

Section 172(1) statement

In 2018 the Companies (Miscellaneous Reporting) Regulations introduced a requirement for large companies to publish a statement describing how the directors have had regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The statement here relates predominantly to Yorkshire Water, as the largest subsidiary within the group. As such, the Yorkshire Water Board conducts the majority of the group's engagement with key stakeholders as detailed below, with reports made to the Kelda Finance (No.1) Limited Board to enable decision-making as detailed later in this section.

Yorkshire Water considers itself to be an anchor institution, which means that its long-term sustainability is tied to the wellbeing of the people it serves. Most Yorkshire Water colleagues are also customers and live surrounded by other customers, the communities it serves, the environment in which it operates, and the local suppliers that it supports. When Yorkshire Water has an impact on the stakeholders in Yorkshire, this is felt by many across the organisation. This means that it is essential that the Yorkshire Water Board does not just have 'regard' to key stakeholders, as required by section 172 of the Companies Act 2006, but is always aware of how the company impacts upon them, both now and in the long-term.

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

The following pages set out some more detail on stakeholder interactions during the year.

Stakeholder – customers

Customers are at the heart of the Yorkshire Water corporate strategy for 'a thriving Yorkshire, right for customers and right for the environment'. Yorkshire Water wants to continually improve its customer experience and to do that it has to understand what its customers expect from the company.

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

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

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

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

What has the engagement told us? Yorkshire Water knows that the main priorities of its 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 Yorkshire Water does. The business is reliant on it for water resources, now and in the future, and it treats and returns wastewater to it and must do that responsibly. The environment impacts on the quality of raw water and Yorkshire Water owns a significant amount of land that provides an outdoor environment for the communities it serves to enjoy.

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

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

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

What has the engagement told us? Yorkshire Water knows that the most important environmental matters relate to:

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

Stakeholder – colleagues

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

How has Yorkshire Water engaged? There is a Yorkshire Voice survey twice a year which seeks to understand how colleagues are feeling, and the feedback from this is shared with the business, with the Executive team and Yorkshire Water Board receiving detailed information on the views expressed through the survey.

The Yorkshire Water Board met with senior leaders from the business at an informal dinner during the year, to provide an opportunity for the senior leaders to talk openly with Board members about

anything on their minds, the Board also had dinner with the Executive team, again to provide an opportunity for open and honest conversation.

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

The Yorkshire Water 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 the Elvington Water Treatment Works and at various sites on the Living with Water programme in Hull.

What has the engagement told us? Yorkshire Water knows that colleagues are most concerned about:

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

Stakeholder – communities

As an anchor institution within Yorkshire, Yorkshire Water believes it can play a significant role in helping and supporting the communities that it serves.

How has Yorkshire Water engaged? As a business Yorkshire Water engages with its customers regularly which also gives insight into the communities that it serves.

During the year the Public Value Committee heard about a community engagement pilot taking place across Yorkshire Water, working with an organisation called Participate to support two local charitable organisations in Leeds with voluntary support and operational expertise. This pilot matched volunteers from within Yorkshire Water with community schemes that can make use of their time and expertise, and proved hugely beneficial for the colleagues who participated, as well as significantly increasing the understanding of how Yorkshire Water can better support the communities around it. The aim is for the pilot to be scaled up to enable all colleagues to have the opportunity to support local charitable causes across Yorkshire, that would benefit from colleague time and expertise.

Yorkshire Water also works in communities, raising awareness of the financial support it 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 the engagement told us? Yorkshire Water knows that the matters most important to the communities around it are:

- Access to green spaces;
- Clean drinking water; and
- Keeping sewage in the pipes.

Stakeholder – investors

At Yorkshire Water there are four investors, who own shares in the ultimate holding company, Kelda Holdings Limited.

How has Yorkshire Water engaged? All four of the investors have a representative on the Yorkshire Water Board. The investors are therefore directly involved at a Board level, which means Yorkshire Water is able to ensure they are all treated fairly and their views are represented in Board-level decisions.

What has the engagement told us? The matters of key concern to the investors are:

- The investability of the sector;
- Improving customer service and operational performance; and
- Demonstrating the highest standards of business conduct.

