The payments shown are the total future minimum lease payments under non-cancellable operating leases.

## 23. Commitments

### Capital commitments

	2024 £m	2023 £m
Capital and infrastructure renewals expenditure commitments for contracts placed at 31 March were:	701.5	638.9

The long-term investment programme for the company, which identified substantial future capital expenditure commitments in the period from 2020 to 2025, was agreed as part of the AMP7 Price Review process. £28.6m (2023: £37.5m) of the above capital commitments relate to intangibles (software).

## 24. Contingencies

Certain bank accounts of the company operate on a pooled basis with certain bank accounts of other members of the YWFG, whereby these bank account balances offset against each other. The company had guaranteed the following bonds and notes issued by Yorkshire Water Services Finance Limited and Yorkshire Water Finance Plc at 31 March 2024:

	Nominal £m	Coupon %	Maturity date Year	Liability at 31 March 2024 £m
<b>Fixed rate</b>				
Yorkshire Water Services Finance Limited	7.4	5.500	2027	7.1
Yorkshire Water Services Finance Limited	200.0	5.500	2037	196.4
Yorkshire Water Finance Plc	300.0	1.750	2026	299.3
Yorkshire Water Finance Plc	135.5	6.454	2027	135.4
Yorkshire Water Finance Plc	60.0	2.030	2028	59.9
Yorkshire Water Finance Plc	250.0	3.625	2029	226.6
Yorkshire Water Finance Plc	90.0	3.540	2029	85.3
Yorkshire Water Finance Plc	250.0	5.250	2030	247.4
Yorkshire Water Finance Plc	255.0	6.601	2031	254.8
Yorkshire Water Finance Plc	50.0	2.140	2031	49.9
Yorkshire Water Finance Plc	350.0	1.750	2032	345.6
Yorkshire Water Finance Plc	90.0	4.965	2033	84.3
Yorkshire Water Finance Plc	50.0	2.210	2033	49.9
Yorkshire Water Finance Plc	275.0	5.500	2035	270.9
Yorkshire Water Finance Plc	40.0	2.300	2036	39.9
Yorkshire Water Finance Plc	50.0	2.300	2036	49.8
Yorkshire Water Finance Plc	300.0	6.375	2039	301.9
Yorkshire Water Finance Plc	775.0	2.750	2041	624.3
<b>Total fixed rate</b>				<b>3,328.7</b>
<b>Inflation linked</b>				
Yorkshire Water Services Finance Limited	65.0	1.823	2050	119.7
Yorkshire Water Services Finance Limited	125.0	1.462	2051	236.5
Yorkshire Water Services Finance Limited	85.0	1.758	2054	156.7
Yorkshire Water Services Finance Limited	125.0	1.460	2056	236.4
Yorkshire Water Services Finance Limited	100.0	1.709	2058	184.1
Yorkshire Water Finance Plc	127.8	3.307	2033	221.3
Yorkshire Water Finance Plc	260.0	2.718	2039	470.4
Yorkshire Water Finance Plc	50.0	2.160	2041	79.2
Yorkshire Water Finance Plc	50.0	1.803	2042	78.6
<b>Total inflation linked</b>				<b>1,782.9</b>

## 25. Parent companies, controlling parties and the larger group

The company's immediate parent undertaking is Yorkshire Water Services Holdings Limited. The ultimate parent company is Kelda Holdings Limited, incorporated in Jersey and resident for tax in the UK. In the opinion of the directors there is no ultimate controlling party.

The largest UK group in which the results of the company are consolidated is that headed by Kelda Eurobond Co Limited, incorporated in England and Wales. The smallest group in which they are consolidated is that headed by Kelda Finance (No.1) Limited, incorporated in England and Wales. The registered address of these companies is the same as that of Yorkshire Water. The consolidated Financial Statements of these groups are available to the public and may be obtained from the Company Secretary, Kelda Eurobond Co Limited, Western House, Halifax Road, Bradford, BD6 2SZ.

Yorkshire Water is subject to ongoing information requests from the EA in respect of their national investigation.