Stakeholder – suppliers

The Yorkshire Water supply chain is an essential part of the business and the company is keen to understand the thoughts and priorities of suppliers, many of whom are local to Yorkshire.

How has Yorkshire Water engaged? Yorkshire Water engages with suppliers in multiple different ways, depending on the extent of the services provided by the supplier. They 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 Yorkshire Water 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 the engagement told us? The things that matter most to Yorkshire Water 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 its regulators are therefore amongst the key stakeholders for Yorkshire Water. They seek to build good relationships with each regulator to better understand their expectations and how they can best align to these.

How has Yorkshire Water engaged? Yorkshire Water has multiple interactions with its regulators at all different levels of the organisation. The Yorkshire Water Board has had face-to-face meetings with representatives from Ofwat, the Environment Agency and the Drinking Water Inspectorate during the year and has heard direct feedback from each on their requirements and their experience of working with Yorkshire Water.

The business also respond to consultations on future regulation to ensure that it is contributing to the debate on how regulation could evolve. All responses are shared with the Yorkshire Water Board to keep them informed.

What has the engagement told us? Yorkshire Water knows that its regulators are most focused on:

- Regulatory compliance which delivers for customers and the environment;
- Financial resilience; and

- Strong, demonstrable governance in relation to the oversight of the Board.

Stakeholder – politicians

There are 56 Members of Parliament in the area served by Yorkshire Water, including 22 who were newly elected during the year. Yorkshire Water knows that they all want to champion the causes that are important to their constituents.

How has Yorkshire Water engaged? The company engages regularly with local politicians, through email updates and through meetings and visits, to help them understand the work that Yorkshire Water is doing to improve its services.

During the year Nicola, the CEO, has met with local politicians on multiple occasions, and she and Paul, the CFO, appeared before the Environment, Food and Rural Affairs Committee in February 2025 to respond to questions on the performance of the company.

Yorkshire Water also maintains links to local councils and regional mayors, which is particularly important when severe weather incidents occur and is then able to work together to mitigate the impact on customers and communities.

What has the engagement told us? Yorkshire Water knows that local politicians are interested in:

- Reducing storm overflow discharges;
- Executive pay; and
- Dividends.

The long-term

As well as considering stakeholders, the Yorkshire Water Board has to also consider the long-term in its decision-making. The ambition is for a thriving Yorkshire, and Yorkshire Water consider the long-term implications for Yorkshire, for customers and for the environment, in all its decision making. The Board has a 30-year financial model which is updated for all key decisions to show the long-term financial impact of any decision made. In addition, the Board has considered the long-term regularly throughout the year in its consideration of the Final Determination from Ofwat, and the long-term plans covered by this, which stretch over the next 25 years and beyond.

The Board also considers future risks and opportunities through regular horizon scans, papers and presentations from subject matter experts on future considerations, as well as through the work undertaken by the Audit and Risk Committee on the long-term viability scenarios, which is covered further in the Yorkshire Water ARFS.

A reputation for high standards of business conduct

The Yorkshire Water Board is very aware that trust in the water sector has decreased over recent years for a variety of reasons. As a company it is seeking to address this through greater transparency and clearer explanations of what it does as a business and how it is performing.

It seeks to maintain high standards of business conduct in all that it does and it has a Code of Ethics, which it expects all colleagues and partners to follow. This sets out the ethical standards it expects from all those working on behalf of Yorkshire Water.

The Board received deep dives in the year on both compliance risk and governance risk, considering how both are measured, the controls in place in relation to each and the assurance required by the Board.

The Yorkshire Water Board is given assurance on the information it receives through various means, including internal audit reports, external assurance reports or from the Board Committees, which have the capacity to scrutinise information more closely before it is discussed by the Board.