Ofwat moved their investigation into a formal matter on 8 March 2022 and the company fully co-operated in the requests for provision of information. On 11 December 2023 Ofwat announced that they had reached the next stage in the enforcement cases having notified the company of their provisional findings and that the next step was for the company to have the opportunity to respond to the provisional findings and provide further relevant evidence for consideration. The company provided a detailed response to Ofwat's provisional findings on 4 February 2024. Whilst the company continues to work constructively with Ofwat in their on-going investigation, the outcome of these enquiries and any potential consequences is not known at this time. At this time the directors cannot reliably estimate the financial effect nor have certainty over the timing of resolution of this investigation, however as part of its enforcement powers Ofwat can impose a financial penalty on companies, the value of which can be up to 10% of relevant turnover, which in this matter would be the wastewater regulated turnover.

## 26. Contingent liabilities

### Claims relating to property searches

Five claims have been issued at various dates between December 2019 and March 2021 against Yorkshire Water by personal search companies (PSCs). The claims relate to historical search fees that PSCs have paid to Yorkshire Water for water and drainage reports obtained when buying a house. The PSCs state that the historical fees should not have been paid to Yorkshire Water as the information should have been provided for no fee under the Environmental Information Regulations 2004. Yorkshire Water has adopted the same stance as the rest of the sector in relation to this claim in disagreeing with the interpretation taken on behalf of the PSCs. The litigation is in progress and a judgement on the first stage of the trial is awaited. Yorkshire Water denies liability in relation to the claims and thus considers any outflow of economic benefit in relation to these claims is not probable. Accordingly, no provision has been recognised in this regard (2023: no provision recognised).

### Ongoing combined sewer overflow investigations

Both the Environment Agency (EA) and Ofwat commenced investigations in November 2022, against all water and sewerage companies in relation to the operations of their wastewater treatment works.

### Leigh Day

A letter before claim has been received in respect of potential collective action proceedings. The proposed class representative is seeking to bring a claim on behalf of the class comprising of customers of Yorkshire Water (on an opt out basis). The claim is based on an alleged abuse of a dominant position in relation to the prices customers were charged for sewerage services. Similar claims have been commenced against five other Water and Sewerage Companies. The certification hearing is scheduled to commence on 23 September 2024 for a period of five days with a further five days listed in January 2025 should this be required. The Claimant alleges that the damages are likely to be substantial, being at least £150.7m and as high as £390.9m including interest. Yorkshire Water has indicated that it will be defending the claim in full.

## 27. Post balance sheet events

In May 2024, a further £100.0m was received from Kelda Eurobond Co Limited, reducing the outstanding loan balances to £437.2m.

Following the year end, the Board of Directors proposed a dividend of 1.70 pence per share, equating to a total dividend paid of £37.5m. 245

# Independent auditor's report



# Independent auditor's report to the members of Yorkshire Water Services Limited

## Report on the audit of the Financial Statements

### 1. Opinion

In our opinion the Financial Statements of Yorkshire Water Services Limited ('the company'):

- give a true and fair view of the state of the company's affairs as at 31 March 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the profit and loss account;
- the statement of comprehensive income and expense;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3. Summary of our audit approach

#### Key audit matters

The key audit matters that we identified in the current year were:

- Completeness of manual adjustments to household bad debt provisioning;
- Valuation of infrastructure assets; and
- Valuation of derivative financial instruments.

Within this report, key audit matters are identified as follows:

◀ Similar level of risk

#### Materiality

The materiality that we used in the current year was £16.3m which was determined on the basis of 2.7% of earnings before interest, tax, depreciation and amortisation ("EBITDA"). This metric is explained further and reconciled within the Alternative Performance Measures outlined by the company in the Key Performance Indicators ("KPI") section of the annual report.

#### Scoping

Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

#### Significant changes in our approach

There have been no significant changes in our audit approach in the year.