Key decisions

The following are examples of key decisions undertaken by the Kelda Finance (No.1) Board and the Yorkshire Water Board during the year and how stakeholder engagement, and consideration of the long-term, have influenced those decisions:

The decision	How we engaged with stakeholders	How this links to the Yorkshire Water strategy	The view of the Board
Kelda Finance (No.1) Limited Board The approval of dividends of £68.0 million during the year.	The Board had to take into account multiple views in its consideration of the dividend proposals. There was discussion around the views of stakeholders, such as debt-holder and investors, the performance of the business and its subsidiaries in the round, both in the year-to-date and forecast for the remainder of the year, and compliance with accounting rules and legislation.	As part of the Yorkshire Water strategy, there is a foundation of being a Sustainable Business, which includes ensuring financial resilience for the benefit of stakeholders in the long-term.	The Board concluded that the payments were within the rules and legislation, as well as being justifiable based on the expected and actual performance of the business and its subsidiaries in the year. It was also noted that the dividends were expected to stay within the group, rather than being paid on to the ultimate shareholders, and would therefore ultimately benefit the financial resilience of the group.
Yorkshire Water Board The approval of a change to the Articles of Association to include the purpose of the company.	The request for a change to the Articles, came from the Secretary of State for the Department for Environment, Food and Rural Affairs, therefore the view from politicians was very clear. The Yorkshire Water Board knew that the change would be welcomed by other	The change to the Articles aligned exactly with the purpose, which is set out in our strategy, and the requirements of s.172 (1). The Articles now state that "the purpose of the company is to conduct its business and operations for	The Yorkshire Water Board welcomed the change to the Articles, acknowledging that it aligned exactly with both the duty of directors in s.172 (1) of the Companies Act 2006 and with the corporate strategy, which was approved by the Board in 2023.

	<p>stakeholders as it aligned exactly with the corporate strategy and the aim for a thriving Yorkshire, right for customers and right for the environment, which was tested with stakeholders prior to its implementation in 2023.</p>	<p>the benefit of members as a whole while delivering long-term value for its customers, the Yorkshire region and the communities it serves and seeking positive outcomes for the environment and society.”</p>	
<p>The approval of the undertakings agreed with Ofwat in relation to their Wastewater Networks Investigation</p>	<p>There were detailed discussions with Ofwat throughout the Wastewater Networks Investigation. The Board decision in relation to the undertakings also had to consider what it believed to be the right outcome for our customers, the environment and our partners. There was discussion directly with suppliers and environmental stakeholders on the ways in which the additional investment could be spent most effectively to benefit the environment.</p>	<p>Doing right for the environment is one of the key aims of the corporate strategy. Reducing wastewater discharges and improving river health are key components of this, as well as being important to customers, which is another key aim of the corporate strategy.</p>	<p>The Yorkshire Water Board approved the additional investment of £40m contained within the undertakings, which included funding of £3.4m to the Great Yorkshire Rivers partnership to directly benefit river health within Yorkshire. The Board believed that this was the right outcome for customers and the environment in addressing concerns around wastewater discharges.</p>
<p>The decision over whether or not to seek a redetermination in relation to the PR24 Final Determination from Ofwat</p>	<p>The PR24 Business Plan was discussed in detail with multiple stakeholder groups prior to submission to Ofwat, as set out in the Annual Report last year. The Yorkshire Water Board therefore knew that the Plan had support from stakeholders. The Final Determination provided the total funding that had been requested, although</p>	<p>The entire PR24 Business Plan was based on the corporate strategy of aiming for a thriving Yorkshire, right for customers and right for the environment. The considerations by the Board included detailed reviews of the impact of the Final Determination on delivery for</p>	<p>The Yorkshire Water Board had significant concerns in relation to the Final Determination, regarding its impact on the investability of the sector, however it concluded that the right outcome for customers, communities and the environment was not to seek a redetermination but to focus on delivery of</p>

	<p>split into different types of expenditure. The Board therefore had to consider whether the Final Determination would enable Yorkshire Water to deliver its commitments to customers, communities and the environment. The Board also considered the potential impact on customers of seeking a redetermination, which may have led to a higher increase in customer bills in AMP8. The Board also took into account the impact on colleagues of seeking a redetermination, both in terms of the significant resource this would require but also the potential impact on morale of delaying the outcome of the Price Review process further.</p>	<p>customers and the environment.</p>	<p>the commitments made in the PR24 Business Plan.</p>
--	---	---------------------------------------	--