### 4. Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- understanding financing facilities including their maturity, compliance with interest cover ratios and other covenants, and obtaining confirmation of undrawn facilities;
- testing the going concern model for consistency with the business model and the forecasts used for infrastructure asset valuation;
- testing the accuracy of the model and assessing the historical accuracy of forecasts prepared by management;
- assessing the key assumptions used in the forecasts, such as revenue levels and both operating and capital expenditure, including giving consideration to the current and forecast economic environment with high inflation and households suffering a cost-of-living crisis;
- performing sensitivity analysis including consideration of contradictory evidence, latest third party economic forecasts and FY25 results to date;
- involving our debt advisory specialists to assist in our evaluation of the above;
- assessing any risk of management manipulation of key financial metrics that would impact covenant calculations; and
- assessing the appropriateness of the going concern disclosures made in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Completeness of manual adjustments to household bad debt provisioning

#### Key audit matter description

A proportion of the company's household customers do not or cannot pay their bills, which results in the need for provisions to be made for non-payment of the customer balance. Management makes an estimate regarding future cash collection when calculating the bad debt provision. Management's approach to calculating the provision involves assessing their experience of subsequent cash collection of historical debtors, as well as judging how future cash collection may differ from that experienced historically, as a result of factors such as changes in the wider economic environment.

In the current year, the continued comparatively high rate of inflation and household costs in the UK is putting pressure on customers' ability to pay, leading to greater judgement in assessing whether future cash collection will differ from historical experience. A key audit matter exists that any historical data is reflective of the current cost of living crisis and those struggling with water poverty, and whether any manual adjustments are required to reflect the future risk of cash collection.

The value of the provision for trade receivables at 31 March 2024 is £33.8m (2023: £34.9m).

The Audit and Risk Committee report also considered this as a significant matter as discussed in the Audit and Risk Committee report on page 172 and it is also included as an area of key estimation uncertainty in note 1 to the Financial Statements.

#### How the scope of our audit responded to the key audit matter

The procedures we performed were as follows:

- obtained an understanding of the relevant controls established by management to consider the completeness of the bad debt provision;
- searched for contradictory evidence (e.g. economic forecasts regarding unemployment and disposable income) to assess management's conclusion regarding the provision;
- considered economic data surrounding water poverty, inflation and the impact from the previous financial crisis to consider the future impact of the current cost of living crisis;
- performed sensitivity analysis on the provisioning models to assess the impact of changes in cash collection rates; and
- performed benchmarking against other water companies with a similar provisioning approach.

#### Key observations

We consider the household bad debt provision, inclusive of consideration of manual adjustments to be materially appropriate and compliant with accounting standards.

## 5.2. Valuation of infrastructure assets

### Key audit matter description

Infrastructure assets are stated at fair value less any subsequent accumulated depreciation and impairment losses. Infrastructure assets are valued annually using the support of a third party expert to determine an enterprise value for the company. After review and consideration, management uses this valuation to determine the fair value of infrastructure assets of the company by making certain adjustments to exclude other assets and liabilities of the company. There is a significant level of judgement in determining the fair value of these assets from the Enterprise Value, with the key assumptions included in this valuation being future cash flows for the business, an appropriate cost of equity and the terminal value of the business.

The fair value of infrastructure assets at the year end was £5,389.8m (2023: £5,333.1m). The value of the infrastructure assets, and the valuation adjustment of £nil (2023: downward valuation of £458.7m) recognised on these assets at the year end, is disclosed in note 11 to the Financial Statements.

The Audit and Risk Committee also considered this as a significant matter as discussed in the Audit and Risk Committee report on page 172 and it is also included as an area of key estimation uncertainty in note 1 to the Financial Statements.

### How the scope of our audit responded to the key audit matter

The procedures we performed were as follows:

- obtained an understanding of relevant controls relating to the asset revaluation process;
- understood the scope of work and the key judgements made by the third party expert. We also evaluated their competence, capabilities and objectivity;
- involved internal valuation specialists to challenge the third party valuation through benchmarking the valuation against recent market transactions;
- assessed the fair value calculation prepared by management for mathematical accuracy and tested the appropriateness of the cash flow assumptions;
- assessed the bridge between the third party's enterprise valuation and the valuation applied to the infrastructure assets, and re-performed management's calculation;
- evaluated contradictory evidence surrounding the enterprise valuation, such as forecast economic indicators and market transaction valuations; and
- evaluated that the valuation adjustment of £nil has been accurately recorded in the accounts.

### Key observations

We consider that the assumptions inherent in the fair value calculation, and the valuation methodology applied, are appropriate, and that the fair value of the infrastructure assets recognised is reasonable.

### 5.3. Valuation of derivative financial instruments

#### Key audit matter description

Section 12 of FRS 102 “Financial Instruments” requires all derivatives to be accounted for in the balance sheet at fair value with movements recognised in profit or loss unless designated in a hedging relationship. Where possible, management has elected to apply hedge accounting. We identified a key audit matter in relation to the valuation of derivatives, including the application of credit, debit and funding risk valuation adjustments due to the subjectivity and appropriateness of market inputs used in the underlying models.

The fair value of derivative financial instruments at 31 March 2024 totalled £250.0m of assets and £1,768.8m of liabilities (2023: £257.2m of assets and £1,936.6m of liabilities) and the fair value credits recognised in the income statement for the year ended 31 March 2024 totalled £71.6m (2023: £797.9m). The movement in fair value of derivatives in the year is disclosed in note 18 and the fair value held at year end is disclosed in note 17 to the Financial Statements.

The Audit and Risk Committee also considered the valuation of derivatives as a significant matter as discussed in the Audit and Risk Committee report on page 172 and it is also included as an area of key estimation uncertainty in note 1 to the Financial Statements.

#### How the scope of our audit responded to the key audit matter

The procedures we performed were as follows:

- obtained an understanding of relevant controls around the valuation techniques used in determining the fair value of derivatives;
- inspected the nature and number of derivatives held at both the year end and during the year;
- involved internal valuation specialists to perform independent valuations of derivatives at the balance sheet date, including the calculation of credit, debit and funding risk adjustments on both derivative assets and liabilities;
- tested the accounting for all derivative positions, both external to the company and intercompany arrangements, to assess whether the accounting is in accordance with FRS 102; and
- evaluated the disclosures made for the year end derivatives, to assess whether they are in line with FRS 102.

#### Key observations

We consider that the fair values recognised and disclosures made in respect of the derivatives recorded in the Financial Statements are reasonable.

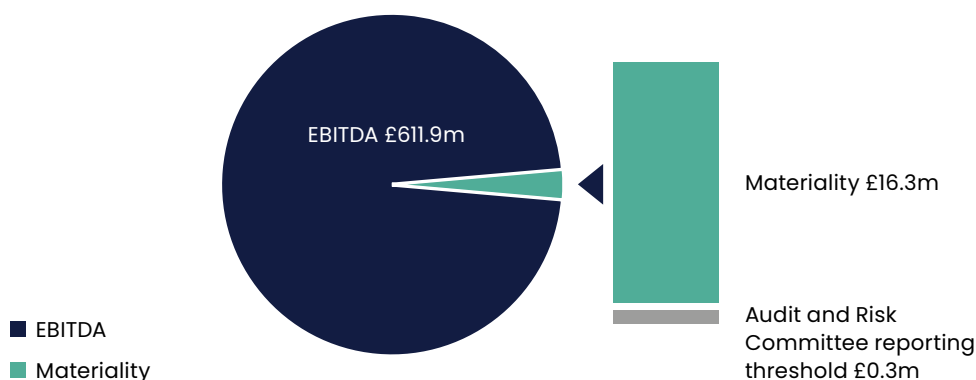
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

<b>Materiality</b>	£16.3m (2023: £18.2m)
<b>Basis for determining materiality</b>	2.7% of earnings before interest, tax, depreciation, and amortisation ("EBITDA") (2023: 3.3% of EBITDA). This metric is reconciled within the Alternative Performance Measures outlined by the company as outlined in the Key Performance Indicators ("KPI") section of the annual report.
<b>Rationale for the benchmark applied</b>	EBITDA has been used in order to focus on the company's underlying trading performance consistent with the company's internal and external reporting and the focus of key stakeholders for the business.



### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Performance materiality was set at 77% of materiality for the 2024 audit (2023: 77%). In determining performance materiality, we considered the following factors:

- our risk assessment, including our assessment of the company's overall control environment and whether we were able to rely on controls; and
- our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods.

### 6.3. Error reporting threshold

We agreed with the Audit and Risk Committee that we would report to the Committee all audit differences in excess of £0.3m (2023: £0.4m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit and Risk Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including key controls surrounding the financial reporting cycle and identified key audit matters, and assessing the risks of material misstatement to the company. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

### 7.2. Our consideration of the control environment

We have considered the key IT systems that were relevant to the audit to be the SAP system, which is the core IT system used for recording the financial transactions of the entity and the billing and cash collection systems, which are used for billing and cash collection. We involved our IT specialists to assess the relevant General IT controls ("GITCs") and test a sample of the controls instances.

We have relied on the SAP system through testing the GITCs in place, and where deficiencies have been noted, appropriate mitigations have been identified. This included assessing whether inappropriate activity has been conducted on these systems and whether the risk of adverse effects on financial information has been addressed.

We were unable to rely on the billing and cash collection systems due to findings raised over joiners and movers controls and user access reviews that were unable to be mitigated.

We planned to adopt controls reliance over the valuation and completeness of the baseline household bad debt provision (before further adjustments are made). We obtained an understanding of and tested the relevant controls in place for each business process. As a result of the above findings on the billing and cash collection systems, we have been unable to rely on the controls around the valuation and completeness of the baseline household bad debt provision.

We do not currently rely on controls in other areas due to the lack of formal documentation and retention of audit evidence, and the GITC findings noted above. This is consistent with the Director's assessment on page 157.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its Financial Statements. We have evaluated management's documentation regarding the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Financial Statements as included as a critical accounting judgement in note 1 to the Financial Statements. Whilst management have acknowledged the risks posed by climate change, they have assessed that there is no quantitatively material impact arising from climate change on the judgements and estimates made in the Financial Statements for the year ended 31 March 2024.

We performed our own qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions and did not identify any additional risks of material misstatement as a result of climate change. We also assessed that the climate-related risks have no significant impact on our key audit matters. Our procedures were performed with the involvement of climate change and sustainability specialists and included reading disclosures included in the Strategic report to consider whether they are materially consistent with the Financial Statements and our knowledge obtained in the audit and evaluating whether appropriate disclosures have been made in the Financial Statements.

## 8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

**We have nothing to report in this regard.**

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the company's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, financial instruments and climate change and sustainability specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- completeness of manual adjustments to household bad debt provisioning; and
- classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the licence conditions imposed by The Water Services Regulation Authority (Ofwat).

## 11.2. Audit response to risks identified

As a result of performing the above, we identified the completeness of manual adjustments to household bad debt provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the Audit and Risk Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, Ofwat and other regulatory authorities;
- in addressing the risk of fraud through the classification of labour and overheads as property, plant and equipment, and repairs and maintenance as an expense, we tested a sample of in-year costs to supporting documentation to determine if they have been appropriately expensed or capitalised. We have also performed analysis over the level of postings made in the year to consider anomalous trends in recognition.
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

**In our opinion, based on the work undertaken in the course of the audit:**

- the information given in the Strategic report and the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

### 13. Corporate Governance Statement

**Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements and our knowledge obtained during the audit:**

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 156;
- the directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 115;
- the directors' statement on fair, balanced and understandable set out on page 155;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 115;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 107; and
- the section describing the work of the Audit and Risk Committee set out on page 170.

## 14. Matters on which we are required to report by exception

### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns.

**We have nothing to report in respect of these matters.**

### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

**We have nothing to report in respect of this matter.**

## Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



**Chris Robertson (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

**Statutory Auditor**

**Leeds, United Kingdom**

3 July 2024



# Thank you for reading



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